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JOURNAL OF VALUES-BASED LEADERSHIP*

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JVBL Mission Statement

The mission of the *Journal of Values-Based Leadership* (*JVBL*) is to promote ethical and moral leadership and behavior by serving as a forum for ideas and the sharing of "best practices." It serves as a resource for business and institutional leaders, educators, and students concerned about values-based leadership. The *JVBL* defines values-based leadership to include topics involving ethics in leadership, moral considerations in business decision-making, stewardship of our natural environment, and spirituality as a source of motivation. The Journal strives to publish articles that are intellectually rigorous yet of practical use to leaders, teachers, and entrepreneurs. In this way, the *JVBL* serves as a high quality, international journal focused on converging the practical, theoretical, and applicable ideas and experiences of scholars and practitioners. The *JVBL* provides leaders with a tool of ongoing self-critique and development, teachers with a resource of pedagogical support in instructing values-based leadership to their students, and entrepreneurs with examples of conscientious decision-making to be emulated within their own business environs.

Call for Papers

The *JVBL* invites you to submit manuscripts for review and possible publication. The *JVBL* is dedicated to supporting people who seek to create more ethically and socially-responsive organizations through leadership and education. The Journal publishes articles that provide knowledge that is intellectually well-developed and useful in practice. The *JVBL* is a peer-reviewed journal available in both electronic and print fora. The readership includes business leaders, academics, and students interested in the study and analysis of critical issues affecting the practice of values-based leadership. The *JVBL* is dedicated to publishing articles related to:

1. Leading with integrity, credibility, and morality;
2. Creating ethical, values-based organizations;
3. Balancing the concerns of stakeholders, consumers, labor and management, and the environment; and
4. Teaching students how to understand their personal core values and how such values impact organizational performance.

In addition to articles that bridge theory and practice, the *JVBL* is interested in book reviews, case studies, personal experience articles, and pedagogical papers. If you have a manuscript idea that addresses facets of principled or values-based leadership, but you are uncertain as to its propriety to the mission of the *JVBL,* please contact its editor. While manuscript length is not a major consideration in electronic publication, we encourage contributions of less than 20 pages of double-spaced narrative. As the *JVBL* is in electronic format, we especially encourage the submission of manuscripts which utilize visual text. Manuscripts will be acknowledged immediately upon receipt. All efforts will be made to complete the review process within 4-6 weeks.

Review Process

The *JVBL* seeks work that is clearly written and relevant to the Journal's central theme, yet imbued with analytical and intellectual excellence. In this respect, the editorial review board shall consist of both leading scholars and respected high-level business leaders.

All manuscripts undergo a two-stage review process:

1) The editor and/or his or her representative will conduct a cursory review to determine if the manuscript is appropriate for inclusion in the *JVBL* by examining the relevance of the topic and its appeal to the Journal's target readership. The editor may: a) reject the manuscript outright, b) request submission of a revised manuscript which will then be subject to a comprehensive in-house review, or c) forward the manuscript for review pursuant to the provisions of the following paragraph.
2) The editor will send the manuscript to three reviewers consisting of at least one scholar and one practitioner. The third reviewer shall be chosen at the editor's discretion, depending upon the nature of the manuscript. Once reviews are returned, the editor may: a) accept the manuscript without modification, b) accept the document with specific changes noted, c) offer the author(s) the opportunity to revise and resubmit the manuscript in response to the reviewers' and editors' comments and notations, or d) reject the manuscript. To be considered publishable, the manuscript must be accepted by at least one of each type of reviewer.

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Letter from the Editor

"We don't need more regulations; we just need better referees."

From Atlanta-based *Interface, Inc.* — a multi-national, billion-dollar industry, previously featured in the third issue of the *JVBL* — to a community bank with roots in South Bend, Indiana, the message from upper-level management is clear: *"We don't need more regulations; we just need better referees."* Whether or not this is becoming more of a reality may be too premature to assess, however this has become the rallying cry of so many business leaders.

At a time when fiscal uncertainty dominates the marketplace, much of the wrath for this predicament has been directed to the banking industry… with much justification. Institutions like Chase, AIG, CitiBank, and Bank of America conjure up castigating reactions especially when unfathomable, six to seven figure executive bonuses are being planned in the wake of one of the nation's largest corporate financial rescue. Using the hometown *Bailey Savings and Loan* portrayed in the iconic film "*It's a Wonderful Life*," bloggers at http://moveyourmoney.info/ as well as reporters from *The Huffington Post* are calling for citizens to move their money out of the large institutions and into small, community banks. But is this wise — especially at a time when 140 smaller banks have failed and closed their doors in less than two years? And why should smaller banks be trusted in the first place?

One home-grown, family-owned bank has managed to rise above the pack to become recognized as a leading, smaller financial institution by following a course of principled motives and good financial common sense. First (1st) Source Bank is featured in the opening article which details how a little known investment company grew from the ashes of the Civil War, survived the Great Depression, and through the most recent recession was named as one of America's "100 Most Trustworthy Public Companies" by *Forbes* and *Audit Integrity* from among more than 12,000 publically traded companies and thirtieth among the nation's "Top Performing Banks" by *Bank Director Magazine.*

The next submission emanates from Canada. With the world turning its attention to the slopes of Vancouver, British Columbia for the 21st Winter Olympic Games, this city has also been in the spotlight for its progressively-minded business innovators and entrepreneurs. Chantal B. Schauch, Founder and President of Vancouver-based ImmerseUs Communications, has successfully morphed the traditional concept of business entrepreneur with the modern-day ecologist, ultimately identifying the key characteristics of the "ecopreneur." Ecopreneurs embrace a sense of *what is right* as part of their moral psyche which guides how they live, work, and interact. She admonishes companies to measure their impact by applying "triple bottom line" metrics – anything else will inevitably result in wasted opportunities and disregard of stakeholders.

With the matriculation of students into business schools, many will inevitably select Accounting as their primary field of concentration while others will simply be exposed to its fundamentals. Regardless, the oft-referenced "numbers" major is not and should not be immune to the study and incorporation of ethics. Dr. Otto H. Chang, Dean of the Richard T. Doermer School of Business and Management Sciences in Fort Wayne, Indiana, writes that the mainstream, neoclassic theory used in accounting instruction possesses an inherent assumption that all decision-makers are selfish opportunists. In this manner, the theory actually glorifies and reinforces ego-centrism for students who are learning to make the right decisions in various scenarios. It promotes a self-centered values system which eschews consideration for others. Instead, as Chang admonishes, individuals must be taught that they will be held accountable — not only for the pursuit of their private interests — but for the more comprehensive private good.

Recently, much has been written about how the fiduciary duties owed to a company's shareholders have expanded to include social responsibility concerns and environmental stewardship to the larger, more encompassing stakeholder population. In any given business, employees are key stakeholders. During the past century, labor and management have frequently been at odds with one another, frequently resulting in work stoppages, strikes, and the enactment of a plethora of laws — all creating varying degrees of conflict and ill will. Charles Millick, business professor, entrepreneur, engineer, and consultant focuses his research upon the emerging role of the co-managerial employee and the erosion of a more regimented workforce hierarchy. Recognizing and utilizing the strengths of the employee without continuing a disingenuous notion of "climbing the corporate ladder" has produced greater worker participation at all levels of decision-making as well as generated a sense of pride and self-confidence – an intangible award much more valuable than power, prestige, and reputation.

This sense of reshaping industry and identifying its larger role in society takes on a new dimension from one noted researcher emanating from the United Kingdom. Dr. Bruce Lloyd of the London South Bank University explores the proper interaction and balancing of *Power* — which is ostensibly the force which makes things happen — and *Responsibility* in business decision-making. The wise exercise of striking an appropriate balance between *Power* and *Responsibility* is what helps ensure that as many "good" things happen as is possible.

Lastly, entrepreneur and small sustainable business consultant, David Brauer, argues that simply incorporating an environmental vision in strategic management operations — better known as the "Green to Gold" phenomenon — is not necessarily a guarantee of success. Rather, the entrepreneur must embrace the values-based revolution which is permeating the corporate world and is premised upon the principle that consumers will purchase products and services from organizations that share values in synchronization with their own principles.

— ***Elizabeth Reiner Gingerich , J.D., Editor***

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Decision-making ostensibly requires the exercise of *Power*. But that use of Power must be counterbalanced with *Responsibility* in order to make good decisions. Infusing *Wisdom* into the decision-making process necessarily incorporates an ethical component and involves both the identification and evaluation of relationships. Wise decision-making, therefore, requires the application of *Wisdom* which transcends simple, short-lived factual proficiency. It is this careful weighing of *Wisdom*, *Power*, *Knowledge*, and *Responsibility* which must guide our business leaders and be taught to our business students.

81 The Values-Based Revolution

David B. Brauer, Founder and CEO of Beechers Gelato and Gourmet Coffee, LLC

The key to creating a successful business is not guaranteed by disingenuously "going green" — especially if that term lacks certain definition. Rather, in addition to adopting principles of environmental stewardship, the values-based leader will discover that in freely espousing and implementing principles in the workplace, consumers with like values will often pay a product and/or service premium to patronize a business demonstrating like mindset. This is the true way of achieving business success.

1st Source Bank
Your partners from the first®

1st Source Bank: A Partner from the Great Depression through the Economic Recession

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ELIZABETH GINGERICH, J.D., EDITOR
JOURNAL OF VALUES-BASED LEADERSHIP
VALPARAISO, INDIANA

Introduction

According to the Federal Deposit Insurance Corporation (FDIC) — the official government-appointed receiver of failed bank assets — over 175 banks have been closed through voluntary measures or directly by the FDIC since October 1, 2000. Over 75% of these closures occurred in 2009. Before this downward slide, depositors were insured up to $100,000 for all accounts at any one bank. On October 3, 2008, this insurance protection was increased to $250,000 per depositor. With little expectation of a quick fix in the banking industry, on May 20, 2009, the FDIC extended this additional coverage through December 31, 2013. However, the historical protection of $100,000 per depositor will be reinstated for all account categories on January 1, 2014 (except for certain retirement accounts which will remain at $250,000) (http://www.fdic.gov/bank/individual/failed/banklist.html).

Table 1: Bank Closings since October 1, 2009

Bank Name	City	State	Closing Date	Updated Date
Commerce Bank of Southwest Florida	Fort Myers	FL	November 20, 2009	November 24, 2009
Pacific Coast National Bank	San Clemente	CA	November 13, 2009	November 18, 2009
Orion Bank	Naples	FL	November 13, 2009	November 17, 2009
Century Bank, F.S.B.	Sarasota	FL	November 13, 2009	November 18, 2009
United Commercial Bank	San Francisco	CA	November 6, 2009	November 9, 2009
Gateway Bank of St. Louis	St. Louis	MO	November 6, 2009	November 9, 2009
Prosperan Bank	Oakdale	MN	November 6, 2009	November 9, 2009
Home Federal Savings Bank	Detroit	MI	November 6, 2009	November 9, 2009
United Security Bank	Sparta	GA	November 6, 2009	November 9, 2009
North Houston Bank	Houston	TX	October 30, 2009	November 3, 2009
Madisonville State Bank	Madisonville	TX	October 30, 2009	November 3, 2009
Citizens National Bank	Teague	TX	October 30, 2009	November 3, 2009
Park National Bank	Chicago	IL	October 30, 2009	November 3, 2009
Pacific National Bank	San Francisco	CA	October 30, 2009	November 3, 2009
California National Bank	Los Angeles	CA	October 30, 2009	November 3, 2009
San Diego National Bank	San Diego	CA	October 30, 2009	November 3, 2009
Community Bank of Lemont	Lemont	IL	October 30, 2009	November 3, 2009

Bank USA, N.A.	Phoenix	AZ	October 30, 2009	November 3, 2009
First DuPage Bank	Westmont	IL	October 23, 2009	November 3, 2009
Riverview Community Bank	Otsego	MN	October 23, 2009	November 3, 2009
Bank of Elmwood	Racine	WI	October 23, 2009	November 3, 2009
Flagship National Bank	Bradenton	FL	October 23, 2009	October 29, 2009
Hillcrest Bank Florida	Naples	FL	October 23, 2009	October 28, 2009
American United Bank	Lawrenceville	GA	October 23, 2009	October 28, 2009
Partners Bank	Naples	FL	October 23, 2009	October 28, 2009
San Joaquin Bank	Bakersfield	CA	October 16, 2009	October 21, 2009
Southern Colorado National Bank	Pueblo	CO	October 2, 2009	October 20, 2009
Jennings State Bank	Spring Grove	MN	October 2, 2009	October 20, 2009
Warren Bank	Warren	MI	October 2, 2009	October 20, 2009
Georgian Bank	Atlanta	GA	September 25, 2009	October 13, 2009

Smaller, hometown bank closures — ranging from the Riverview Community Bank of Otsego, Minnesota to the Flagship National Bank of Bradenton, Florida — combined with the negative impact generated by more cognizable, megalithic banks dominating the news headlines, have adversely shaken consumer and creditor confidence. But why is this occurring at such an alarming rate? Greed, mismanagement, incompetency? Or a combination of all of these factors in varying proportions?

In a country where the banking industry seems to have sacrificed integrity for the quick commission (i.e., a pattern which has been more prevalent with the *investment banking model* and its "pay for transaction" approach as opposed to the *commercial banking model* and its "pay for service over the long-term" practice), it appears that our financial institutions have foregone their fiduciary responsibilities to their stakeholders. And in a world where businesses myopically focus upon rapid expansion and growth without due concern for exercising fiscal common sense and ethical decision-making, at least one hometown, family-owned, financial institution is keeping things honest… *and* local.

Its Beginnings

Just two weeks after President Abraham Lincoln's delivery of the Gettysburg Address, 1st Source Bank's predecessor, *First National Bank*, opened for business on November 30, 1863 in South Bend, Indiana, with capital stock of over $100,000. One of its first shareholders was Schuler Colfax, who went on to become Vice President of the United States under Ulysses S. Grant. In 1928, First National became the first bank in the city and the 15th in the nation to change from teller cages to a counter system. Its resources had grown to nearly $2.0 million.

During the Great Depression, the bank completed a merger and became known as the First Bank and Trust Company in 1931. The bank completed its final name change in the 1980s and became known as it is today: 1st Source Bank. Despite the title changes, the final name has remained as a way to identify with the customer and "to better reflect the diversity of our products and services" (http://www.1stsource.com/corporate/our_history.cfm).

Throughout its history, "these products and services" are consistently provided with the company's self-proclaimed values of "integrity, superior quality in everything we do, outstanding customer service, teamwork, and community leadership" (http://www.1stsource.com/corporate/our_values.cfm). Rather than subscribe to the more ethically-compromised, prosaic goal of "profits above all else," 1st Source has espoused a different philosophy: "The 1st Source mission is to help individuals, institutions, businesses, and communities achieve security, build wealth, and realize their dreams" (http://www.1stsource.com/corporate/our_mission.cfm). But this company does more than simply pay lip-service to pleasant-sounding ideals: it engages the individual "with straight talk and sound advice" (Murphy, January, 2010).

An Oxymoron?

An honest bank? In the Spring of 2009, *Forbes* and *Audit Integrity* named 1st Source Corporation — parent company of 1st Source Bank — as one of America's "100 Most Trustworthy Public Companies" from among more than 12,000 publically traded companies. The metrics used to render this assessment included financial reporting transparency, values-based governance, and strict accounting standards. Additionally, *Bank Director Magazine* ranked 1st Source as thirtieth among the nation's "Top Performing Banks" with respect to profitability and stable capitalization. On April 22, 2009, the *South Bend Tribune* showed off its home-spun creation as a success in the midst of Treasury Secretary Timothy Geithner's proclamation that despite bailout monies, the country's largest banks were still broken. 1st Source also has other accomplishments bestowing bragging rights. In the region, it has the lowest number of mortgage delinquencies and charge-off rates. Equity capital is in excess of 14% even without the Troubled Asset Relief Program (TARP)[1] monies while the national average is closer to 10%. Additionally, the bank has received:

- A 5 Star Superior Rating from BauerFinancial (www.bauerfinancial.com);
- a B+ ranking as one of the nation's strongest banks; and
- the highest level of capitalization rating by federal regulators.

These accolades are incongruent to current trends. The predatory lending and disastrous borrowing practices that have been toppling banks like dominoes over the last several years have shared one common descriptive phrase: emphasis has been misplaced on the transaction as opposed to cultivating the individual relationship. 1st Source Chairman and CEO Christopher Murphy III has attempted to identify the root problems which precipitated this downward fall: de-regulation, investor greed, incompetency, legislative failures, and quick-transaction schemes. In addition to Wall Street, Murphy places some of the blame on Washington, claiming that:

- *The Community Reinvestment Act*,[2] originally enacted in 1977 to reduce discriminatory credit practices in low to moderate-income neighborhoods, overshot its intended aim to ensure community security;

- *Freddie Mac* and *Fannie Mae*,[3] often pinpointed as the two mortgage monsters at the eye of the sub-prime firestorm in 2009, recklessly invested their assets in lower quality loans to increase home ownership. This led to a change in home ownership from 63% recorded in 1993 to 68% of the population by 2008 (Wallison, 2009). These practices were further supplemented by the enactment of the *American Dream and Down Payment Act*[4] and its progeny; and

- The repeal of the *Glass-Steagall Act*,[5] originally passed by Congress during the Great Depression to separate commercial and investment banking and the imbedded conflicts of interest and to protect the nation's economy from financial crises. The repeal further obfuscated critical regulatory controls and created an atmosphere favorable for risky, investment schemes, ultimately leading to the bank bail-outs of 2008-2009.

Murphy opines that the synchronization of Washington practices with Wall Street demands led the country in the wrong direction. Instead, the small, regional banks like 1st Source "know what a community needs and take a long view."

Core Values

So what makes 1st Source seemingly impervious to the systematic corruption which nearly launched a second Great Depression?

With assets totaling 4.6 billion dollars, over 75 banking centers in 17 counties, 95 ATMs, 7 insurance offices, and 7 Trust and Wealth Management offices, 1st Source is the largest, locally-controlled financial institution in Northern Indiana/Southwestern Michigan. ("Press Releases," http://www.1stSource.com). Its ranking as "top performing" and "most trustworthy" is not just measured against small town banks and regional financial institutions, but includes such megabanks as Wells Fargo, Citibank, and JP Morgan Chase. This is quite an achievement especially in a tanking, volatile economy, where largesse signals anxiety.

> ***In today's environment when many financial institutions have been painted with a broad brush of negative sentiment, it is definitely a positive when you are recognized for your audit integrity.***
>
> -Joe Stieven, CEO, Stieven Capital Advisors, L.P. (speaking of 1st Source's national recognition)

According to the New York investing firm of Sandler O'Neill & Partners, L.P., the salient features of the top performers listed on the 2009 scorecard signal a retreat to the more simplistic values of customer concern and attentiveness, respect for colleagues, the substitution of an entrenched hierarchical workforce for more collective and effective governance, and a firm commitment to community involvement. These characteristics are somewhat reminiscent of the message of E.F. Schumacher's revolutionary "*small is beautiful– economics as if people mattered*" message in the early 1970s. Simple common sense dictates that uncontrolled and unfettered growth often breeds lack of control, unsupervised management, and loss of principles. The collective good often becomes obscured in the personal quest for consummating the quick transaction.

Tradition!

One of the defining phrases of *Fiddler on the Roof* — "Because of our traditions, everyone knows who he is and what he is expected to do" — could well describe the corporate philosophy of 1st Source. While certain traditions can stifle diversity and compromise innovation, historical core values of garnering trust and respect are critical ingredients to this bank's success. Both exotic and unconventional loan products and financial practices are systematically eschewed by this steady, persevering bank. Instead, uncalculated risks are avoided and lending is predominantly directed to individuals and businesses with sound credit histories while community involvement at all levels is practiced. Construction and development lending has been virtually jettisoned by this high-performing, stable institution.

How can the practices of this one bank inspire mimicry? Does the answer lie in increasing the number and/or broadening the scope of laws? With a plethora of banking and securities regulations, how is it that a man such as Bernie Madoff — former Chairman of the NASDAQ Stock Exchange — could infiltrate the financial scene and defraud so many individuals, businesses, and not-for-profits under the radar of so many regulators and regulations?

At a 1st Source corporate meeting held in July, 2009, Chairman Murphy delivered a speech that was truly telling about the philosophy of the organization:

> ***"What we need is not necessarily more laws; we have plenty of these. What we truly need are better referees."***

And, prolifically,

> ***"We care about what happens in our communities. With other financial institutions, there appears to be no sensitivity to relationships. When the focus is on productivity, employees and customers are sacrificed in the process. .... We encourage independent thinking amongst our employees without threat of reprisal for communication of divergent views."***

1st Source has striven to provide the best education of its employees and to infuse diversity throughout its workforce. As the company places key emphasis on management succession, it subsidizes educational support in the process (several officers have completed the Notre Dame Executive MBA program). Chairman Emeritus of the bank, Ernestine M. Raclin, helped pioneer new avenues of opportunity to promote a more diverse employee base. Upper-level management shows a greater infusion of females and minorities. The bank has recognized the needs of its communities by taking steps to offer bilingual assistance as well.

The bank has consistently rejected the tendencies of other banks to produce and promote "teaser rates" which lure in additional customers who ultimately must face unexpected balloon payments, and ultimately, in so many cases, eviction, foreclosure, and homelessness. Inflating asset values is eschewed; "pump and dump" strategies are anathema to the history and stability of this banking system.

According to 1st Source Bank Senior Vice President Robert Ax, when lending moved from a case-by-case analysis and full relationships to a commission-based transaction approach where numbers trumped quality of services, many banks succumbed to this unadulterated greed and began the downward spiral. The introduction of hedge funds and other private financial schemes flooded the market below the radar screen and out of regulatory reach were the final nails in the coffin. According to Ax, the successful banking strategy is really very simple:

> ***"If the assets are unstable and futures unpredictable, don't buy the portfolio."***

As testament to building long-lasting security, approximately 2 ½ - 3% of 1st Source's assets are maintained as reserves.

Response to Challenging Times

1st Source, formerly operating as First National Bank in South Bend, was certainly not insulated against the events of "Black Tuesday." October 29, 1929 ushered in the decade-long Great Depression and First National Bank suffered economically in much the same manner as other financial institutions. Stocks plummeted and boom went to bust sparing very few businesses. But within the next several years, future thinking and additional capitalization led to the merger of First National Bank with the Indiana Trust Company in 1931 to form the First Bank and Trust Company. By 1925, the bank had assets exceeding $8.0 million. The hardships of the Great Depression actually tested the resolve of the bank's founders and by the end of the Second World War, the bank had even ventured into novel banking practices such as drive-up windows while strengthening its asset base with a recorded $43.4 million in deposits.

The City of South Bend experienced another financial challenge when one of its largest employers, the Studebaker Corporation, closed its manufacturing facility in December of 1963, leaving 7,000 men and women unemployed and eliminating a $50.0 million annual payroll. First Bank and Trust Company responded by both deferring loan repayments and making transition loans. By the end of the 1960s, the bank had actually opened six new branches and boasted assets of 169.2 million with deposits exceeding $135 million.

The tragic events of September 11, 2001, exacerbated an already weakened economy predominantly in the technology and manufacturing sectors and more locally in aircraft and rental car financing. Against the odds, the bank actually expanded its markets by opening 17 new markets in Northern Indiana and Southwestern Michigan. By the end of 2001, the bank had increased its total number of branches to 64.

As 1st Source currently operates in geographical regions demarcated by a vulnerable workforce, rising unemployment rates, and historically high foreclosures, all of this against a backdrop of increased FDIC insurance premiums and Sarbanes-Oxley[6] reporting requirements, harsh decisions have had to be made. Such economic uncertainty in the midst of the nation's worst sub-prime lending crises has ostensibly not left the bank immune to the country's economic woes. In 2009, the bank declared its participation in TARP — "as insurance against a crushing economy" (Murphy, 2010) — and will reportedly benefit from $111 million in government investment. This is despite a report — *contradicted by the bank* — released in 2009 that quoted the bank's approved TARP funds at $127.7 million (Shen, 2009). The decision to participate in this program, as Chairman Murphy explains, is aligned with the bank's dedication to its core values that kept it relatively safe from the brunt of the crisis as well as to its ongoing commitment to serve its markets and to help other institutions that might fail within such markets. Murphy states:

> ***"As we look across the industry, especially at what is happening to the large commercial and investment banks, I am thankful that we stuck to strong and basic lending principles. We have no Alt. A or sub-prime mortgages; a very large majority of the mortgages we have made are in the communities we serve."***

While the key emphasis of TARP was the purchasing of toxic assets, its application was in capital investments. Murphy explains that 1st Source is using the funds to assure it has strong funding and could improve market lending in any economic environment. The bank has decided to retain its allocated TARP monies until it is sure that that the economy is improving on a sustained basis. In this regard, it continues to exercise extreme caution and practice rigorous cost control.

Like most decisions 1st Source makes, its rationale behind avoiding sub-prime mortgages has just as much to do with the client's well-being as with its own. According to Murphy,

> ***"We have continued to be concerned about political pressures to make inappropriate loans. We have avoided those pressures in the past because we have always felt debt could become an impossible burden for people, limiting, rather than increasing, their quality of life."***

Although not directly affected by risky lending practices, Murphy states that it was primarily the prospect of being able to provide more loans to the creditworthy in the community, as well as having extra back-up money in case of further and deeper repercussions from the economic recession, that ultimately "overpowered [its] reluctance to accept an expensive equity investment and increased regulatory oversight by the federal government" (http://www.reuters.com/article/pressRelease/idUS201215+23-Jan-2009+BW20090123?symbol =SRCE.OQ).

In order to better understand the situation of 1st Bank in its acquisition of TARP monies vis-á-vis other recipient financial institutions in the country, Table 2 measures the percentage of TARP funds to total assets of six of the country's largest financial institutions together with 1st Source, as well as Alpine Bank, another small, locally-owned bank which is headquartered in Glenwood Springs, Colorado.

Table 2: Percentage of TARP Funds to Total Assets

Financial Institution	Amount Received in TARP Funds	Total Assets as of 09/30/2009	Percentage of TARP Funds to Total Assets
Alpine Bank	$70 million	$2,734,264,000	.026%
First Source Corp.	$111 million	$4.4 billion	.025%
Capital One	$3,555,199,000	$168.5 billion	.021%
Wells Fargo	$25 billion	$1.23 trillion	.02%
Citigroup Inc.	$25 billion	$1.89 trillion	.013%
Morgan Stanley	$10 billion	$770 billion	.013%
Goldman Sachs	$10 billion	$882.19 billion	.011%
Bank of America	$15 billion	$2.25 trillion	.007%

Community Support

Examining the company's own *2008 Community Involvement Report*, it is apparent that 1st Source gives back to the communities in which it operates. Since 2004, its annual donations to various organizations have consistently exceeded one million dollars, reaching its highest charitable contributions in 2008 with cumulative expenditures of $1,182,922 (http://www.1stsource.com/corporate/ourvalues.cfm).

A noticeably large majority of donations have been directed to educational endeavors, including the innovative funding of an i-stan human patient simulator that will benefit nursing students at Ancilla College. Other categories of causes that constitute 1st Source's contributions relate to social welfare and human services, civic and community organizations, and culture and the arts. Several of the recipient organizations in 2008 include Indiana University - South Bend, Woodlawn Hospital - Rochester, and Northeast Indiana Innovation Center - Fort Wayne. Also, throughout 2008, the company provided assistance to Meals on Wheels™, sponsorship for a home renovated by Rebuilding Together™, and help for creating a new award for the University of Notre Dame's faculty members commercializing intellectual property.

1st Source strives to continuously benefit its employees and clients. Its slogan – "your partners from the first" – espouses a symbiotic relationship of financial success between the institution and the client. In an effort to demonstrate appreciation of others contributing to their own communities, 1st Source has granted the *Ernestine M. Raclin Community Leadership Award* each year to those from the communities they serve who have exhibited an outstanding dedication to volunteerism. This award rewards the recipient monetarily and additionally provides 1,000 for the recipient to direct to a charity of this or her own choosing.

Other charities that have received assistance from 1st Source have included Humanity World Build™, Women's Task Force, Mennonite Church - US, Studebaker National Museum, Baker Youth Clubs, Encore Performing Arts, Family & Youth Services Bureau, Koscisuko County Community Foundation, and the Northern Indiana Historical Society.

The Future

Despite the current troubled times for American banks, 1st Source is maintaining its tradition of giving and integrity, and thus remains optimistic about the future. As Chairman Murphy articulated, "We are strong, stable, local, and personal, and we want to be here tomorrow and years from now serving each new generation of clients. We are an intergenerational bank and want to serve our clients' children, grandchildren, and great-grandchildren."

1st Source currently serves over 110,000 households — in excess of 19.8% of the regional share. Ostensibly, the recipe for this bank's success has been its teamwork, community leadership, and outstanding client service.

Endnotes

[1] The Troubled Asset Relief Program (TARP) is a program of the United States government to purchase assets and equity from financial institutions to strengthen its financial sector. It is the largest component of the government's measures in 2008 to address the subprime mortgage crisis. Part of the Emergency Economic Stabilization Act of 2008 (Division A of Pub.L. 110-343, enacted October 3, 2008), TARP was enacted in response to the subprime mortgage crisis authorizing the United States Secretary of the Treasury to spend up to $700 billion to purchase distressed assets, especially mortgage-backed securities, and to promote capital lending.

[2] The *Community Reinvestment Act*, enacted as Public Law 95-128, Title VIII, 91 Stat. 1147, 12 U.S.C. § 2901 *et seq.*) is a federal law which was originally designed to encourage commercial banks and savings associations to meet the needs of borrowers in all segments of their communities.

[3] Created by Congress in 1938, *Fannie Mae* (formerly known as the Federal National Mortgage Association (FNMA)) was originally part of the Federal Housing Administration (FHA) and designed to bolster the housing industry during the Great Depression. *Freddie Mac*, formerly known as the Federal Home Loan Mortgage Corporation (FHLMC), was created with a similar mission of guaranteeing a continuous flow of funds to mortgage lenders. While not direct lenders, Fannie Mae and Freddie Mac are the largest underwriters of home mortgages. Although credited for having opened the door to homeownership to individuals who would normally not otherwise qualified for more conventional loans, over the years mortgage lenders have grossly abused this form of lending insurance.

[4] 42 U.S.C. §12821 as amended.

[5] The *Glass–Steagall Act of 1933* established the Federal Deposit Insurance Corporation (FDIC) in the United States and included banking reforms, some of which were designed to control the financial speculation explosion of the last decade.

[6] *Sarbanes-Oxley Act of 2002*, also referred to as The Public Company Accounting Reform and Corporate Responsibility Act, (January 5, 2009, 15 U.S.C. Chapter 98).

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> *"This is who we are and this is what we do. You've got to stick to your guns. Things will come around — sometimes a customer will drop off but then come back. So once again, stick to your values and beliefs and what you set out to be in the first place. I cannot compromise, I just can't. In many instances you have to make a business case decision, because without a viable business, you cannot survive. But when it comes to bailing on who we are, and our values, just to make a sale — I just can't do that. In fact, I just want to keep getting better and getting at the core — digging deeper. I don't think we're doing nearly enough. We could be doing a whole lot more. I am always driven by that.*
>
> — Mickey McLeod, February 4, 2009

Authentic Identity: The Essence of How Successful "Ecopreneurs" Communicate

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Introduction

According to a recent report commissioned by the Suzuki Foundation in 2008, there is a fast growing realization by Canadians that in the long-run, a trade-off between economic prosperity and environmental protection is not an option (Rivers & Sawyer, 2008). Governments are increasingly investing in green economic solutions to contribute to global climate change initiatives, to prepare for an economic recovery from the recession, and to leverage the opportunity of long-term job creation (Finlayson, 2009). Leaders can contribute the most by looking beyond the traditional "bottom line" of maximizing profits. Fostering the long-term development of their people and organizations is critical for continuous adaptation to the changing environment, thereby enhancing the ability to thrive and grow (Kouzes & Posner, 2007). Thus, today's "age of accountability" (Savitz, 2006, p. xiv) — which demands economic development, social benefits, and environmental protection — leads back to what John Elkington (1997) argued twelve years ago. To be considered sustainable, companies need substantial performance shifts using "triple bottom line" (TBL) metrics, a concept that supports the three dimensions of economic, social, and environmental values (Dixon & Clifford, 2007; Elkington, 1997; Henriques & Richardson, 2004).

The New Entrepreneur

Enter the "ecopreneur." Unlike archetype entrepreneurs motivated predominantly by the bottom line, ecopreneurs are basically entrepreneurs who aspire to grow profitable, sustainable businesses while changing the world through quality improvement of life and environment (Dixon & Clifford, 2007; Linnanen, 2002). Ecopreneurs are particularly well suited to act both as role models and catalysts of change because they take proactive steps towards triple bottom line practices.

A sustainable business — for the purpose of this study — is one that remains successful for the long-term by creating shareholder profit while preserving and improving the environment and the lives of its stakeholders (Savitz, 2006). In other words, a sustainable business upholds the principles of the triple bottom line. Ecopreneurs, in particular, focus on bridging the gap between economic success and environmental progress (Schaltegger, 2002). As such, they have the opportunity to be leaders in advancing sustainable economic and commercial systems designs (Schaper, 2005). As the importance of sustainability in business increases, and global stakeholder awareness (in addition to demands) grows through media and Internet accessibility, the arrival of a "new social norm" (P. Robinson, personal communication, May 5, 2009) is inevitable. To direct this change, communication plays a critical role, especially since managing meaning and mastering communication is essential and "inseparable from leadership effectiveness and entrepreneurial success" (Nurmi & Darling, 1997, p.58).

Companies are progressing well on the environmental and social fronts; however, as Bob Willard (2002) explains in *The Sustainability Advantage*, they must move from treating environmental aspects as a specialized departmental or staff concern to an organization-wide context of sustainable development. For this behavioural shift to take place, the implementation of solid communication and education strategies are essential (Willard, 2002).

To contribute to the growing need for communication strategies and educational programs, I set out to understand how successful, role model ecopreneurs communicate to establish and sustain their triple bottom line organizations, and based on the findings, distil recommendations to assist aspiring ecopreneurs, and encourage current entrepreneurs and entrepreneurial leaders with their triple bottom line pursuit.

Authentic Identity

This qualitative study relied on identifying exemplary ecopreneurs in various industries across North America — with particular emphasis on British Columbia — who are successfully leading sustainable small to medium-sized organizations. Through in-depth, one-on-one interviews, I asked 13 select role models to reflect on their individual journeys, experiences, motivations, success factors and challenges to date, and to share current practices, future objectives, and advice. Five key groups of common attributes emerged from the ecopreneurs' accounts and revealed an innate presence and overarching theme of "authentic identity" as the essence of how successful ecopreneurs communicate. What was apparent and speaks to Jim Kouzes' and Barry Posners' (2007) comment about leadership in general, "We all know deep down that people can only speak the truth when speaking in their own true voice" (p. 48). This is what these role model ecopreneurs epitomize — an unwavering confidence in who they are and what they stand for, conveyed authentically in all their actions. Since successful entrepreneurs have the power to be true change agents, the more leadership in triple bottom line practices emerges from entrepreneurs, the faster we can move our communities toward a successful sustainable future (Dixon & Clifford, 2007). The formation of new eco enterprises plays a considerable role in this endeavour, and assisting aspiring ecopreneurs to do so is critical.

Developing Identity

The study of ecopreneurs and ecopreneurship is a relatively young discipline which emerged in the 1990s (Shaltegger, 2002; Schaper, 2002), and only gaining true momentum in the early 21st century with authors, such as Robert Isaak (2002), Lassi Linnanen (2002), Stefan Schaltegger (2002), Michael Schaper (2002), and Liz Walley and David Taylor (2002). More recently, the discourse in this field — especially through mainstream articles, blogs, and websites — has broadened further which can be attributed to the growing awareness of the importance of sustainable development and the role small to medium-sized businesses can play in leading change (Schaper, 2005). In addition, and maybe through the recommendations and works of Michael Schaper (2005), practical guides for ecopreneuring and case studies are emerging, five of which are presented in his work. Nonetheless, this review of the literature reveals and supports David Gibbs' (2009) critique that "it is heavy on speculation and extremely light on empirical evidence." It also confirms his comment that "we have little idea of how ecopreneurs engage in making sense of their business for themselves and for others and how (or if) they develop a coherent identity as they seek to reconcile being enterprising and environmentally aware" (p. 73).

For many years, identity has been extensively studied by social and behavioural scientists to further understand human thought and action (Jung & Hecht, 2004). The Oxford English Dictionary (1996) defines "identity" as an expression of "being a specified person," having an "individuality" or "personality." It is the core of an individual, a "central aspect" that differentiates this person from others (Goffman, 1963, p. 56). Yael Tamir (1996) discusses that identity is something that an individual can explore and discover through self-reflection. It is something we can define and even choose. It entails having a willingness to make changes in the way we see ourselves and in relationships with others. As such, it could be described as "an inward process" (Tamir, 1996, p.176). We are then talking about personal identity, which Steven Hitlin (2003) explains is something individuals experience as fundamental or distinctive to their being. Further, Hitlin notes that what we consistently think about over time is what makes up our personal identity. Joshua Guilar (2008) is more explicit in this notion by saying "people become who they are through communication" (2008, p. 7). Eura Jung and Michael Hecht (2004) suggest that through communication, identity is not only a sign of self, but also that of an individual's role in relationships and society. The "Communications Theory of Identity" (CTI) sheds further light on how communication plays a significant role for the development of personal identify.

CTI materialized in the 1990s in an attempt to integrate communication in the study of identity (Hecht, Warren, Jung, & Krieger 2005; Jung & Hecht, 2004). This theory emphasizes and differentiates itself from other identity theories in that it focuses on "the processing of identity through interaction" (Hecht et al., 2005, p. 261). CTI utilizes the idea that "the mutual interaction between an individual and society is reflected in identity" (Hecht et al., 2005, p. 260). To demonstrate how communication is innately connected to identity, CTI explains four layers of identity, which are interconnected at all times, representing personal identity, identity in relationships, identity within and among groups, and identity of enactment (Hecht et al., 2005; Jung & Hecht, 2004). The personal layer defines the understanding of self, the relationship layer denotes a mutual formation of identity through communication in relationships, and the group layer explains influences on identity through shared group characteristics and common history. The last layer of performance or enactment of self is key to CTI because "identity is formed, maintained, and modified in a communicative process" (Hecht et al., 2005, pp. 261-262). In other words, identity is a reflection of communication, and communication in turn externally projects identity (Hecht et al., 2005). Thus, communication is found among all layers of identity and creates an interdependence which makes it impossible for the layers to be isolated from each other — even when contradictions and inconsistencies occur (Hecht et al., 2005).

The mention of possible contradiction brings up the notion of "identity gaps," which are inconsistencies or contradictions that inevitably appear since people are rarely perfect in their communication and social relations (Jung & Hecht, 2004, p. 268). Much of this can be attributed to different points of reference and interpretations given individuals' experiences or lack thereof (Jung & Hecht, 2004). If gaps occur in one shape or form in all communication and relationships, then a key challenge or opportunity lies in narrowing the identity gaps in communication to improve relationships and results (Jung & Hecht, 2004). As such, Eura Jung & Michael Hecht (2004) encourage that finding ways to further the reduction of identity gaps will significantly strengthen both the applied and scholarly aspects of CTI. The concept of *authenticity* as it relates to identity may play a role in achieving this.

From a credibility perspective as a leader, authentic communication through knowing yourself is essential since "leadership is a means of personal expression" (Kouzes & Posner, 2007, p. 48). Authenticity is a quality that a person innately expresses; it means being true to one's self, one's identity; to be real and act genuinely in accordance with what one values and believes at the core (Vannini & Burgess, 2009; Vannini & Williams, 2009). Steven Hitlin (2003) explains "we feel authentic when we behave in keeping with our values. Authenticity, in other words, reflects an activation of one's personal identity" (p. 123). When we are true to our core, as set by a "guiding ideal" or "exemplary state," then we can attain authentic identity (Ferraro, 2009, pp. 22-23). In other words, we need to walk the talk to bridge the gap between what is ideal and what is reality. Joshua Guilar (2008) explains, "In becoming authentic, we deepen our connections with others" (p. 7). The more we understand how our interactions with others, our messages, both verbal and nonverbal, affect our relationships, the more authentic we become (Guilar, 2008). Given this notion, perhaps a successful ecopreneur's key to narrowing identity gaps as described by CTI, is the ability to find congruence among the four layers of identity through alignment and consistency with self, in relationships and groups, and in action?

Method and Data Analysis

Choosing "Grounded Theory" in accordance with Kathy Charmaz (2006) as a research strategy seemed a natural fit for this study because I wanted to first and foremost learn from role model ecopreneurs to find common themes of communication without starting with a set of pre-conceived notions. I combined Grounded Theory together with an interview method, allowing for the gathering of "rich data." They are ideal for comparison across exemplars, and provide more flexibility and focus than other strategies (Charmaz, 2006, p. 14). More specifically, I applied an "intensive" interviewing technique as I was looking for in-depth examination and discovery of the ecopreneurs' experiences and knowledge through careful reflection and description (Charmaz, 2006). Intensive interviews "explore a particular topic with individuals who have had the relevant experience," a feature that distinguishes this type of interview technique from regular interviews (Charmaz, 2006, p. 25).

Because this study relied on role model ecopreneurs, the best case exemplars were chosen in accordance with a pre-determined criterion based on Bob Willard's (2005) five stages of sustainability: stage one indicates that companies are at pre-compliance, not adhering to regulations; at stage two, companies reactively adhere to the law; at stage three, companies move beyond compliance because they realize the benefits of cost savings, community investment, and social marketing, yet green initiatives are kept to specialized departments; at stage four, companies fully transform and rebrand themselves to include sustainability as part of their strategic focus and culture; and stage five companies are founded with triple bottom line values, the passion to make the world a better place, and a belief that it is the right thing to do. These are the so called "green-green" companies, "designed to be green in processes and products from scratch," in comparison to stage four, where companies move to integrated green practices once they realize the benefits and advantages from a good business case perspective (Isaak, 2002, p. 82).

I decided to focus on successful and exemplary ecopreneurs across various industries in North America with emphasis on British Columbia, who are founding owners and leaders of their stage five, small to medium-sized organizations. I started to interview in batches of four, and after interviewing a total sample size of 13 ecopreneurs, I observed that I had reached a "saturation" point because no additional key themes emerged and I did not learn anything new that would add significant value to the key categories (Charmaz, 2006, p. 113).

During the interview process, one exception occurred which distracted my focus slightly. Even though the overall focus of the study centered on the learning from stage five ecopreneurs, I was curious to learn from stage four ecopreneurs as well and therefore included three interviews with stage four ecopreneurs as noted by the division line in Table 1. In addition, my research strategy of Grounded Theory for assembling, organizing, and analyzing my data is based in phenomenology. In other words, since I am the sole researcher for this study, I am presenting my data analysis based on my personal perceptions and understandings of the information gathered

(Woodruff Smith, 2008). As such, there is the possibility of a natural occurring personal bias through my interpretation of the data, particularly since I am a consultant and contractor specializing in working with ecopreneurs and had some preconceptions as to what the data might reveal. Table 1 lists the 13 ecopreneurs interviewed for this study. In the next section, I present the findings of five groups of common attributes that emerged from the data.

Table 1: List and Details of Exemplar Ecopreneurs

Ecopreneur	Company	Industry	Size	Location
Sustainability Stage 5				
Boase, Shannon	Earthcycle Packaging Ltd.	Alternative Packaging	2-5	Vancouver, BC
McLeod, Mickey	Salt Spring Coffee Co.	Organic Coffee	80	Salt Spring Island, BC
Jantzi, Michael	Jantzi Research Inc.	Social Investment & Analysis	25	Toronto, ON
Plant, Judith	New Society Publishers	Publishing	11	Gabriola Island, BC
Reed, Florence	Sustainable Harvest International	Non-profit	60	Maine, USA
Schindel, Brian	Green Printer Online	Printing	4-5	Burnaby, BC
Shaw, Madeleine	Lunapads International	Online Retail	6	Vancouver, BC
Stephens, Arran	Nature's Path	Organic Food	400	Richmond, BC
Van Seters, David	SPUD	Online Retail Grocery	200	Vancouver, BC
Yaron, Gil	Frogfile Office Essentials	Office Supplies	4-15	Vancouver, BC
Sustainability Stage 4				
Cormode, Tim	Power To Be Adventure Therapy Society	Non-profit	6-10	Victoria, BC
Henry, Eric	TS Designs	Textile & Printing	22	North Carolina, USA
Safrata, Robert	Novex Delivery Solutions	Freight Services	125	Richmond, BC

Findings: Five Attributes

The transcribed stories and comments and the quotes selected thereafter were inspiring. The language and tone of the interviewees were full of poise and confidence. They embody their beliefs and give meaning to their actions. This was evidenced by the emerging themes. Five groups of common attributes (themes) were identified across the exemplars. This section introduces each group and presents quotes for each segment to demonstrate the richness of character.

Table 2: Identification of Common Attributes

Findings: Five Groups of Attributes

1. Grounded by Values and Living by Values
2. Belief in Cause and Passion for Cause
3. Resolute in Mission and Consistent across Mission
4. Like-minded Relationships and Transparent Relationships
5. Learning for Life and Returning for Life

1. *Attribute One: Grounded by Values and Living by Values*

The most dominant theme derived from the data collected pertains to a fundamental understanding and enactment of personal core values. Early influences and an innate sense of identifying with those values shaped an authentic and life-long concern for aligning personal core values with goals. Over time, the values became deeply rooted to a level that now espouses unwavering conviction in self and cause.

> *For me, it's been basically a lifetime of being a person concerned about environmental and social activities that surround us. As a teenager, I was influenced by the alternative movement [environmentalism]. That set the stage for things I did throughout my life. [...] It does feel good to have been [in this business] early but it comes from an honest place. It didn't come from a marketing angle. It comes from a true, honest place of having concerns about the people and the environment. [...] For me, running a triple bottom line business is natural — why would we do it any other way? There's no other way of doing it. [...] I won't compromise values for money but I will compromise money for values.*
>
> — Mickey McLeod, February 4, 2009

> *Our mission in and of itself is the magnetism of our entire business. It really isn't that hard — if it is part of your values then it will come through in your business — it will happen organically. We lead by example and are true to who we are — being authentic.*
>
> — Madeleine Shaw, February 10, 2009

I was born and raised on a sustainable farm that employed a lot of my father's organic principles. When I was a boy I used to help my dad plant corn in the fields, and he used to tell me, 'always leave the earth better than you found it.' So if that isn't a metaphor for life and conducting oneself in an ethical way, then nothing is.[...] We have a great basis – a philosophical basis that underscores everything that we do in our company. I have a set of very strong personal values that I believe in and hopefully, the work is an outcome or expression of those values. If the values are not stemming from the person who calls the shots and runs the company, then how do you expect it's going to percolate through the entire culture? It's got to come from top down and from bottom up. [...] We were running our business according to the triple bottom line without knowing it. We didn't know the term until the last few years and when we heard it, well it really made a lot of sense so we embraced it. Originally I just thought it was a right livelihood – being respectful of people, helpful to your customers and doing something beneficial for the earth. And if you didn't have a profitable enterprise you wouldn't be in business for very long.

— Arran Stephens, March 10, 2009

I do it because it's intuitive — because there is a problem, there is a solution, and the solution is a solution for much greater things than just finding the use for waste material. There is a social element to it and a much larger environmental aspect. So, intuitive is more of an umbrella term for so many pieces of this puzzle. It makes sense to me and it speaks to me. That's what's really intriguing about it and that's what drives me.

— Shannon Boase, April 29, 2009

The values part is such an integral part of our DNA. It is just such a core part of who we are that it infiltrates every single decision we make, whether expressly or no.

Michael Jantzi, June 5, 2009

2. Attribute Two: Belief in Cause and Passion for Cause

The second emerging theme is that of true belief in and passion for the cause. The exemplars were first and foremost driven by something these ecopreneurs truly believed in and that they were passionate about, and ultimately found a way to blend it with business. Motivated by meaningful work and guided by their values, they found a way to translate their passions and convictions into a workable business model.

I never thought, maybe I'll go and do something else. It just never occurred to either of us. So, we just hung in there. We just did it. We believe in it as if it could happen and as if it could work. We believe in the material that we publish. We are different from other publishers who are publishing to affect their bottom line. Yes, we have to pay attention to the bottom line but we are publishing material we believe in. [...] I think the books speak for themselves. The kind of books that we have selected and the kind of authors that we work with — the niches that we travel in — you can almost look at the books and see our perspectives reflected.

— Judith Plant, May 1, 2009

Being a coffee lover, the entrepreneur in me was looking for something exciting to do so I started to really look into it and mix the desire and passion for coffee with business and values.[...] You're looking at a producing country and you're able to help them out. Magical to the consumer, coffee touches the lives of many, many people. And then the coffee itself can be a vehicle to talk about sustainability, fair trade, and all those important values. It really is a powerful tool and it is interesting to watch the evolution of it. We were one of the first ones in Canada offering organic fair trade coffee and it all happened from a little island off the coast of British Columbia — and we were actually able to do that!

— Mickey McLeod, February 4, 2009

What keeps me going is a belief in the mission — a desire to grow this business and prove that it's a viable model — to create the opportunities and options for people beyond just the lower mainland.

— Gil Yaron, May 9, 2009

I do what I do because I just love it! I love the end result! The other day I saw a song that one of the kids from the wilderness school had created to get into the program — and I thought this is why I do this — I do it so that opportunities like this exist.

— Tim Cormode, February 6, 2009

It's important you're really passionate about what you do and the mission of the business. For us, that's what has kept us going and things have worked out. Business is such a hard thing to do so if you're just in it to make lots of money (unless that's your only motivation) then it is hard to get through tough times.

— Madeleine Shaw, February 10, 2009

When the whole movement of natural and organic foods began back in the sixties, my peers and I were all really young with long hair and really long ideas — we wanted to go and change society. We were revolutionaries, you know, and people thought we were kind of crazy. Maybe we were, maybe that's what it takes.

— Arran Stephens, March 10, 2009

We felt in our heart and our gut that this is the right thing to do. It was very tough. At the time, [ten years ago], it was gutsy to spend money we didn't have on sustainable technology but we were so committed. We simply think it's the right way of doing things.

— Eric Henry, May 6, 2009

3. Attribute Three: Resolute in Mission and Consistent Across Mission

The third theme revealed an unyielding commitment for the mission of the business or organization characterized by constant firmness and determination. The exemplars portrayed the ability to work hard, focus, and remain consistent in light of challenges or temptations, and showed the skill to follow through and persevere when bankruptcy loomed, customers would challenge their actions, or others' opinions threatened to distract. The tone of the voices of most exemplars heightened in sincerity as they spoke of these matters.

You have to consider all steps along the way of business in order to be sustaining. It starts with production and goes all the way to the consumer. Each step of the way needs to be done correctly. […] You really have to be prepared to put in the time. I was working 20 hours a day for the first couple of years. You really have to learn, figure things out and learn more. You need to dig deep and don't take things for granted. […] If you really want to do it, then you have to step up to the plate and actually do it. You cannot compromise. Or pick one piece and do that well. Stick to it and be clear about that one channel and do it well.

— Mickey McLeod, February 4, 2009

I've always been committed to the long-term — having a long-term vision. A lot of Western businesses are set up with the objective to sell out. But there is another paradigm and that's to build it for generations. So our focus has not just been on the idealistic side of the business, but also on the bottom line and managing our cash flow and resources properly. So we did emphasize making a profit, but did not compromise our ideals.

— Arran Stephens, March 10, 2009

We have created a mandate and are not wavering from it. We decided it had to be green, it had to be dynamic, and everything had to be online. We didn't want to start out one way, with paperwork, documents, and everything else, and then have to switch it all over to another system later on. We have to stick to the mandate we've created for ourselves, and we have to always focus on our goal.

— Brian Schindel, February 19, 2009

We often talk about the "SPUD" way which we often also equate to the hard way, because we always try to do more than any of our counterparts. We are always working hard, and trying to figure out how we can push the envelope.

— David Van Seters, March 13, 2009

It's about being consistent. When you get into this business you accept a lifestyle — if you don't believe, it will show through. I think it's about ensuring that our product offers a consistent message. We are selling an environmentally responsible package. It wouldn't make sense for me to drive a hummer — it wouldn't make sense for us to be in a big high-rise tower and having banks of people and computers. My clients tell me, 'We buy from you because you're so committed; you're so passionate about it.'

— Shannon Boase, April 29, 2009

Social and environmental impact is so ingrained in our business now — it's just part of how we operate. We are committed to the core.

— Eric Henry, May 6, 2009

4. Attribute Four: Like-minded Relationships and Transparent Relationships

A fourth emerging theme shows the importance of relationships; relationships with like-minded individuals, long-term relationships, as well as open and transparent relationships. The ecopreneurs placed a lot of emphasis on acknowledging that without nurturing and caring for people, from the supply chain to employees to customers and everyone in-between, they would not have progressed to their respective points of achievement. It is interesting to note that many ecopreneurs described the necessity of being open and transparent in relationships as either a way of being authentic or trustworthy — or simply to build credibility. Some also said that being open and transparent helps educate employees and customers alike so that they can make better decisions.

Our relationships with our customers are more like a conversation. We know about their lives, what they're doing, and what they're feeling. A sense of community around our customers, suppliers and partners is very important. [...] We really try to communicate the big picture and the details to our employees so that they understand and can develop appreciation for the challenges of running a business. It makes them feel a little bit more bought into what we're doing. It also empowers them to make good business decisions, because they're the ones who get the inquiries from people about donations, free product and advertising.

— Madeleine Shaw, February 10, 2009

When we interview people we always ask them about what they think about organic and fair trade, their attitude, to find out about their values. It is much easier if people understand and believe in what we're all about. If you don't get the right people on the team, then instead of moving forward you're stuck in debate.

— Mickey McLeod, February 4, 2009

We always try to remove barriers that may exist between different departments and we have pretty good open communication. We put a concerted effort into being transparent and improving two-way communication. [...] We have a very passionate, very loyal group of customers. I think one of the things that has drawn them to our brand is that they feel we are very authentic. We always try to share our values and they trust them. [...] We wouldn't be anywhere without our staff, our sales associates, our people. It's one big virtuous circle. We wouldn't be in business if it weren't for the farmers, and none of us would be here if it wasn't for the bounty of the earth. About a year ago, we bought our first organic farms in Saskatchewan. Not to cut out the farmers but to actually embrace them. So we partnered up with two organic farm families in the region to actually farm the land, and then we'd do a crop sharing. They'd take two-thirds of the crop and we would take one third of the crop and then buy the rest. It's been a happy relationship thus far. [...] So taking care of all the people involved, from suppliers to customers to your employees – you have to take care of them – they make your company run.

— Arran Stephens, March 10, 2009

I think one of the key factors to our success has been the long-term nature of the assistance and the focus on hiring local people, and just the human interactions of connecting our US staff with our Central American staff and the families and the supporters here in the US. Either giving them the opportunity to directly see the work that's been happening, or doing the best job to convey the work to them through words and pictures.

— Florence Reed, May 25, 2009

We found so many advocates along the way. Our interests in renewable energy, community gardens and what have you — it connects us to the community in a different way. People want to do business with us not just because of our products but also because of the way we do business. [...] We hire people who can do the job but also who understand what we do. We get a lot of good quality people because of how we do our business.

— Eric Henry, May 6, 2009

In our office, we have tried to work on the philosophy that if you can't hire family, you make the people you work with family. We cultivate the kind of relationships where we care about each other's lives. So we have the motto in our office that family is first, work is second.

—Judith Plant, personal communication, May 1, 2009)

I am really big into truth. Truth in advertising, truth in fairness, and truth in everything you do. It's how I manage my relationships with my employees, with my investors, with my customers. People know when you're lying and people know when you're untruthful — you'll fail.

— Shannon Boase, April 29, 2009

For us to achieve a more consistent environment, it does require significant partnership to work together to make those things happen. I believe a huge part of sustainability is partnerships and collaboration. We listen and we spend a lot of time with our community partners to find out what their needs are and working more effectively towards achieving common goals. [...] I think that long-term impact requires a good and consistent message that gets sent to our team that this is the way we operate. We want to give staff the ability to be independent thinkers, give them the ability to do what's necessary for the best interest of the organization, and allow them to do it in a way that feels right. For us this contributes enormously to our success because we have the team that wants to be there because of that. They like the fact that there is some free reign there to have those opportunities. I don't need to know where they are. If they are not there then I know they are doing what they need to be doing — I trust them. Trust is huge and one of our main values. I believe this also defines long-term impact.

— Tim Cormode, February 6, 2009

5. Attribute Five: Learning for Life and Returning for Life

The fifth and last common theme that emerged among the ecopreneurs interviewed was their continuous drive for personal growth and improvement and their urge to educate and share with others. They periodically expressed that when leading sustainable businesses, it is important to always educate people and share with them so they understand the significance of actions. I observed during the interviews that most ecopreneurs were very keen to teach me more about their practices and history of their respective industries. It was fascinating to watch them do so with utter poise and expertise. The recurring words were, "research, you have to do your homework, you need to know the facts, and you have to look beyond the first layer if you want to survive this way of business." They were also very forthright in talking about their personal learning curves along the way, and some of the personal leadership and management challenges they encountered. I felt a strong sense of personal accountability and responsibility coming from all of them. I also felt they were highly aware of their strengths and weaknesses and constantly trying to improve their abilities to reach the next level of personal and professional development.

It's been a huge learning curve for me. I had to learn how to be a manager and owner. That was certainly a challenge for me. I have always been self-motivated and driven by passion. So there was no problem on a personal level but I had to learn how to draw that out in others. [...] I want to do more public speaking to continue to grow as a person and be able to share. I think it is important. I think I can do a lot.

— Mickey McLeod, February 4, 2009

We informally mentor tons of fledgling women entrepreneurs. If we can be supporting other women in enterprise and make capitalism work for them, that gets us excited.

— Madeleine Shaw, February 10, 2009

What distinguishes us from other businesses is that we educate, and we provide awareness and alternatives. We don't just want to sell office supplies.

— Gil Yaron, May 9, 2009

Any kind of resistance that comes from employees is because they don't really understand. So I think the training we do really helps. We present information that speaks to the values that are most common to people, things that help them understand why what we do is applicable to their area. We help them understand how important their contribution is. [...] We felt that our biggest role would be that of educators, because there was so much ignorance with respect to organic and natural foods.
We are doing what we can to educate farmers, policy makers, and the public.

— Arran Stephens, March 10, 2009

Sustainability is a journey not a destination. We had to spend a lot of time on making people understand that our product is not more expensive because we are making more money but because we're measuring external costs that typical businesses in the textile industry didn't have to measure, i.e., the social costs of outsourcing and laying off people, or the environmental costs of shipping stuff all over the globe.

— Eric Henry, May 6, 2009

We were the first one on the market, and everyone now asks our competitors how they compare to us. It makes me feel really good because it tells me that I have done my job right. I hope that I have educated my customers and the industry enough so that they know the questions to ask my competitors.

— Shannon Boase, April 29, 2009

I have a presentation of my philosophy that I now go out with and teach to businesses. I speak to them in their language. I speak to them in a business person's language and that way I can teach them that doing all those green things simply makes good business sense. [...] I had to keep trying to find ways to get people to understand from their hearts. That meant listening — listening with empathy and responding to their fears, their anxieties, and their excitement. I had to start with stage one to allow them to understand what I understood about the environment, and what I was doing.

— Robert Safrata, May 11, 2009

Communicating through Authentic Identity

The more we understand who we are at the core, our identity, and the more we are aware of how our experiences are influencing our identity, the more accountable we can be for our actions, and the more objective we can be in our relationships (Covey, 1989). Phillip Vannini and Sarah Burgess (2009) argue that while we are all self-aware to some extent, the degree and accuracy of our self-awareness will differ. The ecopreneurs studied demonstrated an extremely high level of awareness of their self as expressed by the five common groups of attributes and the quotes given. They have clear and deeply rooted values that are coupled with sincere passion for their cause and unwavering commitment for their mission. They understand the importance of relationships and that nurturing relationships is a key factor in contributing to their success. Furthermore, they are not afraid of transparency in all their interactions. They have a need for continuous growth and improvement and at the same time want to share their experiences and knowledge with others because educating and giving back is important to them. In addition, they are self-motivated and driven by meaning. Ultimately, they strive to make a positive contribution beyond their existence. I would argue then that these five groups of common attributes shape a larger concept of *authentic identity.*

The Role of Identity

The Communication Theory of Identity provides an interpretive framework of how identity relates to the study's findings and how the findings in turn, lend support to the premise of CTI. The findings revealed that the role model ecopreneurs continuously strive to make their actions align consistently across the four levels of identity: alignment with themselves, in relationships, within and across stakeholder groups, and in the daily execution of their activities and business operations. What is apparent from the findings as they relate to identity is that the ecopreneurs' businesses or organizations are actually a reflection of themselves. Their life's work to establish and sustain their businesses or organizations is consistently in line with whom they are as individuals, what is important to them, and how they can best share it with the rest of the world. Steven Hitlin (2003) says that it is a commitment to our values that shapes our personal identity. The more the ecopreneurs develop their businesses or organizations, the more it reaffirms who they are at the core, and the more it forms their identities because they have to walk the talk in every decision made and action taken. The examplars have elected to take careful steps to ensure they are aligned with the four levels of identity. They ensure that their businesses or organizations align with their core values; they take every opportunity when building relationships with others to share their ideals, passion, and knowledge; they hold themselves accountable across all stakeholder groups; and, most profoundly, they do not deviate from their course. Most importantly, because their businesses or organizations are reflections of who they truly are, they strive to make every decision at every level consistent. They not only pursue this type of uniformity in decision-making because it is the right thing to do, but because it is truly the only way they know how to do it.

The Role of Authenticity

As introduced in the literature review and as the data has revealed, *authenticity* as part of the exemplar ecopreneur's personal identity is significant and ostensibly inseparable. According to Joshua Guilar (2008), the Greek etymology of "authenticity" translates to "self" and "teaching oneself or others." The high awareness of self and the need for learning and returning for life are evident in the findings, as are the qualities of self-motivation and meaning, which, according to Andrew Weigert (2009), are also indications of authenticity. Furthermore, the ecopreneurs emphasized the importance of nurturing their relationships as a key success factor, which Martin Buber (1965) says is integral to achieving an authentic self. He contemplates that we all have the possibility to attain authentic human existence through continuous self-discovery and invention, and through the help we as individuals give each other in our relationships. These findings are consistent with Bill George's (2003) idea of authentic leadership. The attributes he lists include leading with purpose, meaning, and values; being consistent and self-disciplined in all actions; being unwilling to compromise on values, and demonstrating a dedication to lifelong personal growth. Authentic leaders "are more interested in empowering the people they lead to make a difference than they are in power, money, or prestige for themselves" (George, 2003, p. 12).

Narrowing Identity Gaps through Authentic Identity

Eura Jung and Michael Hecht (2004) encourage that finding ways to further the reduction of identity gaps will significantly strengthen both the applied and scholarly aspects of the Communications Theory of Identity. The finding of the overarching theme of authentic identity as the essence of how successful ecopreneurs communicate furthers CTI because it shows how it is possible for ecopreneurs to narrow identity gaps. Phillip Vannini and Sarah Burgess (2009) explain that knowing ourselves means recognizing when our actions align or contradict who we are and for what we stand. A greater sense of awareness enables better alignment and multiplies the chances we have to affirm and be true to our identity. They believe that without this level of awareness, the experience of authenticity does not exist. Successful ecopreneurs, then, possess the requisite awareness, ability, and willingness to constantly strive to remove contradictions and inconsistencies to narrow identity gaps across the four layers of identity. They strive for congruence through seamless alignment of identity in all interactions. The more consistency they achieve, the smaller the gap, and the closer they are to using authentic identity as a successful means to communicate.

Recommendation for Further Study

My study, analysis, and discussion have centered on the learning of stage five ecopreneurs. However, I did include three interviews with stage four ecopreneurs. The only difference seemed to be that they did not originally start out as TBL businesses or organizations. Further studies need to be conducted with stage four ecopreneurs to confirm this notion. Additionally, this study is limited in scope as it focused solely on successful ecopreneurs — some of the best case scenarios. To supplement this research and further the understanding of how ecopreneurship can be fostered, it is necessary to also disseminate the stories and lessons learned from those would-be ecopreneurs who were unsuccessful in launching their businesses (Schaper, 2005).

Recommendation and Conclusion

At the end of each interview, the exemplars were queried as to how they would advise aspiring ecopreneurs. Their answers confirmed what they already revealed in their accounts which embodied the five groups of common attributes that consequently emerged and formed the overarching theme of authentic identity. In order to achieve authentic identity, ecopreneurs must fully understand and live by their values; they need to believe in the cause and be absolutely passionate about it; they need to walk the talk consistently and with focus and conviction; they need to cultivate like-minded, transparent and long-lasting relationships; and lastly, they need to aspire to constantly learn and grow, and share their knowledge with others. “The instrument of leadership is the self, and mastery of the art of leadership comes from mastery of the self” (Kouzes and Posner, 2007, p. 344). As reiterated by various exemplars, ecopreneurs must always conduct more research and always work harder and do their homework; they can never neglect to peel back several layers to see what is underneath. Just as Phillip Vannini and Sarah Burgess (2009) argue, we are all self-aware to some extent, but the levels vary. As this study shows, the more we can strive to increase our awareness, the better able we are to narrow our identity gaps and to achieve authentic identity. Aspiring ecopreneurs must therefore strive for congruence among the four layers of identity, to continuously and consistently develop the understanding of themselves, their relationships with individuals and groups, and their actions.

Over 98 percent of companies in North America are small to medium-sized businesses and only a fraction of those are TBL businesses run by stage five ecopreneurs as revealed by this research. Most of these businesses have neither the "money or resources, nor the time to adequately share their sustainability expertise and stories, even if they are exemplary. They need help" (Willard, 2005, p. 7). As established by this study, understanding ecopreneurs and their practices and adding to the scarce body of academic literature on ecopreneurship are critical because ecopreneurship — in light of the alarming economic and environmental outlook — is establishing itself as a considerable area of business activity and influence for a sustainable future (Schaper, 2005). As one of the early pioneers and leaders of ecopreneurship in Canada opined:

> ***Believe in what you're doing, make sure you're honest with yourself, pursue something that's important to you, and surround yourself with smart, like-minded people. The bottom line for me is that I can't imagine going through life not enjoying what I do. I mean, I just love this. I love being an entrepreneur, I love being in a business that aligns my values with what I'm doing on a daily basis, I love the fact that we're making a difference, I love the fact that we're able to make a difference and do well financially, and I love the fact that we can prove that a social purpose business can be successful.***
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> — Michael Jantzi, June 5, 2009

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Chantal Schauch, MA, BCom, is a social entrepreneur, communications consultant, and Founder and President of ImmerseUs Communications in Vancouver, British Columbia (www.immerseus.com).

Specializing in strategic communications, network cultivation, partner relations, and project management, she works with select entrepreneurs, businesses and non-profit organizations on ventures and initiatives for social and environmental change. Chantal has extensive communications experience in a variety of industries including financial services, insurance, venture cap, sustainable packaging, post-secondary education, personal development, and non-profit. One of her current highlight engagements is the network cultivation across Greater

Vancouver for the Robert Bateman Centre at Royal Roads University and associated sustainability initiatives. Prior to founding her own company, Chantal held positions with PricewaterhouseCoopers, CIBC World Markets, Travel Underwriters, and the Thomas Group of Companies, including LifePilot.

With a core value of learning for life, Chantal holds a Master of Arts degree in Professional Communication from Royal Roads University, a Bachelor of Commerce degree in International Business with Distinction from the University of Victoria, a Marketing Management Certificate in Public Relations with Honours from the British Columbia Institute of Technology, and the Canadian Securities Course Certificate.

As an active member of her community, Chantal is the Executive Director for LifePilot, a member of the Board of Directors with Power to Be Adventure Therapy Society, and has been a member of the nominations committee for the Courage to Come Back Awards since 2008. Chantal was a member of the Management Committee for the Todd Thomas Institute for Values-Based Leadership at Royal Roads University in 2008, and served on the Board of Directors of the Vancouver Chamber Choir in 2005 and 2006.

Only when accounting educators no longer rely on the narrowly construed neo-classical economic theory as the theoretical foundation of their discipline, can we truly bring in ethics and values in accounting education. Only when the accounting reporting models measure what accrues to the society as well as to individual entities, can we cultivate our accounting students with virtues and characters. Is this something unreachable? I believe it isn't.

— Dr. Otto H. Chang

Accounting Ethics Education: An Authentic Value-Based Approach

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Abstract

This paper proposes an authentic values-based approach to ethics education in accounting. Instead of following the majority of studies in the literature which focus on an individual's ethical decision-making process and the factors that influence the decision, the author believes that it would be more effective if values-based ethical principles were integrated into the foundation of accounting theory and practice. Such an approach to accounting ethics education is argued to be a more holistic and effective way to achieve the intended goals for accounting ethics education.

Introduction

Despite different definitions and meanings associated with "ethics," the word generally refers to the principles involved in the actions of people and how these actions affect both one's welfare and the welfare of others. Ethics in accounting, however, is often narrowly identified with personal integrity or professionalism. Ethics education for accountants, therefore, means teaching students how to make the right decisions in contexts where ethical value (such as integrity or professionalism) conflicts with other payoffs (usually economic gains) (Gaa and Thorne, 2004, p.2). Much less attention was given to personal values or character traits (virtues) that help to drive the choices that accountants make in practice. Ethics research in accounting has also focused primarily on investigating an individual's ethical decision-making process and the factors that influence the development and/or resolution of this process (Rest et al., 1999).

There is a good reason why accounting ethics education has focused mainly on ethics decisions in lieu of values or virtues. In business curriculum, many business decisions are framed as economic decisions where decision-makers' utility functions or value systems are exogenously determined; thus, it is not the responsibility of business professors to discuss or teach ethics or values. Even if the opposite were considered the norm, the acquisition of value or virtues are a life-time process (some would even argue that it is a process of many lives or that it is genetically determined). How realistically then can accounting ethics education influence a university student's values system? There is no wonder that many accounting educators believe that ethics cannot be taught in a meaningful or effective manner. Some empirical evidence seems to bear out this pessimism (Peppas and Diskin, 2001).

More optimistic educators, however, believe that a person's utility function or values system is not entirely exogenous and advocate that the right thing to teach students is not the decision-making process which involves ethical dilemmas, but rather emphasizes the right values and virtues (Armstrong, Ketz, Owsen, 2003; Thorne, 1998; Mintz, 1995). This latter approach is admirable and worthy of support because it represents a courageous endeavor. However, under the current academic environment, a fundamental problem would prevent it from achieving its results. Unless the problem is identified and effectively addressed, the teaching of value-based accounting ethics will have the slightest chance of success.

The Fundamental Problem

Mainstream accounting theory and curriculum, which derived from the neoclassical economic theory, has an inherent assumption that all decision-makers are selfish opportunists. By making this inherent assumption in all decision-making contexts, the theory actually glorifies and reinforces ego-centrism and narcissism for students who are learning to make the right decisions in various scenarios. It promotes a values system that is in direct conflict with ethical values practiced by most people in most cultures and religions. A common value shared by most people, for example, is consideration for others. Neo-classical economics, as Hahn and Hollis (1979, p. 14) emphasize, is characterized by an overriding concern with the individual conceived in isolation from the social, political, and economic institutions in which he or she exists. Shearer (2002) provides an account concerning how "others" can be commoditized into objects in a neo-classical society where there is only one subject (self) and a world of objects (others). Under such a self-centered view, each individual is properly held accountable only for the pursuit of his or her own private good. Schweiker (1993) observes that to hold economic actors accountable in exclusively self-interest terms is, however, contradictory to the moral identity that is enacted in the practice of providing an account. When somebody is required to give an account of his or her actions or behavior, the implicit assumption is that the person is responsible for someone other than him or herself, most likely, the society or the community in which he or she lives or works. In other words, the juxtaposition of accounting and neo-classical economics is an oxymoron. Accounting or accountability, by its original intention and definition, cannot co-exist with a theory that assumes a human motif that contradicts the implied relationship describing the concept and the context of accounting. Not only in theory does the concept of accounting require a person to be accountable for other persons, in practice, accountants are expected to have a professional responsibility to many third parties. A long history of public policies and accounting regulations in this country clearly spell out this common expectation. The *Securities Act of 1933*[1], the *Securities Exchange Act of 1934*[2], and the more recent *Sarbanes-Oxley Act of 2002*[3], are prime examples.

Unfortunately, because of the triumph of the neo-classical economic theory in our time, our society has become dominated by individualism and commercialism. The "virtue" of self-interest is internalized in the deep consciousness or sub-consciousness of most individuals in every place and in every occupation. It permeates the fundamental culture of most economic entities as reflected in the maximization of profits for its owners or shareholders. This self-interest even enters the underlying reward and incentive structure of higher education and learning. What accounting educators teach and research, in effect, perpetrates a values system that is contradictory to the original concept of accounting. By employing the neo-classical economics theory as the theoretical foundation of accounting, we implicitly accept its self-interest assumption as our censored value. We spend most of our time teaching our students that it is acceptable to make decisions solely from a self-centered economic point of view; that it is appropriate to measure profits purely from the self-interest perspectives of the owner; and that it is permissible to disregard all other social benefits and/or social costs in accounting and other management decisions. After accounting students followed these instructions to their hearts and souls and created big scandals in the media, we suddenly realized that something is wrong. We tried to remedy this problem by allocating maybe ten percent of class time teaching them that there is such a thing as business ethics or accounting ethics; that there are standards of conduct or ethical codes; and that there is something called professional responsibility or social responsibility. The remaining ninety percent of the class time is still spent on accounting or business decision models that are based on the neo-classical economic theory and assumptions. This approach is not only ineffective, it is psychopathic or psychoneurotic.

The Alternative: An Authentic Values-Based Approach

If we really care about ethics and believe that ethical education should be an integral part of accounting education, there is a better alternative. Instead of teaching ethics as an add-on to a fundamentally ethics-stripped discourse of accountability, let us make it authentic by making ethics the foundation of accountability. Let us make individuals as well as other economic entities responsible for not only themselves but also for others and the Earth's environment. Let us not make profit maximization the only goal of economic entities. Let us measure profit from

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[1] *Securities Act of 1933*, (May 27, 1933, Ch. 38, Title I, Sec. 1, 48 Stat. 74)
[2] *Securities Exchange Act of 1934,* (June 6, 1934, Ch. 404, Title I, Sec. 1, 48 Stat. 881)
[3] *Sarbanes-Oxley Act Of 2002* also referred to as *The Public Company Accounting Reform and Corporate Responsibility Act*, (January 5, 2009, 15 U.S.C. Chapter 98)

the perspective of private interest as well as public interest. Let us evaluate economic entities not only on measurable financial gains but also on qualitative contributions to other social goals. Let us develop normative economic theories based on the balanced principle of self-interest as well as public interest. Let us make ethics and virtues inherent and pervasive in every step of economic and accounting activities.

The alternative proposed above is not an easy route. What is required is an overhaul of the fundamental concept of accountability and the underlying economic theories. For too long, accountants and economists are too complacent with the tractability and workability of the neoclassical economic theory, and have ignored the dysfunctional consequences of over-applying the theory to economic problems, in particular, its unintended detrimental effect to ethics and morality in our society. Developing a new concept of accountability and new economic theory congruent with universally-accepted ethic values definitely is not an easy task. In fact, it is a very risky business. It requires researchers to move away from research agendas that will give them immediate recognition and the accompanying monetary rewards and to enter an area that is considered less scientific, less scholastic, and definitely less fruitful based on the payoffs. There will be more effort and less payback. But if there is a breakthrough, the social benefits are enormous. We will have a society and economy that is truly operated on ethical principles. This is a real ethical dilemma faced by accounting or economics researchers. To many of them who are well-trained and versed in the neo-classical economic theory, the answer to this dilemma is obvious: continue the status quo. But what did we accomplish by perpetrating of the same old story of self-interest as the savior to the world? Don't we have enough? If we truly think ethics is indispensible for the function of a healthy and productive society, it worth a try that we search for an authentic approach of integrating ethics into accounting curriculum and accounting education.

If we attempt to trace the origin of modern economic science, most people would agree it has to be the *An Inquiry into the Nature and Causes of the Wealth of Nations* authored by Adam Smith, in particular, his description of self-interested individuals who were better off after trading their labors and products in a free market. The unintended higher social benefit was obtained as if there were an invisible hand to make it happen. Although Smith mentioned the phrase "invisible hand" only once in Chapter Two of the Fourth Book, over the years, the phrase was interpreted out of context and very often considered as the main hypothesis of Adam Smith's economic thought. It is very important to note that Smith never advocated a social policy that people should act in their own self-interest. He was merely describing an observed reality that people do act in their own interest. Moreover, Smith was not claiming that all self-interest behaviors are beneficial to the society. He did not argue that self-interest is always good; he only pointed out that self-interest is not necessarily bad.

In fact, if we follow carefully how Smith developed his thoughts over his life, a very different interpretation of Smith's theory would emerge. Before the *Wealth of Nations*, Smith wrote another two books: *The Theory of Moral Sentiments* and *Lectures on Jurisprudence*. If we consider the three books in a unified manner, it is very difficult to believe that Adam Smith was a radical individualist who argued that government should play no role in economic affairs, and that the market is autonomous and self-regulating. A more appropriate reading of Smith is: human beings are not motivated only by self-interest, nor is the market an autonomous regulator. An economy only functions well when its participants act with prudence, when there is proper coordination of competitive activities, and when competition is balanced by social justice. Werhane (1991) argues that it is justice, not self-interest or benevolence, that is the most fundamental virtue to Smith, and that a system of natural jurisprudence is necessary for a viable political economy.

An economy only functions well when its participants act with prudence, when there is proper coordination of competitive activities, and when competition is balanced by social justice.

Alvey (1999) traced the historical evolution of economics science and found that it had been a moral science until the last century. He described early economic thoughts before Smith and economic theories developed after Smith. Even though there were various emphases by different economists before the last century, most of them started their theories from the philosophy of moral science. During the last century, economic science took a sharp turn in its approach. In response to the pressure and the desire to make economics a "hard" science such as physics, economists gradually adopted a reductionist approach by assuming that everyone is only motivated by economic self-interest and nothing else. Such a simplistic assumption of human nature successfully removes all the discussion on morality from economics. Economics became an amoral science. Even worse is the long-term effect of the self-interest assumption on human behavior. Several studies have documented that the self-interest assumption in economic theories actually promotes unethical behavior among those who immerge themselves in the study of economics or business. When self-interest is perceived as the norm, people will behave in a self-interested manner and expect others to do the same (Cohen and Holder-Webb, 2006). Empirical evidence shows that students trained in economics exhibited more self-interested behavior and less interest in the public good than students in other disciplines or than themselves before the training (Feraro et al., 2005; Frank et al., 1993). The prevalence of neo-classical economic theories in the mainstream economics textbooks has contributed to shape a self-interested behavioral norm among businessmen and self-centered consumerism among consumers around the whole world.

In the last three decades, some economists have attempted to restore ethics or morality in their enquiries. Margolis (1982) investigated both self-interested and group-interested behaviors and considered them as distinct and competing sphere of behavior. Allocation criteria that maximize the private interest sphere may not necessarily maximize the group-interest sphere. Hirschman (1992) provided some persuasive arguments against a free economy based on economic self-interest. Buarque (1993) discussed the impasse of market mechanism, the disorder of progress and the role of ethics in the economic life. Stackhouse et al. (1995) provide great discussion on the issue of faith, how it has shaped economic life, and how it can continue to do so globally. It also contains a very complete anthology of classical and contemporary resources for ethics in economic life.

In accounting, a considerable and diverse body of literature also explored the broader concept of accountability proper to economic entities. This literature include studies addressing the theoretical or political determinants of the moral obligation of business (Gray et al., 1997; Lehman, 1999), the feasibility and desirability of environmental accounting (Cooper, 1992; Lehman, 1995), the potential for an "emancipatory" accounting (Gallhofer and Haslam, 1996, 1997), and the development and implementation of social accounting and auditing practice (Gray et al., 1997; Woodward et al., 2005). In different ways, all these studies attempt to illustrate the ethical and social responsibility of economic entities, holding them responsible to the community of others.

If accounting educators are serious about teaching virtues or value-based ethics to accounting students, they should first reduce their reliance on narrowly-defined "anti-ethics" economic theories. For example, accountability or profitability as currently defined in accounting totally ignores social benefits and social costs. Revenues and expenses in accounting is strictly defined as private benefits and private costs accrued to an economic entity. Any incidental benefits or costs to other parties are ignored or assumed to be non-existing. This approach definitely makes the accountant's job much easier and manageable. However, it severely distorts the true benefits and costs of business transactions executed by individuals and firms. If accountants are serious about ethics and social responsibility, shouldn't they create measurements that truly reflect the impact of business activities on society as a whole? Shouldn't they devise measurements that reflect not only the economic impacts, but also the social, cultural, and environmental impact? Shouldn't they include social benefits and social costs when they prepare financial statements and when they analyze investment return? Shouldn't our students deserve to be trained in analytical models that based on ethical and social responsibility? Shouldn't our students be fully immerged in accounting theories and practices that consider others' interests as well as self interest?

Only when accounting educators no longer rely on the narrowly construed neo-classical economic theory as the theoretical foundation of their discipline, can we truly bring in ethics and values in accounting education. Only when the accounting reporting models measure what accrues to the society as well as to individual entities, can we cultivate our accounting students with virtues and characters. Is this something unreachable? I believe it isn't. The recent development of Global Reporting Initiative (GRI) in 1997 is an indication of the strong potential of this authentic approach to value-based accounting ethics education. Formed by the Coalition for Environmentally Responsible Economies (CERES) and the United Nation Environment Programme (UNEP), GRI developed a framework and reporting guidelines for businesses to report the economic, environmental, and social impacts of their operations. In its most recent G3 version, a total of 79 indicators are suggested for businesses to use in reporting their benefits and costs to the society. In 1999, UN Secretary-General Kofi Annan announced the UN Global Compact Initiative to encourage the businesses worldwide to adopt policies on sustainability and social impacts. The Compact listed ten principles related to human rights, labor rights, environmental protection, and transparency. Similar efforts to improve corporate social responsibility include AccountAbility AA1000 standard, Social Accountability International's

SA8000 standard, and the ISO 14000 environmental management standard. (Chen and Bouvain, 2009). Although more and more businesses are reporting on their social and environmental impacts (Sethi, 2003), and the quality of these voluntary reporting are improving, more widespread and further improvement of quality is questionable in the absence of legislation and other forms of direct encouragement (Milne and Gray, 2008). If accounting educators are serious in promoting ethics and social responsibility, a better use of their time should be devoted to refine the conceptual framework and guidelines of GRI and to advocate for the establishment of mandatory international assurance standards in sustainable reporting. A good example of such efforts is illustrated by McElroy et.al. (2009). They suggested that sustainability is best understood in terms of the impact an organization can have on the carrying capacity of non-financial capital, or what the sociologists call "anthro-capital." They designed a quantitative, quotients-based method for measuring and reporting on the social sustainability of an organization — a process they refer to as the social footprint method. If more implementable methods and reporting standards can be developed and discussed in the accounting curriculum and classrooms, accounting students will naturally integrate ethics and social responsibility seamlessly into their professional studies and careers. They do not even need any ethics course to teach them ethics and virtues. They will automatically acquire the highest ethical and professional standards in pursuit of their degree programs.

Advantages of the Authentic Values-Based Approach

Very recently, there is a call in higher education to eliminate the artificial separation between liberal arts education and professional education (AACU, 2002; Lemann 2004, Katz, 2005). The background and the reason for this movement come from the excessive specialization or departmentalization of knowledge in modern society. As a consequence, our knowledge is too fragmented to offer any real help when dealing with the complexity of human problems. The separation of ethics from neo-classical economic theory is a typical example. For the purpose of

Ethics education is inherently included in accounting or economic education. Virtues or values are automatically instilled in the students' hearts and minds. Education is not only the preparation for a job or a profession, but the cultivation of a whole person in a civil society. Human knowledge is no longer disconnected and dysfunctional, but holistic and synergetic. The task is big, but the payoff is also gigantic.

becoming a more rigorous "science," economists made a reductionist choice to exclude ethics or social responsibility from its theoretical foundation. Homo sapiens are reduced to Homo economicus. All human experiences are perceived from an economic perspective. Later, when the economic model and theory were found to be inadequate to deal with the whole spectrum of human problems, economists made a patch to their theory by subjugating ethical decision to the framework of economic decision (Stigler, 1981) or by arguing that under perfect market conditions, self-interest is consistent with public-interest (Friedman, 1970; Benston, 1982). There was little attempt to revisit the foundation of economics so that ethics and values are integrated into economic analysis. This reductionist approach to human economic problems, of course, is a grave offense to the liberal arts side of the academy. Philosophers and artists cannot believe any intelligent man would take such an absolute simple view of human race. They are dismayed because their subject of investigation is considered to be so insignificant and irrelevant. The wall of separation is so high that a university actually becomes a multi-versity. The biggest loser, of course, is our students who represent our future and our hope.

The proposed approach will avoid the dichotomy between science and values, or between self-interest and public interest. It provides an authentic and integral approach to teach ethics in business or accounting curriculum. By restoring ethics and social responsibility to become the foundation of modern economic and accounting theories, a true integration of liberal education and professional education occurs. Ethics education is inherently included in accounting or economic education. Virtues or values are automatically instilled in the students' hearts and minds. Education is not only the preparation for a job or a profession, but the cultivation of a whole person in a civil society. Human knowledge is no longer disconnected and dysfunctional, but holistic and synergetic. The task is big, but the payoff is also gigantic.

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Dr. Chang is a reputed accounting and business educator with specialty in several areas, including taxation, management and international accounting, business ethics and philosophy, corporate governance and social responsibility. Born in Taiwan and of Asian Heritage, Dr. Chang attended National Taiwan University, receiving a bachelor's degree in Economics. He came to University of Illinois in 1978 to complete his Master and Ph.D. degrees in Accountancy. He taught at the University of Wyoming, Texas Christian University, and California State University at San Bernardino (CSUSB). He was the Chair of the Department of Accounting and Finance and the Associate Dean for Administrative Affairs at CSUSB.

Throughout his educational career, Dr. Chang received numerous awards and recognitions for his outstanding teaching, excellent research, and dedicated service to the university and community. His professional activities include more than forty publications; some of them appear in major academic journals, such as *Journal of Accounting Research*, *Journal of American Taxation Association* and *Management Accounting*. He is often called upon to conduct various professional workshops to top-level management from all over the world and serves as consultant to several major firms in the United States and China. He was president and officer of a long list of professional and business organizations in several Pacific Rim countries.

> ***Happiness can be defined as the positive conscious and emotional experience that accompanies or stems from achieving one's values or goals and exercising one's individual human potentialities, including talents, abilities, and virtues. In other words, happiness results from personal flourishing.***
>
> *— E. W. Younkins (2002)*

Values-Based Leadership and Happiness: Enlightened Leadership Improves the Return on People

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Introduction

In *Management Challenges for the 21st Century,* Peter Drucker wrote, *"one cannot manage change. One can only be ahead of it… . But unless it is seen as the task of organization to lead change, the organization…will not survive."* This paper will discuss how values-based enlightened leadership — *understanding the challenges faced and using the proper tools* — can lead the organization to become a flourishing (happy) enterprise with a strong return on people and finances.

Background

The past 100 years have seen massive changes in the field of management and employee - labor relations — from a violent period of strikes and confrontation to the evolution of labor law that includes workers' rights and safety considerations. To meet the challenges for continued performance improvement, effective leaders now seek further betterment in the management of employee relations and personal commitment. With the evolution of positive psychology, enlightened leaders are seeking a better understanding of the effect of creating and stimulating a positive mindset within the organization and a clearer comprehension of employee needs as well as the tools necessary for improved employee motivation.

A leadership-centered culture develops leaders who do not consider employees to be mere cogs in a machine or links in the bureaucratic process, but as human capital worthy of nurture, trust and respect. Enlightened leaders strive to attain results from committed people who maintain both personal and professional stakes in the organization. Human capital (intangible assets) — including employee knowledge, customer relationships, patents, and trademarks — represent approximately 75% of the market valuation of the S&P 500 companies versus the tangible assets of property, plant, and equipment (Baker, Greenberg & Hemingway, 2006). In most organizations, the value of human capital is a very heavily-weighted asset. It has been argued that to arrive at an accurate accounting of worker productivity, people should be considered as long-term assets on the balance sheet (Mansuy, 2003).

Leadership-centered cultures look to the future and seek not just "smiley faces" and singing "kumbaya around the campfire," but a better understanding of employees' needs. The ultimate result is an environment where all can constructively work together toward a common goal, find personal and professional worth and fulfillment, and make positive differences in the lives of others. Some are calling this a definition of happiness in the workplace. Personal happiness has been defined as the following:

> *Happiness can be defined as the positive conscious and emotional experience that accompanies or stems from achieving one's values or goals and exercising one's individual human potentialities, including talents, abilities, and virtues. In other words, happiness results from personal flourishing.* — *E. W. Younkins (2002)*

In summary, we are witnessing an evolution in the treatment of employees. Enlightened, values-based leaders see their task to understand these changes, future challenges, and lead the enterprise.

Objectives for Values-Based Leadership

To work toward a goal of becoming a flourishing, high performance enterprise and a workplace that enables employees to grow on a personal basis requires a close linkage among the leader, organizational situation, and the employees. For purposes of this review, flourishing (happiness) in a high performance workplace is achieved by values-based enlightened leaders understanding immediate challenges in the global marketplace. These leaders utilize the results from the positive psychological movement, treat employees as stakeholders, combine the latest approaches in employee motivation and the balanced scorecard approach, and measure their return both with respect to employee contentment and financial returns.

21st Century Challenges

As leaders assess or reassess strategic moves, develop roadmaps, detail and manage operational plans, and evaluate projects implementation, they face multifarious challenges. The workplace is more dynamic than ever with increased global competition, complexity, rate of change, new technologies, economic uncertainties, and movement to a service-oriented economy. As a result of the recent recession and the current economic situation, leaders will require new skills tailored to an external environment of urgency, high stakes, and uncertainty — even after the current economic crises subsides. It would be reassuring to label the current economic crisis as simply a temporary glitch, but economies cannot build a firewall to insulate against intensifying global competition, energy constraints, climate change, and political instability. We must plan ahead to prevent immediate economic uncertainty from morphing into a sustained or even permanent crisis of serious and unfamiliar challenges (Heifetz, Grashow, & Linsky, 2009).

There is little doubt that as organizational hierarchies continue to collapse and decision-making continues to become more decentralized, employees will take on increased levels of responsibility for their own job performance (Gebert, Piske, Baga, Lanwehr, & Kearney, 2006). We have witnessed a growing trend for many years toward increasing the level of employee participation in workplace management. Employees throughout organizations participate in the decision-making process from problem definition to operational implementation. Participation has been defined as a new form of joint decision-making in which employees are invited to help solve organizational problems (Tjosvoid, 1987).

With fewer non-renewable resources available to sustain business operations, a leader must have employees who are more intelligent, skillful, willing to learn, and committed. High-performing employees are ostensibly more valuable to the organization, but are concomitantly more mobile than ever before. It is also most likely that employees are using a low percentage of their strengths on a daily basis in their respective work environments which deficits could be contributing to a lack of commitment to their employers and the business they serve. Based on the Gallup Poll database of 1.7 million employees in 101 companies from 63 countries when ask the "opportunity to do what I do best" question only 20% felt their attributes were being used on a daily basis (Buckingham & Quinn, 2001).

Beginning at an early age, most people have been steadily guided by their parents, teachers, and managers and by psychology's fascination with pathology. We have become experts in our weaknesses and in methods designed to repair our flaws, while our strengths lie dormant and neglected *The Peter Principle* — a 1960's study which evolved into a book (Peter & Hull, 1969) — describes the corporate phenomenon of promoting people according to their individual levels of expertise, ultimately reaching a level of promotion which exposes their incompetence. Through the decades, *The Peter Principle* has become widely accepted as prosaic business jargon. Business still views promotion to the highest level of responsibility and competency as the most appropriate method of recognizing and rewarding individual contribution. How many of us can think of one or more colleagues in our own organizations who have been promoted "to their levels of incompetence?"

Six Keys to the Corporation

The keys to success in the corporation begin with the values that establish our identity. Next we decide to value employees as much as investors and treat them as stakeholders. Enlightened leaders also utilize the results from the *positive psychological movement*, combine the latest approaches in employee motivation and the *balanced scorecard approach*, and measure their return both on people and financial returns. It is also important to institutionalize our working model for continuous improvement.

(1) *Values-Based Leadership:*

*"CEOs set the values, the standards, the ethics of the organization. They either lead or they mislead" (*Drucker, 2007*).* A.G. Lafley, Chairman and CEO Chief Executive Officer of Procter & Gamble (P&G), believes values are about organizational behavior and serve to provide identity to the organization. In his first year at P&G, Lafley incorporated the establishment and identification of operational values as an integral part of the company's strategic operations. Those values already in place were not immune to review and revision to comport with the overall corporate structure. P&G's ethical priorities include trust, integrity, ownership, leadership, and a passion for winning (Lafley, 2009).

As stated above, managerial leaders serve themselves and others best when they are committed to a set of core values:

- Leaders need to be clear about what values they champion;
- Leaders must effectively communicate their values clearly and meaningfully to key stakeholders; and
- Managerial leaders need to ensure their actions are in alignment with their espoused values. The *positive psychology approach* also tells us that "*factors such as character strengths, optimism, and resilience can play significant roles in how goals are managed" (*Kerns, 2005*).*

(2) *Employees as Stakeholders:*

With the political realignment occurring in many countries and the effects of the worst destruction of wealth and economic meltdown since the Great Depression, the odds appear to be favorable that enlightened leaders will keep stakeholder interests at the forefront by respecting the needs not only of the investors, but also of the stakeholders who are customers, employees, and suppliers. In this age of knowledge work, outsourcing, global supply chains, and activist interest groups, enlightened leaders know that establishing a meaningful relationship with each of the stakeholder groups is important for organizational success.

Employees are all stakeholders — and sometimes shareholders — of the companies where they are employed. Several recent studies have shown gains in both profit and productivity by companies that have implemented certain historically unconventional work practices including investing in decentralized decision-making, training, and establishing pay practices which are contingent upon organizational, as opposed to the more traditional individual, performance. There has also been a tendency to employ other non-traditional practices designed to measure not only the financial success of the organization, but to engage stakeholder participation as an indispensible cog to successful organizational performance (Pfeffer, 2009).

(3) ***Positive Psychology:***

It is important for enlightened leaders to help employees capitalize on their strengths to fully participate in the organization's success. Although the universal human need for prestige, recognition, and respect are seemingly all pervasive, it has been suggested that not everyone is driven by a craving for power over others but rather that many people derive person prestige and satisfaction in other ways. Such acquisition of self-confidence, satisfaction, and work pride can be related directly to the full use of that employee's attributes. Of course, such strengths must first be identified before they are further developed and fully activated. Identifying strengths can also enable assigning people to those tasks and responsibilities for which they are best suited. Imagine an organization in which all persons are doing the job for which they are best trained and for which they will be accorded prestige that will best satisfy their personal needs. While not necessarily infallible, this process is certainly worth considering (Buckingham & Quinn, 2001).

Ostensibly, management and organizational researchers have made significant strides in the field of goal and performance management. Additionally, the emerging field of positive psychology appears to offer many findings and insights that can help managers become more effective as they define and manage their organizational goals, individuals in the organizations, and the organizations themselves. *Positive psychology*, as opposed to traditional management methods, focuses on employee strengths and psychological capabilities. This movement is further characterized as *"the new positive psychology movement that has shifted from the traditional emphasis on illness and pathology, towards a focus toward a focus on human strengths and virtues"* (Seligman and Csikszentmihalyi, 2000). Consistent with the positive psychology movement, additional work has been done to investigate the positive side of organizational processes and how individuals in organizations and the organizations proper can become exceptional. *Positive psychology* is further defined as:

> Concerned primarily with the study of positive outcomes, processes, and attributes of organizations and their members, *Positive Organizational Scholarship* (POS) does not represent a single theory, but focuses on dynamics that are typically described by words such as excellence, thriving, flourishing, abundance, resilience, or virtuous.... It channels attention to enablers (e.g., processes, capabilities, structures, and methods); the motivators (e.g., unselfishness, altruism, and contribution without regard to self); and the outcomes or effects (e.g., vitality, meaningfulness, exhilaration, and high-

quality relationships) associated with positive phenomena. (Cameron, Dutton & Robert Quinn, 2003).

This positive psychology movement and how positive mindsets can help transform organizations positively is the subject of additional work on organizational processes and performance more commonly known as the "Science of Happiness."

(4) Employee Motivation – Needs, Levers and Actions:

Evolutionary psychology has also provided additional information about employee motivational needs and drives. Recent research identifies four drives that underlie employee motivation. This research is particularly focused upon two studies — one targeting two global businesses (i.e., a Financial Services giant and an IT services firm) — and a second focusing on 300 *Fortune 500* Companies. This work outlines four drives (i.e., emotional needs) that motivate people, as well as primary levers and actions that managers can take to achieve maximum motivation, all of which are more particularly described as follows:

(a) To Acquire: Managers can use the reward system and tie rewards closely to performance.

(b) To Bond*:* Managers can work to develop a culture that fosters mutual reliance and cooperation among co-workers, values teamwork, and encourages best practices.

(c) To Comprehend: Managers can use job design to give employees distinct and important roles in the organization that is meaningful and fosters a sense of contribution to the organization.

(d) To Defend. Managers can use performance management and resource allocation processes to increase transparency of all operations, emphasize fairness, and build trust in granting rewards, assignments, and recognition.

The authors reference different companies that were successful in utilizing an organizational lever to help employees satisfy their emotional drive in these particular four areas to achieve motivation. Their conclusion is that if you can fulfill all four of the drives for employee needs, your company will be in a leading position in terms of motivation; this, in turn, will generate a major competitive advantage in terms of employee satisfaction, engagement, commitment, and retention (Nohria, Groysberg, & Lee, 2008).

(5) Balanced Scorecard:

To keep track of their total organizational efforts and employee-related programs, managerial leaders can utilize a "Balanced Scorecard." This is an equitable approach that not only addresses the financial aspects of the business, but complements these concerns with improving customer satisfaction, internal processes, innovation, and the learning perspective. The innovation and learning aspects emphases focus on the intangible assets that include human capital (i.e., skills, talent, and knowledge) as well as organizational capital (i.e., culture and leadership). *"The balanced scorecard approach provides an* *excellent vehicle for the managerial leader to develop people-based metrics for measuring their return on people." (Kaplan & Norton, 1996).*

(6) **Leadership Centered Culture**:

To provide the lasting leadership that will use positive psychology, understand and implement actions for employee motivation, and utilize a balanced scorecard requires institutionalizing these activities. To constructively work together toward a common goal, find meaning and satisfaction means institutionalizing a values based leadership centered culture. Leaders provide motivation and inspiration to energize people, not by pushing them in the right direction but by leadership satisfying basic human needs. To institutionalize this type of leadership requires activities such as *"1) Recruiting with leadership potential as only the first step, 2) Providing significant challenges early in the career to learn from triumphs and failures 3) Plan for development of high potential employees and 4) reward people who successfully develop leaders" (Kotter, 2001).*

Results from the Return on People

Research has further demonstrated how positive mindsets can take hold in organizations and transform their character by focusing upon a return on *people*. This process is accomplished by integrating vision, energizing spirit, encouraging life-long learning, developing trust, seizing opportunities, stimulating employees to use their talents beyond those merely comprising the job description, and elevating unquestioned integrity. Fulfillment of these goals produces a flourishing, "happy" enterprise:

> *The definition of a "happy" company is "an organization in which individuals at all levels of authority exhibit a diversity of strengths, constructively work together toward a common goal, find significant meaning and satisfaction in producing and providing high-quality products and services for profit, and through those products and services make a positive difference in the lives of others." (Baker, Greenberg & Hemingway 2006)*

In addition to the above definition, a study of 750 firms across the world, *"companies with the best people practices provided a 64 percent total return to shareholders over a five-year period, more than three times the 21% return for companies with weakest practices" (Baker, Greenberg, & Hemingway 2006).* Additionally, on average, when employees are actively engaged in the organization, customers are happier, productivity is up, turnover is low, and the organization is financially productive and profitable.[1]

When calculating the business utility and the probability of business units being successful as a function of employee engagement, the relationships are clearly nontrivial. Business units that use principles of positive psychology may be able to influence employee engagement which may then enhance the bottom line. The above studies have demonstrated a relationship between happiness and workplace success. There are a number of additional research studies that suggest satisfied and happy employees are relatively more successful in the workplace. There appears to be a direct correlation between happiness and the production of income (Diener & Biswas-Diener, 2002), favorable evaluations by superiors (Cropanzano & Wright, 1999), and social support from colleagues.[2]

Furthermore, people in a good mood are more likely to enter into novel situations, interact with other people, and pursue new goals (Carver, 2003). A safe and comfortable environment allows one to "broaden and build" intellectual, social, and physical resources, which can be utilized in later times of need. Armed with previously acquired resources and primed to pursue new goals, people who experience positive emotions are well suited to experience success. (Boehm & Lyubomirsky, 2008).

World-Class Deliverables

When employees are actively engaged in an organization, customers are happier, productivity is up, turnover is low and the organization is financially productive and profitable. Enlightened leaders want their organizations' performance to improve. They know their businesses and have designed managerial strategies, roadmaps, operational plans, and projects, but they have not forgotten the human capital aspects of their respective businesses which are critical to positive reformation. Business is about relationships. Based on the previously discussed tools and research, the following represent the next steps in the process to improve performance.

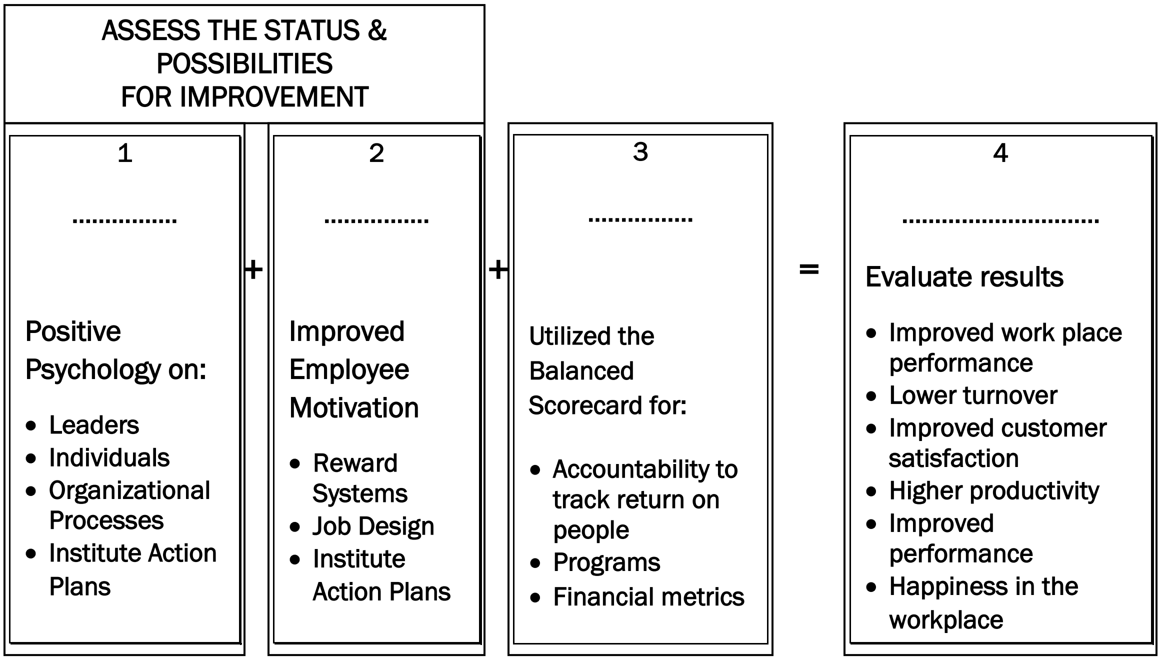
(1) **Assess** the organization's status and possibilities for transformation into a positive organization using the results of the positive psychology movement studies and developing action plans to begin to close the loop between the "as is" and "to be." One method of benchmarking could be to assess the impact on leadership measured against a culture built around a forward-looking and constructive *team*work, the institution of a viable belief system, and increasing emphasis on accountability and autonomy.

(2) **Assess** the feasibility of implementing the latest approaches designed to stimulate employee motivation. Such approaches should include reward systems and job performance designs. Inevitably, the query must be asked: Is the business providing the levers for action necessary to satisfy the drives (emotional needs) of its employees which will ultimately improve the performance of the organization?

(3) **Develop** and implement a "balanced scorecard" for the organization to track not only the financial aspects of the business but also those factors which help to determine the *return* on human capital.

(4) **Evaluate** the results. As we have seen from past studies, organizations with the best people practices and engaged employees have a better track record for improved performance. Performance metrics can include improved work place productivity, lower employee turnover, improved customer satisfaction, and reduced costs. These four steps are more succinctly demonstrated in Chart 1.

Chart 1



Conclusion

Enlightened leaders regard the human element as an integral part of the organization's future success by understanding the challenges employees face. These leaders utilize the results from the positive psychological movement combined with the latest approaches in employee motivation and the balanced scorecard approach to implement action plans. Values-based enlightened leaders understand that in order to develop and maintain continuously flourishing, high-performance enterprises and workplaces, they must enable employees to use their full potential, be engaged and dedicated, and ultimately flourish to achieve happiness.

Endnotes

[1] For profitability measures (which were all calculated as a percentage profitability of sales), the difference between employee engagement, top and bottom quartiles ranged from 1 to 4 percentage points in profitability. On average, business units in the top quartile on the employee engagement produced 1 to 4 percentage points higher profitability. For many organizations in a highly competitive

market, 1 to 4 points per business unit is quite substantial and can represent the difference between success and failure *(Harter, Schmidt, & Keyes, 2002).*

[2] Happy people, compared to their less happy peers, earn more money, display superior performance, and perform more helpful acts. A preponderance of researchers has stated that the accomplishments of such indicators of success in the workplace cause a person to be happy. The alternative hypothesis — that happiness causes success — may be equally plausible*. (Iverson, Olekalns, & Erwin, 1998).*

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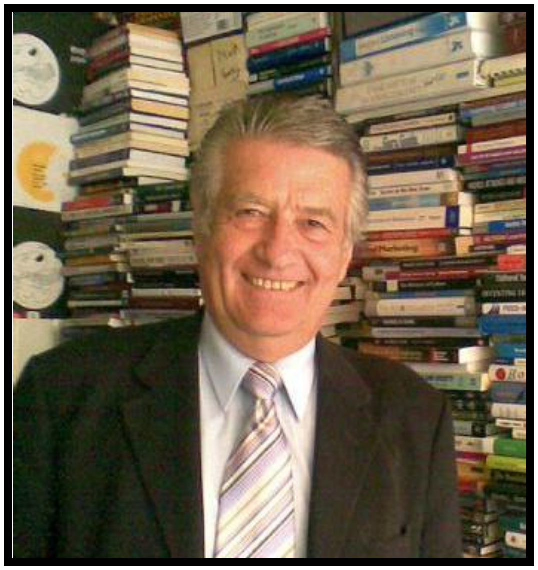
Charles A. Millick is an assistant professor of Management in the Department of Business at Wheeling Jesuit University. He also is a professional engineer and is an experienced army officer, corporate executive, entrepreneur, and professional consultant. Professor Millick earned his undergraduate degree in Engineering from the U.S. Military Academy at West Point, New York and an M.B.A. from Xavier University in Cincinnati, Ohio. He continued his education with General Electric (G.E.) in its Management and Advanced Management Programs, BOC Group's Senior Management Program, and the Harvard School of Public Health for decision support to the U.S. Department of Energy. He has instructed GE's Management Training Program as well as maintained a series of managerial positions in Operations and Corporate Staff with General Electric and other major corporations, completed evaluations in Europe and Japan, and provided consulting services for commercial clients and federal agencies.



We are trying to improve things. We are trying to make progress. Of course, the concepts behind the words: "improve," "better," and "progress" are powerfully values-driven. Organisations and individuals don't have a problem with change, only with how we perceive progress.

Our success in this area is critically dependent on the quality of our dialogue… .

Power, Responsibility & Wisdom:

Exploring the Issues at the Core of Ethical Decision-Making and Leadership

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Introduction

The objective is simple: "Better decision-making." The only issue is that there are so many different views over what we mean by "better." At the core of all decision-making is the need to balance *Power* with *Responsibility*, as the vehicle for resolving the "better" question. This article explores why that is so difficult? It also argues that exploring the concept of *Wisdom* can provide invaluable insights into how to achieve the most effective balance between Power and Responsibility, which is central to what our values mean in practice, as well as how we incorporate ethics into our decision-making.

Wise decision-making also, inevitably, involves moral/ethical choices and this occurs every time we make a decision. Hence, it is not surprising that we find that the comments we might define as Wisdom are essentially comments about the relationship between people, or their relationship with society, and the universe as a whole. These statements are generally globally recognised as relatively timeless and they are insights that help us provide meaning to the world about us. Yet how often it seems to be almost totally ignored in *Futurist*, *Strategy*, *Knowledge Management*, and even *Ethics*-based, literature. We also appear to spend more and more time focused on learning knowledge, or facts, that have a relatively short shelf life, and less and less time on knowledge that overlaps with *Wisdom*, that has a long shelf life. Why is that? What can we do about it?

Power and Responsibility

Western sociological and management/leadership literature is full of references to *Power*. How to get it? How to keep it? And how to prevent it from being taken away? In parallel, but rarely in the same studies, there is also an enormous amount of literature on the concept of *Responsibility*.

While *Power* is the ability to make things happen, *Responsibility* is driven by attempting to answer the question: “In whose interest is the *Power* being used?” Yet the two concepts of *Power* and *Responsibility* are simply different sides of the same coin; they are the Ying and Yang of our behaviour; they are how we balance our relations with ourselves with the interests of others, which is at the core of what we mean by our values. *Power* makes things happen, but it is the exercise of an appropriate balance between *Power* and *Responsibility* that helps ensure as many “good” things happen as possible.

This critical relationship between *Power* and *Responsibility* is reinforced by examining how these two concepts interact in practice, through a variety of different management dimensions.

First, it is useful to visualise a two-by-two (Boston) box (see Diagram 1 below), with *Power* (+&-) along the horizontal axis, and *Responsibility* (+&-) along the vertical. In one square, where there is a strong *Power*-driven (+) culture, combined with little sense of *Responsibility* (-), there is a high probability of megalomaniac or dictatorial behaviour. While another square would combine a high degree of *Responsibility* (+), with little *Power* (-), which is a classic recipe for stress. In fact, this is a major cause of relatively unaddressed individual, organizational and societal stress, reinforced by many empowerment programmes that are more concerned with giving individuals more *Responsibility* than giving them more real authority (i.e., *Power*). A further square has low levels of both *Power* (-) and *Responsibility* (-) producing the net result of “drop-outs,” whether individual, organisational, or societal. This category is often viewed as an attractive option when individuals consider it relative to the alternative to the stress, which is all too often associated with situations where the feeling of impotence is associated with the feeling of *Responsibility*. The ideal is to work towards the final square where there is an appropriate balance between *Power* and *Responsibility* (+/+). Although this compartmentalisation is an inevitable simplification, it does show how the underlying pattern of *Power* <> *Responsibility* relationships influence individual behaviour, which is particularly critical in areas related to ethical decision-making.

Diagram 1: Power – Responsibility Relationships

High (+) High (+) **Power** Low (-)

Responsibility

Balance Power and Responsibility	**Stress** Individual, organisational, societal
Megalomania Dictatorial behaviour	**Drop-out** Individual, organisational, societal

Low (-)

This basic relationship between *Power* and *Responsibility* is confirmed from experience in several other organisation/societal dimensions:

1. Organisational culture can be considered as either one that encourages the sharing of information, as opposed to a "Knowledge is Power" culture. (Although I consider it is more appropriate to use the word *Information*, rather than *Knowledge*, for reasons that are discussed in more detail later.) Almost all management techniques (*Total Quality Management, Learning Organisations,* and *Knowledge Management*, to name but three) are based on the assumption of a sharing knowledge culture and these techniques are unlikely to be effective within a "knowledge is power" culture. Teams, and virtually all other management techniques, flourish best under a *Responsibility*-driven culture. In addition, as we move further into a knowledge economy, the effective sharing of information/knowledge will become even more critical for all our decision-making whether as individuals, within organisations, or for society as a whole.

2. It is often argued that people oppose change, when the underlying problem is, in fact, that there is a difference of opinion on how to define progress — or what we mean by "better." In a culture where those affected by change are either in control, or they trust those driving the change, there is usually general agreement on how progress is defined, and there is little opposition to any change initiatives. The greater the trust levels, the easier it will be to undertake change, simply because there is general agreement that the change will be equated with progress. Despite all the talk of the need for change in many situations, what is really required is the need for greater emphasis on the concept of progress. Unfortunately, it is very rarely the case that all change can be equated with progress. This difference between change and progress is at the heart of most organisational difficulties in this area, partly because the vast majority of change is still top-down driven, and this is, unfortunately, combined with the widespread existence of a *Power*-driven culture, which has fostered a breakdown in trust in far too many situations.

3. Another important dimension of the *Power-Responsibility* relationship arises in many organisations where they experience the damaging effects of bullying, corruption, as well as sexism and racism. These problem behaviours are, essentially, in the vast majority of cases, essentially little more than the "Abuse of Power." If individuals took a more *Responsible*-driven (i.e., "others focused") approach to their personal relationships, there would be an enormous reduction in these harmful anti-social behaviours.

4. The issues considered above are also reflected in the language we use to discuss them. Phrases, such as "Corridors of Power," "Power Struggles," even "Lusting after Power," are widely used, but would not attitudes and behaviours be different if the language used was more focused on using phrases such as "Corridors of Responsibility?" Why do we never hear about "Responsibility Struggles?" There are very few, if any, examples of people being accused of "Lusting after Responsibility." Why not? If *Power* and *Responsibility* are two sides of the same coin, shouldn't the words *Power* and *Responsibility* be virtually interchangeable?

The greater the level of a *Responsibility*-driven, decision-making culture, the more effective and sustainable will be the consequences of that process; and the less regulation will be required to manage the inter-relationship between the various stakeholders. In contrast, more and more regulations will be needed in an attempt to regulate *Power*-driven cultures, where those regulations are designed, in theory, as an attempt to make the decision-making processes more accountable, and so encourage more responsible behaviour. If we all behaved more responsibly in our relationship with each other, there would be much less pressure for more and more regulation and legislation.

Rights and Responsibilities

In addition, it can be argued that it was a pity that there has been such an emphasis on "Rights" during the twentieth century — the U.N. Universal Declaration of Human Rights, the European Declaration of Human Rights, etc. — rather than emphasising a combination of "Rights with Responsibilities." In almost all current ethical debates (as well as legal and other regulatory structures), the ultimate objective is to try to achieve the appropriate balance of *Rights* and *Responsibilities*. If individuals behaved more responsibly and ethically towards each other, it would be much more likely that the net result would be a higher standard of ethical decision-making overall. This is a classic case where the outcome and process are closely interlinked.

In the context of the above comments, it is worth mentioning that probably 90% of violent behaviour arises because there is an imbalance, or discontinuity, between *Power* (self-focused), and our sense of *Responsibility* (others-focused), which leads to a breakdown in the ability to communicate effectively between those involved. This breakdown becomes even more acute, and problematic, if it is combined with an inability to undertake a constructive dialogue in the first place.

Leadership is nothing more than the "well-informed, *Responsible*, use of *Power*." The more the leadership-related decisions are Responsibility-driven (i.e., the more they are genuinely concerned with the wider interest), not only will they be better informed decisions, but the results are much more likely to be genuinely reflect the long-term interests of all concerned, which also happens to be a sound foundation for improving their ethical quality.

Wisdom

In essence, the above leadership definition is exactly what could also be called "Wise Leadership." In this context, the concepts of leader, leading, and leadership are used interchangeably, although it could be argued that leaders are individuals (including their intentions, beliefs, assumptions, etc.), while leading reflects their actions in relation to others, and leadership represents the whole system of individual and social relationships that result in efforts to create change/progress. However, the above definition can be used to cover the integrated inter-relationship of those three dimensions.

There is an enormous amount of literature that explores *Wisdom*, and this can provide useful insights into what works and what doesn't? However, partly because, for various reasons, the word *Wisdom* has been widely misused and misunderstood, it might be useful to explain how I got involved in exploring this generally neglected dimension of thinking about how people, organisations, and society work well in practice.

My background is Science, with Engineering and Business degrees, and a career in Industry and Finance that ended up with my writing and lecturing on *Strategy*, where I consider *Strategy* to be about "understanding what makes organization, people, and society work," and what helps them work "better," recognising that "better" is a values-driven word. In other words, I have a very practical approach to these issues.

It is worth emphasizing that I didn't have a classical education and, perhaps I should also mention that in this journey and discussion, I have no religious agenda.

Reflecting on those earlier experiences have led to exploring the questions: What do we mean by *Wisdom*? And why it is an important subject for both organizations and society? This interest arose particularly from two directions. First, my interest in strategy in the early 1990s was very influenced by the widespread discovery (or more strictly re-discovery) of the importance of

Organisational Learning, (largely thanks to the work of Peter Senge and his book *The Fifth Discipline*) and this is reflected in two relevant wise quotes:

Effective learning is the only sustainable competitive advantage.

and

Only if the rate of learning is greater than the amount of change are we likely to find change equated with progress.

The net result of this emphasis on learning naturally leads to the question: What is important to learn? Trying to answer that question partly led to the massive growth in the *Knowledge Management Industry.* I was brought up on the *Data/Information/Knowledge* pyramid, which ended with *Wisdom* at the top. Yet most *Knowledge Management* books, with a few notable exceptions, do not discuss the role and importance of *Wisdom*.

The second dimension arose in the late 1990s when I was involved in a number of "Futures"-related activities preceding the new Millennium. In fact, the recent move into the new Millennium was probably the most focused point in human history for exploring these questions. In these discussions, there was an enormous emphasis on technology. But I found that almost no one had studied what we had really learned over the past two or three thousand years that was really important to pass onto the next generation — i.e., *Wisdom*. (This led to a project for the World Future Society, "Messages for the New Millennium" — (http://wfs.org)).

Wisdom is something everybody seems to talk about. We all appear to want more of it, yet few people appear to reflect on what *Wisdom* really is, especially in management/leadership literature. And there is little consideration of how can we learn *Wisdom* more effectively? An over-riding objective of these brief comments is simply that it would be very useful for us to try to rehabilitate the word/concept of *Wisdom*.

Wisdom Definition

But what do we really mean by *Wisdom*? According to the *Wikipedia* (5/8/05) entry for *Wisdom*:

"Wisdom is often meant as the ability and desire to make choices that can gain approval in a long-term examination by many people. In this sense, to label a choice 'wise' implies that the

action or inaction was strategically correct when judged by widely-held values. … Insights and acts that many people agree are wise tend to:

- *arise from a viewpoint compatible with many ethical systems;*
- *serve life, public goods or other impersonal values, not narrow self-interest;*
- *be grounded in but not limited by past experience or history and yet anticipate future likely consequences; and*
- *be informed by multiple forms of intelligence — reason, intuition, heart, spirit, etc."*

More briefly, *Wisdom* can be considered as: *"Making the best use of knowledge … by exercising good judgement … the capacity to realise what is of value in life for oneself and others. …"* Or as *"the end point of a process that encompasses the idea of making sound judgements in the face of uncertainty."*

Of course, *Wisdom* is one thing, "being wise" is quite another. Being wise is certainly more than the ability to recycle *Wisdom*. In essence, "being wise" involves the ability to apply wisdom effectively in practice.

Wisdom Statements

Wisdom statements are those that appear to be useful in helping us all make the world a better place in the future. They are not absolute statements; they are simply statements that reflect our understanding of behaviour patterns that appear to work in a positive, sustainable, direction. But a statement of *Wisdom* is only useful if it also checks out with our own experiences.

Of course, that relatively simple objective is not quite as easy as it sounds for at least two reasons: Firstly, the word "better" inevitably means that we are involved in considering the whole subject of values. A critical part of the content of any *Wisdom* statement is the extent to which it incorporates judgments about values. In fact, that is a critical part of the definition of what we mean by *Wisdom*. That does not mean that all statements that reflect values can be defined as *Wisdom*; the extra dimensions required are that they are widely accepted and have "stood the test of time." In addition, while all wisdom is reliable, useful, information, not all reliable information can be considered as *Wisdom*; they are insights into values, people, and relationships that work. They are not simply technical statements that have no human or relationship dimension.

Secondly, it is important to recognise that in trying to "make the world a better place for us all" can easily run into potential areas of conflict. For example, making things "better" for some people can be at the expense of making it worse for others. Much of the conflict in this area is because different people use different time horizons when they talk about the future. Some people are obsessed with tomorrow, whilst others are primarily concerned with what they perceive to be the needs of the next hundred years. How, or whether, differences in perspectives are resolved is critically dependent on the quality of dialogue between the parties.

In my view, there are no absolute answers; consequently the only way to make progress is to try to ensure that the quality of the dialogue between all concerned (i.e., all the stakeholders) is as effective as possible. In the end, the quality of our decisions depends on the quality of our conversations/dialogue; that is not only dialogue about information but, perhaps even more importantly, it is about what is the best way to use that information. In other words it is about our values. Dialogue facilitates both the transfer of technical knowledge as well as being an invaluable part of personal development. Having a quality dialogue over values is not only the most important issue we need to address, but it is often the most difficult. In this area, there is a paradox with the concept of passion, the importance of which is emphasized in much current management literature. If this passion is exhibited by *Power*-driven persons who tend to think they have all the answers — and they are all too often not interested in listening — then holding a positive dialogue can easily become problematic! The only way to "square that circle" is to ensure that all the other people involved are convinced of their integrity and that they are reflecting a genuine concern for the wider interest in the decisions that are taken. The greatest challenge that most organisations face is how to manage effectively *Power*-driven, passionate, people in such a way that their priority is encouraged to be consistent with the long-term interests of the organisation as a whole, rather than just with their own personal interests. Incorporating this wider (*Responsibility*-driven) interest into our decision-making at all levels, irrespective of whether they are personal, organisational or societal, is the ultimate test of both values and leadership.

Re-interpreting the *Data-Information-Knowledge-Wisdom* Relationship

The traditional approach to the *data-information-knowledge-Wisdom* link sees a close relationship within a pyramid that starts with data at the bottom, moves through information and knowledge, to end with *Wisdom* at the top, giving, in theory, greater "added value" as we move up that pyramid. In my view, this progression has a fundamental flaw arising from the fact that the relationship between these four items is not linear and there is no basic step-by-step, linear, movement up the pyramid from data to *Wisdom*. The mechanistic view of that progression is partly a reflection of the Newtonian tradition, repackaged by the Management Science of Taylorism.

In practice, the integration of all four elements requires at least one, if not two, quantum (/qualitative) jumps. Information can certainly be considered a "higher" form of data, as it provides greater context and hence, greater meaning. However, the transformation of information into knowledge requires the first quantum jump. A book that describes how a jet engine works is an example of information. It is only when information is actually used that it is turned into knowledge. In a similar way, science produces "value" and "values"–free information. It isn't until something is done with that information that we need to recognise that all our choices (/decisions) are concerned with "adding value," as well as being values-driven, and these decisions are driven by our perception that one alternative is somehow "better" than another.

In essence, knowledge is information in use and, of course, it is through its use, and through the feedback learning loop, that you gain further information, which then gets turned into even more legitimate knowledge-based action. Overall, this is a never ending, dynamic process.

But where does *Wisdom* come in? *Wisdom* is the vehicle we use to integrate values into our decision-making processes. It is one thing to turn information into knowledge that makes things happen through its use, but it is quite another thing to make the "right" (/"good"/"better") things happen. How we actually use knowledge depends on our values. Instead of moving up from data/information/knowledge to *Wisdom* we are, in parallel, moving down from *Wisdom* to knowledge — and that is how we incorporate our values into our decision-making. Hence we can see the application and relevance of what is generally called *Wisdom*. It is only justified to consider that decisions can be reduced to a cost/benefit analysis if it is possible to quantify all the "values" elements within the equation in monetary terms. In the past, values have been included implicitly, whereas today that dimension invariably needs to be made much more explicit. All decisions involve the integration of the economics dimensions of "added value," with the ethical (i.e., "right") dimension of "values."

Of course, this is a dynamic process and there is continual feedback from the experience of our actions into whether we need more information. But what and how much further information is required is also a values-influenced decision. How values are assessed and applied, both as the ends and means, are critically important dimensions in all our decision-making.

Our values/*Wisdom* define the limits of what are considered acceptable choices in the first place and those decisions determine our knowledge/action priorities. These priorities then determine what information is required in order to try to ensure that the decision is as well-informed as possible. In turn, that need for information determines what further questions have to be asked about what additional data is required. It also needs to be recognised that the way the word (/concept) *Wisdom*, has been used in the past has not always helped this process.

We need to start with *Wisdom*(/our values) as our base, which provide the framework within which to manage knowledge, and so on through the pyramid to information and data. Consequently, without a sound base at one level, it is difficult to manage effectively the next layer up (or down): *Knowledge* as information in use and *Wisdom* as the integration of knowledge and values to produce wise action. This is confirmed by the comments below:

"Wisdom is the power that enables us to use our knowledge for the benefit of ourselves and others."
— Thomas J. Watson

"Knowledge is not wisdom, unless used wisely."
— J.D. Anderson

"Knowledge without wisdom is a load of books on the back of an ass."
— (Japanese Proverb)

"Knowledge is of no value unless you put it into practice."
— Anton Chekhov (1860-1904)

Many of the important messages about the state and future of the Human Race were made over a thousand years ago, in China, the Middle East, and other early sophisticated societies. In fact, *Wisdom* insights are very similar irrespective of which part of the world identified as their source because they consist of statements about relationships between people — either individually or collectively, in societal context or about our relationship with the universe as a whole — that they have "stood the test of time."

Learning

Wisdom is by far the most *sustainable* dimension of the information/knowledge industry. But is it teachable? It is learned somehow, and as far as I know, there is no "values"/Wisdom gene. Consequently, there are things that we can all do to help manage the learning processes more effectively, although detailed consideration of these are outside the scope of this paper.

We need to recognise that the more change that is going on in society, the more important it is that we make sure that our learning is as effective as possible. That is the only way we have any chance of being able to equate change with progress. If we want to have a better future the first — and most important — thing that we have to do is improve the quality and effectiveness of our learning.

We are trying to improve things. We are trying to make progress. Of course, the concepts behind the words: "improve," "better," and "progress" are powerfully values-driven. Organisations and individuals don't have a problem with change, only with how we perceive progress. Our success in this area is critically dependent on the quality of our dialogue as discussed earlier. Unfortunately, it is not easy to be optimistic about current trends, when the media is so focused on sensationalism and confrontation.

Wisdom Insights

Some examples of statements about Wisdom that not only reflect the points made above, but provide additional insights into the meaning and usefulness of the word, would include:

- ***"Knowledge is a process of piling up facts; Wisdom lies in their simplification."***
  — Martin H. Fisher
- ***"Wisdom outweighs any wealth."*** — Sophocles
- ***"Wisdom is the intelligence of the system as a whole."*** — Anon
- ***"Wise people through all laws were abolished would lead the same life."***— Aristophanes

And some of the general *Wisdom* messages that we might like to pass onto future generations might include:

- ***"By doubting, we come to examine, and by examining, so we perceive the truth."*** — Peter Abelard
- ***"The price of greatness is responsibility"***— Winston Churchill
- ***"If you won't be better tomorrow than you were today then what do you need tomorrow for?"*** — Rabbi Nahman of Bratslav (1772-1811)
- ***"You must be the change you want to see in the world."*** — Mahatma Gandhi (1869-1948)
- ***"The purpose of studying history is not to deride human action, not to weep over it or to hate it, but to understand it – and then to learn from it as we contemplate our future."*** — Nelson Mandela
- ***"Concern for others is the best form of self interest"*** — Desmond Tutu

What are the implications of these ideas for us all?

A Wise Society

In recent years we have seen considerable effort to move people from the idea of "Working Harder" to "Working Smarter." But what is really needed is to move beyond "Working Smarter" to "Working Wiser." We need to move from "The Knowledge Society" to "The Wise Society." And, the more we move along that progression, the more we need to recognise that we are moving to a situation where the important issues primarily reflect the quality of our values, rather than the quantity of our physical effort. If we want to improve the quality of our decision- making, the focus needs not only to be on the quality of our information but, perhaps even more importantly, on the "right" use of that information, hence the importance of improving the dialogue-related issues mentioned earlier.

Stakeholder analysis can help understand the map of the *Power/Responsibility* relationships within decision-making processes. All decisions require trade-offs and this involves judgement between the interests of the various stakeholders, within a framework of a genuine concern for the long term — and the wider interest. It is also the case that where there is no common agreement over objectives, values are invariably the dominant agenda in any discussion. It is here that *Wisdom* reflected in both content, and process, can be critical. How often do we seem to be either obsessed with technology — or so focused on the experience of the here-and-now — that the issue of *Wisdom* appears to be virtually ignored? Are we really focused on what is important, rather than on just what is easy to measure?

One reason for the recent obsession with an information-based approach is because that provides a relatively easy framework within which to procure agreement of decisions. Any focus on the values dimension can make decision-making much more problematic. There are two answers to such a view: First, values are implicitly involved in all decision-making and all we are doing is making the discussions about the values dimension more explicit, a process that is, after all, at the core of *Knowledge Management*. It is also through making information/knowledge more explicit that we can improve the effectiveness of our learning processes. Secondly the evidence suggests that there is much more agreement across all cultures and religions about fundamental human values (and *Wisdom*) then is generally recognised.

Conclusion

Finally, I come back to the point made at the beginning. Why are we interested in *Ethics* and the *Future*? The answer is, simply that we are concerned with trying to make the world a "better" place. But for whom? And how? To answer both questions we need to re-ask fundamental questions: Why do we not spend more time to ensure that the important messages that we have learned in the past (*Wisdom*) can be passed on to future generations? How do we ensure these messages are learned more effectively? These are critical strategy questions, as well as being at the very foundation of anything we might want to call "The Knowledge Economy," although what is really needed is to focus on trying to move towards a concept closer to "The Wise Economy." This focus naturally overlaps with the greater attention recently being given to values/ethical-related issues and "the search for meaning" in management/leadership literature.

Overall, *Wisdom* is a very practical body of sustainable knowledge (/information) that has an incredibly useful contribution to our understanding of our world. Such an approach would enable us all make "better" (/wiser) decisions, lead "better" lives, and experience wiser leadership, particularly in areas that involve explicit, or implicit, ethics and values-related issues which are themselves closely linked to establishing more appropriate relationships between *Power* and *Responsibility*.

If we cannot take *Wisdom* seriously we will pay a very high price for this neglect. We need to foster greater respect for other people, particularly those who have views, or reflect values, with which we do not agree. This requires us to develop our capacity to have constructive conversations about the issues that divide us and that, of itself, would go a long way to ensure that we improve the quality of our decision-making for the benefit of all in the long term.

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Author Biography

Professor Bruce Lloyd spent over 20 years in industry and finance before joining the academic world a decade ago to help establish the Management Centre at what is now London South Bank University. He has a Degree in Chemical Engineering; an MSc (Economics) (/MBA) from the London Business School and a PhD (by published work) for his work on "The Future of Offices and Office Work: Implications for Organisational Strategy." He has written extensively on a wide range of strategy/futures-related issues, and undertaken over 30 interviews on leadership for LODJ, as well others for "The Tomorrow Project Bulletin." He was also the U.K. coordinator for the ACUNU "Millennium Project" from 1999-2005. The focus of his recent work has been on the relationship between *Wisdom* and *Leadership*, and the role of *Wisdom* in *Knowledge Management*.

> *…"[E]ntrepreneurs no longer have to choose between earning money and making a difference in the world. Profitability is achieved with a giving-based business. …[C]onscious capitalism is a viable business model for innovators worldwide, and entrepreneurs can focus on being ambassadors of humanity."*
>
> *— Blake Mycoskie, Founder, TOMS Shoes, Santa Monica, California*

The *Values-Based Revolution*

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Introduction

Another title for this paper could have been *From Green to Gold to Platinum*, as the 2008 book written by David C. Esty and Andrew S Winston titled *Green to Gold – How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage* presents an interesting beginning. In this groundbreaking book, the two authors describe their concept that competitive advantage in the marketplace and sustainable practices are not mutually exclusive business practices. Rather they can and should exist together in the future economy.

Eschewing "Business as Usual"

The phrase "Green Wave" is used by Esty and Winston to articulate the unprecedented challenges to business as usual. "Gold" refers to the tangible benefits of higher revenues, lower operational costs, and possible lower lending rates from financial institutions. There are also soft benefits that can be gleaned from this type of environment, such as increased goodwill and brand trust (Esty & Winston, 11). An ever-increasing number of consumers will be insisting that organizations transparently demonstrate how they treat the environment.

Much akin to surfing, those organizations that not only ride out the waves but excel facing its challenges are denoted as “WaveRiders” by the authors. Organizations in the future would be wise to remember an old moral maxim, “You are known by the company you keep.” As opined by the authors: “As an individual company, remember that your reputation is inescapably linked to that of your industry. And the industry associations you are a part of will reflect on you for good or bad” (Esty & Winston, 83). The authors describe four strategic tasks faced by these *WaveRiders*:

1. They cut operational costs and reduce environmental expenses throughout the value chain;
2. They identify and reduce environmental and regulatory risks in their operations — especially in their supply chains — to avoid costs and increase speed to market;
3. They find ways to increase revenues by designing and marketing products that are environmentally-superior and meet customer desires; and
4. A few companies create intangible brand value by marketing their overall corporate greenness from cradle to grave (Esty & Winston, 103).

By combining economic and environmental strategies, organizations will nurture what is called an “Eco-Advantage Mindset” (Esty & Winston, 146). To fully cultivate this mindset, organizations need to be guided by certain foundational maxims:

- This is not a process with a short-term payoff. The time frame needs to be expanded in regard to fostering favorable financial returns and culture-changing mores.
- As with most radical changes, the process must start from the top with upper-level managers and directors. This level of executives must embrace the change and commit themselves and their organizations to it.
- “Doing nothing” is not an option in the dual quest to stimulate innovation or resolve issues.
- Feelings of others become realities. The way your organization is viewed by internal and external stakeholders — including your customers and competitors — is critical. Your employees represent the front line in helping your organization to “ride the waves,” thus they need to be engaged and unequivocally trust that the organization and senior management are supporting this position.
- Instilling integrity at every level is integral to the process. While “integrity,” “morals,” and “ethical behavior” are seemingly inherently subjective terms, I simply revert to the common childhood teaching that if an individual has to question whether something he or she is doing is right, then it probably isn’t. So don’t do it. Do the right thing…always.

Simply fulfilling all the steps articulated in this book will not guarantee business success. Even the most accomplished *WaveRiders* sometimes fall in a particularly gnarly wave. But successful riders keep in mind six lessons of success:

1. You have to keep in mind and meet customer needs that actually exist.
2. You must focus on all of your customer needs, both environmental and non-environmental.
3. You always need to control costs.
4. Being green is rarely the single most important attribute of success.
5. You will need to market differently to different niches.
6. You can't expect much of a price premium on your product, unless that product is very unique (Esty & Winston, 142).

While the *Green to Gold* premise is ostensibly inspiring, it falls short of the *Values-Based Revolution*. Values-based models are the way businesses will grow and become successful in the future. Strategic alignment with the values of society for the greater good is also imperative to the viability of businesses and their relationships with the customers who support them. These values are sustainable and support the *triple bottom line* of an organization. To ignore the *Values-Based Revolution* is incongruent with values-based management thinking.

Enter the *Values-Based Revolution*

Unlike the characteristics of a *WaveRider*, the *Values-Based Revolution* is premised upon the principle that consumers will purchase products and services from organizations that share values in synchronization with their own principles. These common values are aligned environmentally, economically, and ethically — what I term as the "3 E's" of a value-based business — and are better described as follows:

(1) *Environmentally* connotes that businesses will implement methods of delivering products or services that produce the least harmful environmental impact possible while continually searching for ways to reduce the impact they do generate.

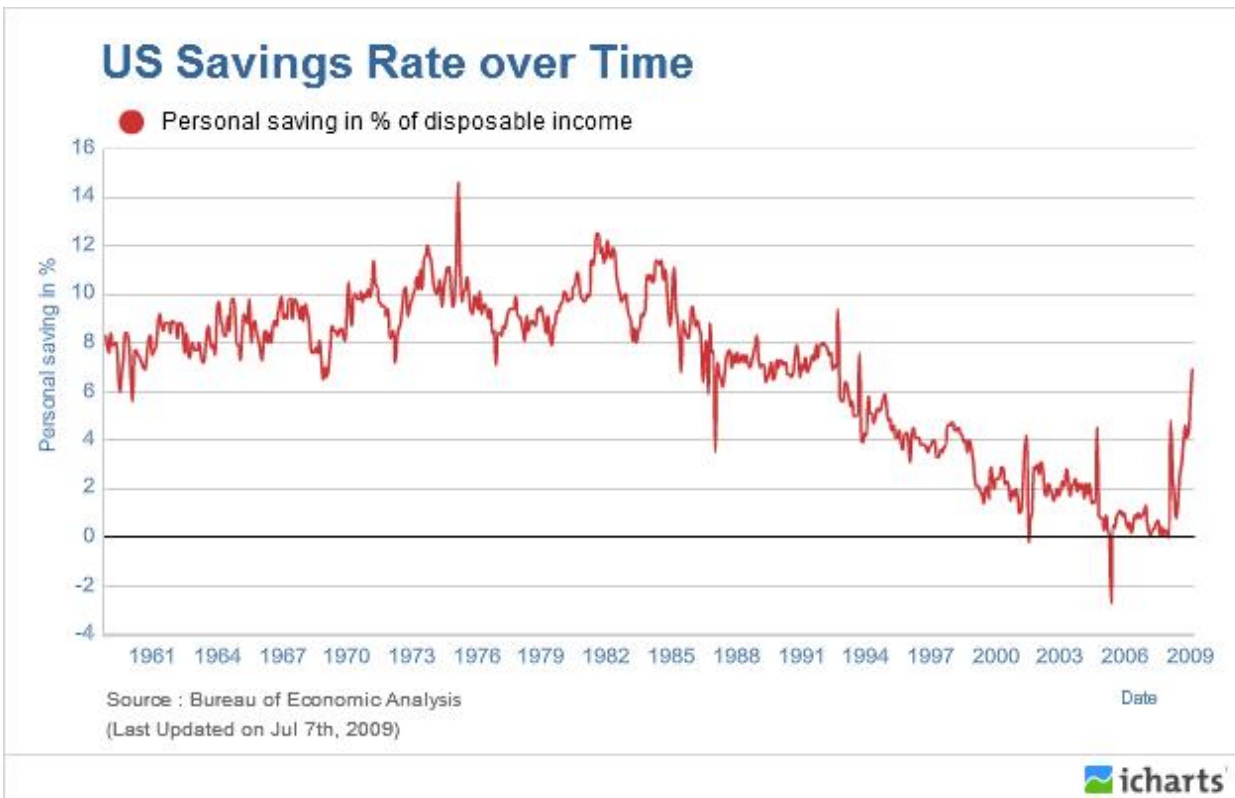
(2) *Economically* means that these firms will continually discover and invent new ways to improve the fiscal bottom line within the strict boundaries of the other two guiding factors. Being economically competitive and maximizing resources should be achieved without sacrificing ethical behaviors or producing harm to the environment. In this manner, the long-term viability of an organization might be assured.

(3) *Ethically* refers to corporate social responsibility. There cannot be a disconnect between the business entity and the surrounding community in which it is located. By being a *part of* — as opposed to simply being geographically located *in* — a community is necessary to properly link social values with the company's products and services.

The savings rate in 2009 aligns perfectly with Milton Friedman's writings in 1948 and 1956. His 1956 book, *The Quantity Theory of Money: A Restatement*, proposed that allocation decisions could have an impact on consumption savings decisions. "To the ultimate wealth-owning units in the economy, money is a kind of asset, one way of holding wealth. … The analysis of the demand for money on the part of the ultimate wealth-owning units in the society can be made formally identical with that of the demand for a consumption service" (Friedman, 1956).

As of June 5, 2004, the savings rate per capita in the United States had fallen to 0% according to United States Department of Commerce statistics. Although the savings rate was non-existent at that time, consumer wealth actually increased due to the increase in value of both homes and stock portfolios. According to the Bureau of Economic Analysis, the savings rate in May, 2009 increased to 6.9% as demonstrated in Chart 1, approaching the historical savings average in the United States.

Chart 1: U.S. Savings Rates, 1961-2009

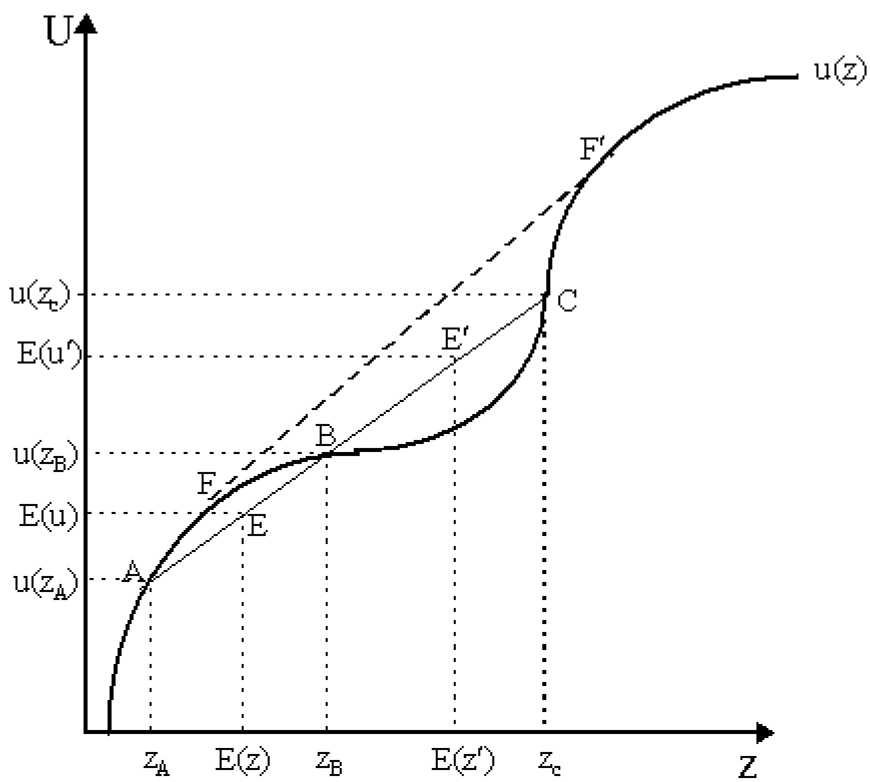


So what we saw for most of this past decade was a reduction in the savings of most Americans. As Milton Friedman would conclude, money was not the asset of choice. The tendency to spend rather than save money had a profound impact on consumption rates.

In 1948, Friedman and Leonard J. Savage authored the article, "The Utility Analysis of Choices Involving Risk" published in *The Journal of Political Economy*. The concept of their article dealt with risk, and the assumption that when faced with similar returns an individual will choose the less risky alternative. Importantly, Friedman and Savage indicate that the utility of consumption is not constant as wealth increases. There are various levels of wealth as individuals can be categorized as either *risk neutral*, *risk adverse*, or *risk takers*.

In the *Friedman-Savage Double Inflection Utility Function*, u(z) is concave up until inflection point B and then becomes convex until inflection C after which it becomes concave again. At lower income levels (between the origin and z_B), consumers will exhibit risk-averse behavior; similarly, they are also risk averse at very high incomes levels (above z_C). However, between the inflection points B and C, consumers are less risk adverse and gain a greater satisfaction from products that fulfill other needs.

Chart 2: Expansion of the Friedman-Savage Double-Inflection Utility Function



This double inflection utility function failed to show when projected further that at a higher level of wealth, the consumer will again find greater utility in the purchasing of services or products that serve a social need, while at the same time serving a need for the consumer. At the top of the u(z) line, point D, the utility function will again become inflected re-assuming its convex position. The consumers receive increased satisfaction from purchasing products and services that fulfill not just the purposes for which they are intended, but also help a social cause important to the consumer. Although Friedman and Savage attempted to use this theory to explain why certain people take risks, I believe this theory can also be used to show why the value-based enterprises of future decades will succeed and non-value-based enterprises will ultimately fail.

Instead of risk, let's use the theory to explain consumer choices. As the consumer savings rate has again risen, eventually consumers will reallocate their wealth portfolio. In fact, they are constantly doing this as they purchase other commodities to meet the demands of their immediate situations. When the refrigerator stops working, the consumer must take some of his or her accumulated wealth and purchase a new refrigerator. The consumer is not faced with a risk, but instead, with a choice. Is the refrigerator economical, is it efficient, is it friendly to the environment, and is the manufacturer a good to society? Is the retailer efficient, is the price competitive, and is the retailer a trustworthy steward of environmental and societal resources? These are some of the questions consumers are now asking before a purchase is made.

Positioned up to point B on the chart signals that the consumer may have to suffice with the cheapest model. Is it a point of debate how much consumers are willing to pay as a premium to buy a product from an ethically-responsible retailer and manufacturer? Many researchers conclude that a premium of 5% to 10% is within the range consumers will pay to advance their principles. (Cotte, 2009) I believe that this range is closely tied to the Freedman-Savage theory.

Initially, the less affluent consumer — at least up to point B — will be willing to pay 5% or less as a premium to purchase a desired product from a vendor displaying common values. Their lack of immediate resources stifle further investigation before the actual purchase is made. As the consumer accumulates more wealth, however, delving into the ethical practices — or the lack thereof — is more readily attainable. This type of consumer is armed with greater leverage in product/service selection and acquisition. I do not believe the inflection in the curve will diminish with more wealth, but rather this *Values-Based Revolution* will further permeate consumer buying trends. The consumer of the future will be willing to pay a greater premium, and enjoy the utility of the purchase far greater as the retailer of the product or service and the manufacturer enhance their environmental and social contributions. These consumers will pay in excess of the 10% currently seen as a threshold and enjoy increased utility functions as a result.

These conclusions coincide closely with a 2007 study performed by The Hartman Group, of Bellevue, Washington. In their 2007 paper, "Sustainability from a Consumer Perspective," consumers are segregated into three categories: *Periphery Consumers* (17%), *Mid-Level Consumers* (65%), and *Core Consumers* (18%). These consumers match closely with those discussed on the above expansion of the Friedman-Savage Utility chart. They believe consumers are willing to pay a premium for products when the value of that product is clearly defined through communication, brand narratives, packaging, experiences, and other methods of communication (Hartman Group).

Earlier in their report, the importance of communicating the following is emphasized:

- Your organization is not solely concerned with your "bottom line."
- Your company's principles match and are agreeable with the consumer.

- Your company professes social responsibility and is taking steps to address such concerns through profits generated by its products or services.

Let's look at a use every day: toilet paper. Forests are being eliminated in an effort to supply Americans with this particular product. Currently, the longer fibers created by virgin, non-recycled fibers generate the softest tissues. Additionally chlorine — either elemental chlorine process or ECF that substitutes chlorine dioxide — is being used to whiten the product. When the consequences of producing this product alone are comprehensively assessed, one must seriously consider the cost to resources versus the benefit to the global citizen.

Presently, the prices commanded for many environmentally-friendly products are beyond the cost range for the consumers described above. This presents an opportunity for a business entity to produce a tissue as soft as what consumers expect: chlorine-free and made from 100% recycled paper. This revised product must be offered to the consumer at a price at or less than the current price for an environmentally-inferior product. The National Resources Defense Council has calculated that "if every household in the United States replaced just one roll of virgin fiber toilet paper with one from 100% recycled paper, we could save 423,900 trees annually" (www.nrdc.org/land/forests/gtissue.asp).

The Changing Face of the Consumer

The face of the consumer is changing rapidly in part through changes in education and the inauguration of new programs. Sustainability is already being made a part of some U.S. pre-school programs. After the declaration of United Nations Educational Scientific and Cultural Organization's *Decade of Education for Sustainable Development* (2005-2014), a lecturer in environmental studies at an Australian university incorporated lessons on sustainability into their national elementary school education (www.cgpublisher.com/proposals). The Illinois EPA and Department of Natural Resources have developed guidelines for integrating sustainability into secondary education curricula. The Association for the Advancement of Sustainability in Higher Education (AASHE) was officially launched in January 2006 and currently has over 1,700 participants. Additionally, the Sustainable Endowments Institute surveyed the 300 universities and colleges with the largest endowments in North America (with respect to sustainable on-campus initiatives in 2009) comparing data acquired 10 years prior to this particular study. The following selected findings are nothing less than startling (www.greeningschools.org):

- 27% of the schools introduce sustainability in new student orientation programs.
- 42% offered a green residence alternative.
- 66% of the schools had a full-time staff member devoted to sustainability.
- 95% had a student environmental group on campus.
- 46% of the schools had invested a portion of its endowment in renewable energy funds (www.greenreportcard.com).

Other examples of sustainability awareness are demonstrated by Pixar Studios' release of its environmentally-themed, animated film, "WALL-E." The primary focus of this film is to equate mass consumption with an inhabitable world. Similarly, in 2008 the iconic children's show, *Sesame Street*, released the DVD *Love the Earth*, which highlights the importance of environmental awareness. Learning to appreciate and take care of the bounty of the earth is the movie's central theme. The entertainment industry has seized the opportunity of marketing environmental awareness to young adolescents of today who represent the consumers of tomorrow.

One of the fastest growing job areas is the environment. The American Solar Energy Society has calculated that the number of direct and indirect jobs related to renewable energy and energy efficiency could be 40 million by 2030. Green-collar jobs have the potential for tremendous growth and many consumers will be employed either in green companies or in a green position in another type of organization. "One study projected 4.2 million green jobs in the United States by 2038. Globally, the United Nations predicted that renewable energy could create 20 million jobs worldwide by 2030"(www.greenbiz.com).

The future consumer will have an ingrained sense of sustainability along with that social awareness that the current and previous generations were not exposed to. The importance of these issues take on added weight as the topics of sustainability and social awareness will have become an important part of their make-up. The new consumer will not accept products that do not coincide with their thought process.

Studies of *Values-Based Revolution* Leaders

The case for organizations to embrace a commitment to sustainability and social responsibility requires financially viability to be effective, continued, and copied. The following paradigm may help serve as a way to move companies forward in this manner.

Business leaders must be convinced that good business sense involves participating in the *Values-Based Revolution*. This commitment needs to start with a genuine belief that social issues and sustainability are important matters. Owners will need to see the data which demonstrates that these matters are compatible with growing businesses. The business leaders will have to believe that the opportunity exists to grow and improve the organization and that this can best be accomplished when combined with the organization adopting a social cause as a part of its business culture.

The year 1995 was pivotal when sustainability came to the public's attention in a sweeping manner. Michael Porter and Claas van der Linde published an article in the *Harvard Business Review*, stating that progressive companies would benefit from environmental regulation by learning to improve product value and lower costs. They concluded that these firms would enjoy a new competitive edge of resource productivity. I would extend this to add that social responsibility combined with sustainability now offers the same potential for innovative companies. There appears to be an inextricable relationship between the bottom line performance of an organization and its sustainable and social performance.

“Analysis by Ecos Corporation indicates that when sustainability becomes entrenched in an organization, it creates value in one or more of four ways:

- Raising operational performance by improving margins —
    1. Increasing sales margins
    2. Improving access to niche markets

- Protecting corporate and brand reputation by reducing risk —
    1. Creating new stakeholder relationships
    2. Improving existing stakeholder relationships
    3. Reducing liability exposure
    4. Generating greater community support

- Realizing growth opportunities —
    1. Supporting new product innovation
    2. Providing a framework for expanding into new markets
    3. Attracting and motivating employees
    4. Building a leadership framework

- Improving the return on investment —
    1. Reduce the amount of capital needed to produce a unit of earnings.” (www.ecoscorporation.com, 2009)

In order to satisfy the more sophisticated and conscientious consumer of today, successful businesses must not only address sustainability issues, but articulate its commitment to social responsibility matters important to the company. The results will bear the same results as ECOS observed. Just as sustainability issues need to be implemented from the top down so will the commitment to social issues. They will need to become part of the fabric of the organization and not just be given lip service.

Value-Based Organizations

The following entities demonstrate this type of preferred, socially responsible leadership:

(1) **Plan Creations Co. Ltd., (Bangkok, Thailand).** Twenty-five years ago, Plan Toys opened its doors for business. It was the first company to use wood from rubber trees that no longer produce natural latex. After 25 years, the yield from the trees has dramatically decreased as they have historically been cut and burned. Plan Toys uses this wood instead of wasting it. New trees are planted as the older trees are harvested and the wood is dried in a chemically-free drying process to be used in the manufacture of toys. To keep rubber wood pure, fertilizers are not added to the soil for three years prior to the trees being harvested.

The glues used in the assembly of the toys are a non-toxic e-zero glue. Only non-toxic, water- based dyes are used in the packaging and coloring of the toys. The paper used in packaging is recycled. The manufacturing plants are run by solar energy and biomass. All promotional materials and packaging contain soy or water-based inks.

Sales for this business are in the $20,000,000 range. It employs fewer than 1,000 people. It provides a work plan that has significantly increased the local standard of living. The company has founded a Children's Toy Museum that doubles as a community learning center. Every activity is created to mirror its global commitment to create a better society, improving the quality of life, and teaching respect of the environment.

One of its major programs is "Toys for Children with Special Needs." The company has made available to all schools and organizations in the United States a program that will provide toys for children with special needs, particularly those children who are afflicted with visual impairment, cerebral palsy, or autism. The company developed these special toys while working with rehabilitation and educational specialists. It expects nothing in return for this humanitarian endeavor except the chance of bringing a smile to a child.

(2) **TOMS Shoes, (Santa Monica, California).** TOMS Shoes began only three years ago in 2006 as an idea of Blake Mycoskie. During a trip to Argentina, Mycoskie was struck by the number of children who could not afford shoes. In response to this observation, Mycoskie developed a simple concept for his company: for every pair of his shoes a customer purchased, the company would provide a pair of shoes to an impoverished child. As of April 2009, TOMS Shoes had provided over 140,000 pair of shoes to children worldwide.

This matching program has been expanded to include additional products manufactured by TOMS. It now has t-shirts, products made from recycled plastic and hemp, hoodies, and boot wraps for women. They all come with the *One for One* guarantee: purchase one product and a pair of shoes will be donated. The company has established a goal of donating 300,000 shoes by the end of 2009.

The items are not something that I believe most consumers would even purchase without the additional value-based concept of helping someone else. Walking is the primary method of transportation in most developing countries to secure the basic necessities of life. This simple donation will allow for greater distance traveling and further help minimize infection sustained from walking on contaminated roads with bare feet. The transmission of parasites through skin in contact with soil is one of the leading causes of disease in developing countries. (www.tomsshoes.com, 2009)

The website for TOMS Shoes says it well: "Through TOMS, Mycoskie shows that entrepreneurs no longer have to choose between earning money and making a difference in the world. Profitability is achieved with a giving-based business. TOMS proves that conscious capitalism is a viable business model for innovators worldwide, and entrepreneurs can focus on being ambassadors of humanity" (www.tomsshoes.com).

(3) **Patagonia, Inc. (Ventura, California).** Patagonia, Inc. is a private company founded in 1972. It is a retail organization which sells outdoor apparel. Patagonia is considered to be a leader in environmental movements and is committed to several socially responsible

ideals. The company contributes 1% of its total sales or 10% of its profit — whichever is greater — to many environmental groups. Since this program started in 1985, Patagonia has contributed over $25 million.

In 2008, the company was awarded the "Eco Brand of the Year" at the *Volvo Ecodesign Forum*. Patagonia has also been involved with the *Organic Exchange* since its inception in 2002. It was one of the first clothing companies to change its complete clothing line to organically-grown cotton. The Organic Exchange is committed to expanding global organic agriculture. It brings together farmers, retailers, and brands to foster the greater use of organically-grown cotton. It assists in increasing consumer awareness, which in turn fosters increased demand. Additionally, Patagonia is a leader in the use of recycled fabrics and other materials such as plastic milk cartons for use in their clothing.

Patagonia hopes to create the Patagonia National Park in Chile. Through a non-profit foundation, 173,000 acres were purchased in 2004 on the Patagonia coast along the borders between Argentina and Chile. The goal is to convert this once pasteurized land back to its original state and establish a park approximately the size of Yosemite National Park.

Often viewed as a high-end, outdoor apparel outfitter, its renowned product quality combined with a time-proven record of social outreach have created a core group of local customers who are making purchases from an organization they know are dedicated to making a difference in the world (www.patagonia.com).

(4) **Newman's Own, Inc., (East Westport, Connecticut).** During Christmas of 1980, Paul Newman decided, at the encouragement of his friends, to enlarge his hobby of making and bottling salad dressing from the basement of his home to forming a business. *Newman's Own* was formally incorporated in September of 1982. At the conclusion of the first year in business, net profits approached nearly $400,000. Newman made a firm commitment at that time to donate all profits "to those who need it." (www.newmansown.com, 2009).

His vision was to create a place for children with life-threatening illnesses. He is quoted as saying, "I want to acknowledge luck: the chance and benevolence of it in my life, and the brutality of it in the lives of others, who might not be allowed the good fortune of a lifetime to correct it." This vision was manifested in Newman's creation of "Hope in the Wall" camps for such children in need (www.newmansown.com, 2009) through his business, Newman has demonstrated why social responsibility is a critical segment of future, *successful* organizations.

The first camp opened in 1988 in the United States and six years later the first camp outside the U.S. opened in Ireland. In 2009, over 17,000 children will have the opportunity to enroll in one of the eleven camps established throughout the world and Newman's hospital outreach program is estimated to affect over 10,000 additional children.

What started as gifts for friends at Christmas evolved into a global, philanthropic endeavor. The products are sold worldwide. Since the company's inception, over $265 million has been donated to support the needy around the world. Michael Seltzer (a writer, educator and non-profit leader) said in Philan Topic(a blog of Philanthropy News Digest), "Given a choice between a high-quality product and a high-quality product coupled with a chance to do well, Americans as Newman demonstrated, are inclined to choose the latter." The key to the statement is "a high-quality product coupled with a chance to do well." Newman's Own products are regarded worldwide as superior products and enjoy a very good reputation; this is coupled with their drive to give it all away (http://pndblog.typepad.com/pndblog/2008/09/paul-newman-a-t.html).

(5) **The Body Shop, (London, United Kingdom).** Anita Roddick, founder of the *Body Shop,* declared in her book, *Business as Usual* that "We are not as humans, above anything…instead, we are a part of everything. The business of business should not be just about money, it should be about responsibility. It should be about public good, not private greed" (Roddick, 2005)

Since its founding in 1976 as a small home enterprise in England selling only products with natural contents, *The Body Shop* has grown into a multi-national company with a workforce exceeding 31,000 employees and annual sales of over one and a half billion dollars in 2008 (www.loreal-finance.com, 2009). In 2006, the business was purchased by *L'Oreal SA* which has recently garnered attention due to certain values-based business practices:

- In 2007, it was the first cosmetics company to sustainably harvest palm oil from a certified organic producer.
- A commitment was made to make all of its bottles from 100% recycled bottles.
- It created the "Stop Violence in the Home" campaign in 2008 to aid women affected by domestic violence around the world.
- It has committed to being carbon neutral by 2010.
- It instituted a program of trading only with suppliers who will commit to its Code of Conduct (http://fundinguniverse.com/company-histories/THe-Body-Shop-International-plc-Co).

The Body Shop believes it is distinguished among its competitors due to its unique values. As Roddick opined: "We do it this way not because it's fashionable. We do it because, to us, it's the only way" (Roddick, 24).

Additional Values-Based Organizations

To ignore the *Values-Based Revolution* is incongruent with values-based management. The organizations discussed above are all profitable. They have all earned the trust of the consumer. They implement practices commensurate with industry and customer interests.

This type of engagement is not restricted to the West. *Sumitomo Chemical*, a Japanese organization, acquired a stake in a textile mill in Tanzania which produces approximately

10,000,000 insecticide-treated mosquito nets annually. Sumitomo donated the technology to manufacture this product which resulted in the creation of over 1,000 new jobs in this part of Africa. It also combined efforts with the not-for-profit *Malaria No More* to distribute over 1.4 million mosquito nets in Madagascar.(www.pbs.org/newshour/bb/africa/jan-june06/malaria_1-04.html).

The Seventh Generation Company is committed to becoming the most trusted brand of home products. Its name originated in the Iroquois tradition that any decisions made by tribal counsels must consider the impact of those decisions on the next seven generations of Iroquois. This is the principle which governs the company's operations. In addition to sustainability issues, Seventh Generation donates 10% of its profits to non-profit organizations working for meaningful change in their respective communities (www.seventhgeneration.com).

"Prosperity is not for the envious, nor is greatness for men of

Beecher's Coffee has a customer base which consists of 501(c)(3) organizations and is committed to helping these types of organizations create sustainable income programs for their causes. Beecher's created *Operation Café Freedom* for the troops overseas. In addition to sustainable packaging practices, Beecher's has embraced a corporate objective of committing over 50% of its profits to social ministry organizations which typically consist of shelters for abused men, women, and children. Its tag line is "Helping Communities One Cup at a Time" (www.beecherscoffee.com).

Robert Half International challenged its worldwide employees to volunteer and assist in raising money for charitable groups through a program called "60K60." This was translated as 60,000 hours for 60 years of service, and the program resulted in 70,300 hours of volunteerism around the globe (www.rhi.com).

Lowe's, Kohl's, Target, Wal-Mart, Home Depot and many other well-known companies all maintain many programs that serve their communities. As one example of this trend, Kohl's has a *Care for Kids* program that creates and sells merchandise and100% of the net profits are donated to support health and educational opportunities for children.

The Power of One

An ancient Hindu quote on the essence of prosperity reads: "Prosperity is not for the envious, nor is greatness for men of impure conduct" (Tirukkural, 14:135). This statement should apply as equally to organizations as it does to individuals. In successfully incorporating this philosophy into business managerial practices, key characteristics must first be identified:

- Sincerity is only proven if outreach is not done for self-promotion but rather reflects a true part of the culture of the organization.

- The values-based outreach is associated with the field the business represents.

- The outreach is also of importance to the company's customer base.

- The organization sponsors only a few, carefully vetted outreach programs, where the investment will produce the most significant results.

- The vision is all-encompassing and reflects "the big picture."

- The organization involves its stakeholders — especially its employees, customers, and suppliers.

- The contribution is quantitatively calculable.

- The vision is clear and is well communicated.

- The determination to achieve positive results is well communicated.

- The organization recognizes its limitations and fully comprehends that despite its best efforts, it cannot solve the entire world's problems; instead it should direct its resources to those issues upon which it is most likely to have the greatest impact.

Why do some organizations understand the *Values-Based Revolution* and others just don't get it? Are they afraid that becoming socially responsible may have an adverse effect on their stock performance? Domini is a firm that specializes in socially responsible investing, often called SRIs. Their June 2009 review shows that since the inception of the study in April of 1990, SRI's historically outperform the S&P 500. Since inception, the DS400 has an annual return of 8.5%. The disclaimer is that past performance may not be a true indication of future performance. But this is what we have. Socially responsible firms in the DS400 continually matched or outperformed the S&P 500 (www.kld.com).

Some of the hesitancy might be the fear of, "What if my customers don't like the cause I want to support?" As demonstrated in the extension of the Freedman–Savage theory, there are new consumers waiting to take the place of those that might not agree and those new consumers are willing to pay a premium because of the value-based project. LOHAS (Lifestyles of Health and Sustainability) is a demographic set of individuals composed of the higher-end consumers that want to see their consumer dollars spent on quality goods and services as well as a consumer cause. Worldwide Institute reported that this segment was approximately 30% of the consumers in the United States in 2006. In his book *Cultural Creatives*, Paul H. Ray explained that "What you're seeing is a demand for products of equal quality that are also virtuous." www.elohasnow.com). enrgPath is a publisher of a healthy alternative business directory. It calculates that 63 million Americans consumers make value-based decisions when purchasing products and services. SRB Marketing concluded that "recent studies show Americans are increasingly integrating their environmental, social, and even spiritual values into their purchasing choices – and are seeking to support companies that can deliver on their core values"(www.enrgpath.com/index/choose).

My Aunt, Mary Anne DasGupta, has lived in Kolkata (formerly Calcutta), India for 46 years. She founded an organization dedicated to helping the poor children of Kolkata. In 2002, she received an award for her efforts. A portion of her acceptance speech bespeaks of values-based leadership:

> *"Crossroads, zigzags, ups and downs, ins and outs... our lives are full of choices. Each of us at various times in our lives, find ourselves in front of closed doors: business collapse, failed marriage, loss of job, health problems, etc. I have experienced the beneficial challenges of a basically trusting, caring, and optimistic attitude to life's challenges. It is an attitude corroborated by Bertrand Russell: 'Fundamental happiness depends more than anything else upon what might be called a friendly interest in friends and things'"*
>
> *— Mary Ann DasGupta (2002)*

One thought can change the world. This is the *Values-Based Revolution*. People and organizations advance only by doing. Some people build buildings while the rest live in them. Some people write books while the rest read them. Some people create value-based companies, while the rest think about them.

Conclusion

History continues to teach us that major changes begin as subtle ripples. The *Values-Based Revolution* tsunami will be no different. The middle of the 19th century saw the rise of an industrial America. There were ample resources, labor, and capital. Pro-business government policies were in effect. During the latter half of the 1800s, a second industrial revolution was delineated by new technologies like the Bessemer Furnace, the new oil industry, improved transportation of goods, and enhanced communication channels. And the consuming public only demanded more.

These growing demands of a rapidly-expanding middle-class in the 20th century triggered the introduction of newer, accommodating technologies. It had become cheaper to discard an item than to repair it especially since newer technologies had made so many products obsolete in such a short period of time. Towards the end of the 20th century, people were finally beginning to assess the consequences of their own wasteful consumption habits and gauging what could be done to address the harm inflicted to the planet. Just as the Iroquois Nation made their decisions based on what would happen to future generations, today's consumers are now beginning to doing the same. They are making their decisions to purchase goods and services from organizations that are doing something proactively to protect the health and well-being of future generations. This is where the *Values-Based Revolution* exceeds the expectations of the *Green Wave*. The new consumer is beginning to make purchasing decisions not only upon the quality and price of a product, but on its environmental impact and the social actions of the organizations producing it.

Companies cannot and are not ignoring this *Values-Based Revolution*. Many are demonstrating their principles as a way to retain their clientele; others understand that it is not only the key to growth, but the right thing to do. The stage is set for companies that embrace the *Values-Based Revolution* to lead by example. Consumer savings levels are steadily increasing (U.S. Department of Commerce, 2009) and many individuals will want to spend their new wealth on commodities and services that cannot only just fulfill their immediate physical needs and financial goals, but also provide humanitarian aid and "make a difference." The expansion of the Friedman-Savage theory demonstrates the psyche of the consumer and the satisfaction they will garner through increased utils when their purchases matter. As organizations embracing the *Values-Based Revolution* lead the way and show how corporate profits and growth are not at odds with social responsibility, but rather stand to gain from these actions, the other entities will follow suit.

Consumer demands for quality products that are environmentally sound and generate income for tackling social issues, are increasing (www.elohasnow.com, 2009). Their ability and willingness to pay a premium for these products and services are also increasing (Cotte, 2009). The issue of sustainability is critical in their decision-making process. The issue of social responsibility will become increasingly critical as they become more informed. The wonderful message is that those organizations that recognize the advantage of supplying quality goods while providing tools for promoting valuable social change will inevitably flourish.

Take guidance from the words of a humble, yet iconic, man, who once said:

> ***"If you could only sense how important you are to the lives of those you meet; and how important you can be to people you never even dream of."***

I believe Fred Rogers had a sense of the *Values-Based Revolution* when he looked at his neighborhood.

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