

Nobody's Perfect , Nobody's All Bad, Therefore . . .

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Nothing like MBA alumni to keep the old professor on his toes. Four of them e-mailed me recently. Jocelyn Neudecker sent me the item last month about her company Pfizer's MAINTAIN program that helps newly unemployed Americans and financially needy families without prescription coverage continue to get their Pfizer medicine free of charge for up to 12 months or until they become insured. This month it was MBA Alison Cristando of Sanofi-Aventis who alerted me to Sanofi-Aventis's decision to donate one hundred million doses of vaccine against the pandemic H1N1 2009 virus to the World Health Organization. Bravo! I said last month, and I repeat this month.

The significance here is that I have reviewed some very serious and thoroughly-documented critiques of the pharmaceutical industry (e.g., *Our Daily Meds* by Melody Petersen and *The Truth About the Drug Companies* by Marcia Angell). The Merck and Johnson & Johnson-type benevolent pharma giants of the past (cf. *Built to Last* on Merck) seem to be long gone. We shudder to see that Roche has taken over Genentech, one of the bright spots on the horizon. But you've got to cheer what Pfizer and Sanofi-Aventis have done this past month.

Similarly, MBAs Elsie Wolfe and Lauren Woerner of Safeway notified me that their firm has been listed as one of the 99 most ethical companies of 2009 by Ethisphere which defines itself as "The World's Most Recognized Name in Business Ethics and Anti-Corruption." Oh? Their six criteria are: (1) corporate citizenship and responsibility (20%), (2) corporate governance (10%), (3) innovation that contributes to public well-being (15%), (4) industry leadership (5%), (5) executive leadership and tone from the top (15%), legal, regulatory, and reputation track record (20%), and (6) internal systems and ethics/compliance programs (15%). Important stuff and two cheers for Safeway on winning this recognition.

Safeway's past gaffs on executive compensation (vs. CEO performance as evaluated by executive compensation watchdog organizations), cleanliness of stores (reported on 20/20), injecting pink food coloring into salmon to make it look fresher, and labor relations have not put the company in a very ethical light. Recently and locally, Safeway's absolute refusal to yield to massive grass roots opposition to a monster mega-grocery store they want to impose on my own neighborhood is a shameful attempt at corporate bullying that doesn't have much hope of ending well. On the other hand, Safeway's HR practices regarding diversity, hiring the mentally disabled to bag groceries, etc., are exemplary by any standard. So we cheer Safeway's ethics award (and HR practices!).

American Apparel, Southwest, Whole Foods, Toyota

Let's be clear on this: even the ethically exemplary companies have their gaffs and failures. I love how American Apparel has shown that it is possible to manufacture and retail clothing in the USA and pay decent wages (well above the minimum) and health care benefits. American Apparel is an unbelievable success story in the face of massive textile industry job migrations to cheap labor markets around the world. And yet --- CEO Dov Charney has been subject to numerous sexual harassment complaints and lawsuits; wake up Dov! And this month American Apparel is on notice from US Immigration and Customs that 1800 of its 5000 workers in Los Angeles do not have the right work permits and, along with a \$150,000 fine, this third of their workforce may need to be fired. Apparently all the workers presented documents but many were forgeries and fakes. Such a progressive, ethical guy in so many ways --- but how will CEO Charney and his company deal with these challenges and do the right thing?

And I'm a huge fan of Southwest Airlines: great customer service, marvelous place to work, great leadership from Herb Kelleher, Colleen Barrett, Gary Kelly and others (no compensation scandal and excess), exemplary relations with and among unions (SW is the most heavily unionized of all the airline companies). And profitable for 36 years in a row until this past year's economic tsunami that has blasted

everyone. No other airline compares. And yet --- Southwest got called on the carpet in an embarrassing airplane inspection failure last year. Nobody's perfect.

Few companies are as intentionally ethical and responsible and idealistic as Whole Foods. One visit to their web site will show you how seriously they take it all. Exemplary leadership and compensation practices at the top by founder/CEO John Mackey --- until he messed it up by his juvenile game-playing under a pseudonym trying to blog down the reputation and value of Wild Oats, a healthy food market he wanted Whole Foods to take over. And as much as I admire Whole Foods, the Wild Oats takeover was not the first bully-move that cost consumers. Their takeover of Boston-based Fresh Fields replaced a much better grocery store chain with worse customer service and prices that warranted the "Whole Paycheck" or "Whole Foods Markup" jibes often heard. Anecdotally, I find that when I ask Whole Foods employees "how do you like working here?" I often get distinctly unenthusiastic responses if not griping. (By contrast, it is hard to find disgruntled employees of Southwest or In-n-Out Burgers to take a couple other examples).

And finally, the much-praised and admired Toyota company. Amazing quality, innovation, culture, cost structure, employee care, and success. Absolutely puts to shame the American Big Three along with Volvo, SAAB, Volkswagen and most other auto companies. And Toyota is manufacturing cars and trucks in the USA while Detroit is closing factories and manufacturing their mostly dreadful products overseas. Bad for customers, bad for American workers. And yet --- when congress was considering raising fuel economy standards a year or so ago, Toyota joined the Big Three in lobbying against better standards in order to continue making a few bucks from its bigger gas guzzlers. Nobody's perfect!

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So what is the bottom line, the lesson, here?

First, let's not be paralyzed by cynicism, dismiss all improvement as hypocritical, or withhold our applause until we see perfection. When any company (or individual) does anything praiseworthy, let's lead a cheer. The good things that Safeway, Sanofi-Aventis, Pfizer, American Apparel and others have done are, in fact, good --- no matter what else is in their track record.

Second, we must be careful not to overly-demonize the "bad guys." Too easy, counter-productive, and simplistic. Better to criticize specific, verifiable actions and hold those responsible accountable. We must not be intimidated or bought off or silenced (hello some members of congress!) --- but over-the-top ranting only helps the ranter feel better; we need more constructive criticism and engagement.

Third, we must be careful not to give a free pass or take for granted the goodness and virtue of the exemplary companies. Look how Merck and Arthur Andersen lost it. There are no absolute guarantees that Toyota, In-n-Out, Costco, Southwest, Patagonia and their kind will continue to take the high road. These companies also need our vigilance and criticism along with our encouragement.

Fourth, and finally, all of this is a waste of time unless we end up looking at our own organizations and our own management style and ethics. We have very limited capacity to change Safeway or Pfizer or American Apparel or Exxon, unless we work there and have some clout. We can speak up and we can vote with our pocketbook, but not much else. But where we spend our time from hour to hour and day to day --- that's where we can make an impact for good ethics, for treating our colleagues, employees, customers, and other stakeholders with the respect and integrity they deserve.