



How to Communicate Good Corporate Ethics

In today's scandal-ridden business environment, investor relations practitioners and their counterparts in public relations and corporate communications have a vital role to play. Their voices must be heard in the boardroom and they must assume the role of corporate conscience as a means of safeguarding a company's reputation, which can be destroyed in a matter of hours. In serving the public, however defined, public and investor relations practitioners should possess keen understanding of what a company's constituents are thinking and how to best serve their needs as consumers, shareholders, business partners and so on.

Much has been written about the need for greater regulation of the business world and increased transparency in corporate reporting. However, would we not be better served by greater enforcement of the rules that already exist? Will more regulations restore investor confidence? Will they make for more ethical corporate management? In a recent issue of The Nasdaq International Magazine, Irwin Stelzer, a business advisor and director of regulatory policy studies at the Hudson Institute, wrote "...the more that the corporate sector embraces putting its own house in order, the faster it will restore investor confidence, and the less likely it will be that the long arm of government will be called upon to replace the invisible hand of the market."

The problem is how can a company communicate that its management is ethical and that its house is in order? Someone who lies, cheats or steals is a liar, cheater or thief, respectively. And no words -- however effectively delivered -- or ethics statements, for that matter, will change that fact. When it comes to trust, actions speak louder than words and effectively communicating those actions will be critical to restoring trust. Some ideas to consider...

"...the more that the corporate sector embraces putting its own house in order, the faster it will restore investor confidence"...

Irwin Stelzer

**Director of Regulatory Policy Studies
The Hudson Institute**

#1 Educate the media and investors...

While some companies have relatively easy stories to understand and are unfettered by complicated balance sheets and financial transactions, others have more complex structures. Such companies must educate investors and the media in order to achieve a valuation commensurate with their prospects. Beset by a spate of negative media stories questioning the company's accounting practices, EDS went to great lengths to explain its accounting standards to insure that its investors and the media had all of the facts. In addition to aggressively responding to the media, which resulted in corrections and visible placements for their letters of explanation, the company hosted a special conference call for the media and securities analysts a week prior to the release of its earnings to answer questions pertaining to its accounting practices.

"The ethics officer has to be visible, but the CEO has to be highly visible as well. The ethics officer needs to have the access to the CEO to be forthright to discuss tough issues, and to provide valuable counsel. One of the most important things to remember is that **w i n d o w - d r e s s i n g** programs won't work. They'll generate a certain level of cynicism and can cause issues and concerns and be detrimental to your reputation."

Gale Andrews
Vice President of
Ethics and Business
Conduct Boeing
Company

#2 Don't play follow the leader...be a leader...

It seems to be common practice these days to jump on the bandwagon of a popular issue (witness the number of companies announcing their intentions to expense stock options). These times require real leadership, and leaders, well... lead. Get out in front of an issue that is particularly important to your company and its constituents. Immediately following the tragic events of

September 11, George Horowitz, chairman of Makovsky & Co. client Everlast Worldwide Inc., announced his intention to personally purchase his company's common shares in the open market and called upon fellow chief executives to do likewise as a way to demonstrate faith in America's capital markets.

#3 Use plain English and provide detail...

Former SEC commissioner Arthur Levitt was onto something when he mandated that official filings be made in plain English

as opposed to "legalese." Given an environment in which skepticism abounds, it is wise to provide extensive detail on your company's financial performance in the quest for transparency. Of course, your communications should be in easily understood language. If an explanation is convoluted, it will be subject to interpretation, perhaps erroneously, by the media, investors and others.

#4 Being transparent doesn't mean being invisible...

When a crisis hits, there is a tendency to hide in the hopes that it will blow over. Chances are, it won't and, in this age, of round the clock media reporting, there is a good possibility that your crisis will quickly rage out of control. In addition to having a crisis preparedness plan, your company's management team needs to be visible and available to all constituents and present a credible plan and timeline for remedying the situation. While Makovsky client, Coeur d'Alene Mines, was undergoing a corporate restructuring program, management held informal "Town Hall" meetings with employees at its various locations to keep them informed of the company's progress and to boost morale. In both good times and bad, corporate management must remain visible and meetings with investors and the media during difficult times will go a long way to enhancing a company's credibility.

#5 Anticipate, anticipate, anticipate...

Your company's fortunes are often intertwined with those of another... be it a customer, vendor, supplier or joint venture partner. If something befalls one of them, there is a good possibility that your company will feel some impact. To lessen the impact of the fallout, one must be vigilant and be prepared to respond quickly. When EDS customer, U.S. Airways, filed for bankruptcy, EDS immediately issued a press release commenting on the financial impact to the company. While the bankruptcy filing was made on a Sunday, EDS's response was on the wires on Monday morning.

#6 Ethics: Some safeguards...

Quite a number of companies are addressing the issue of ethics through the formation of ethics committees at the board level while many have ethics officers. In the case of Boeing, The Ethics and Business Conduct Committee is responsible for oversight of the ethics program. The committee is appointed by the Boeing Board of Directors and its members include the company chairman and chief executive officer, president and chief operating officer, presidents of the

operating groups, and senior vice presidents. The Vice President of Ethics and Business Conduct Gale C. Andrews administers the program. According to Judith A. Muhlberg, Senior Vice president Communications at Boeing, "We have an active education and training program and encourage whistle blowing. We have an ethics section on our web site and contact employees by e-mail to remind them about ethics training. We also maintain a hotline for our employees to use to report issues. To generate awareness of the program, we have placed posters throughout the company. The ads are entitled, 'Got Ethics' and feature Gale Andrews with a milk moustache like the ads promoting milk. Of course, we received approval from the National Dairy Council."

In Closing

While today's times are presenting great challenges to communications professionals, there are great opportunities to advance the profession. Practitioners must play a more active role in shaping a corporation's ethics policy and safeguarding its reputation through a communications program that addresses the needs of all of its constituents.

"At Boeing we have an absolute focus on safety and quality because people put their lives in our hands. We have no toleration for failure. We hold ourselves to the same high standards when it comes to ethics."

**Judith A. Muhlberg
Senior Vice President
Communications
The Boeing Company**

Ethics Guidelines

- Being transparent means being available.
- Good ethics requires defining your company's core values.
- Good ethics can be trained.
- Deliver on your promises. Don't make promises or commitments without strict deadlines.
- Don't allow inaccuracies in the media to go unanswered -- be heard in the debate.
- Work stress and too rapid decision making can often impact ethics.
- Actions speak louder than words.
- Avoid personal attacks: Address the issue, but don't attack the person or organization.
- Don't shift the blame: Take responsibility for your share of the problem and acknowledge mistakes.
- Keep ethics programs real <ETH> window dressing won't work (e.g, make sure your ethics officer reports to the CEO).
- Use key communications channels such as annual reports to define what the company stands for.



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