



## Walking the talk

Focusing on the examples of Baxter and BHP Billiton, **David Liss** discusses the implementation of best practices for communicating ethics, standards and conduct across international companies

When I was a child my mom used to say, “The road to hell is paved with good intentions.” She said this whenever I talked of doing “the right thing” but in the end did not follow through or flat out did the opposite of my stated intentions. In this way she taught me the importance of integrity.

Unfortunately, most corporations don’t have the benefit of my mother’s counsel. Despite this obvious disadvantage, many corporations develop and implement internal communications policies and programmes to communicate strategies on general business ethics and corporate responsibility to their employees, their partners and their investors. And to be successful with these strategies corporations must be able to “walk the talk”. The most successful companies don’t dig a chasm between what they say and what they do. They understand that having policies and programmes with substance will make them a better functioning, more respected and ideally a more profitable company.

Multinational corporations have even more at stake. In many cases the standards they choose to implement abroad may be more stringent than that required by the guest country in which they operate. In other instances the requirements of international law may demand that more stringent standards be upheld. As a result, corporations are coming to realise that their performance and standards of operations abroad affect the perceptions of the corporation in their home country by investors, legislators, non governmental organisations (NGOs), the media and other parties.

### Building a framework

In establishing effective communications programmes, corporations must first determine what their objectives are, then decide what their core values are as a business and what laws they are required to uphold and determine how they will communicate these values. Most importantly, they must choose how they will implement these values so that there are meaningful enforcement mechanisms, metrics and standards. “It is in that space between what exists in potential practices and what is prohibited by law that offers companies an opportunity to embrace and define standards that reflect their values,” notes Elliot Schrage, Adjunct Senior Fellow in Business and Foreign Policy with The Council on Foreign Relations and a former Senior Vice President for Global Affairs at Gap.

Schrage continues, “A communications system is not just about communication, it is about action. That is the more important element. If a company communicates a policy prohibiting sexual harassment and describes punishment for offenders, it must enforce this policy. A harasser can’t be allowed to remain in their job or be promoted. All actions taken by the company acting to the contrary of a stated policy speak louder than any policy distributed on paper. Companies must determine what is acceptable practice for each issue and determine consequences for violation. There must be public displays that show that the privacy of the individual is respected and intolerance to violations on the subject at hand.”

A critical element of a communi-

cations system is how it develops trust for the employer by employees. “The only way for companies to develop trust with their employees is for companies to deliver on what they say they stand for. Management won’t understand what these values are unless they ask their employees,” notes Elsie Maio, President of Maio and Company, an international consultancy focused on helping organisations create principled brands.

Lastly a communications strategy needs to be a board function and not a management function. While management must manage against a company’s core values, the responsibility for implementing a communications strategy must rest on the board of directors. This promotes greater accountability and independence from the hierarchy of management.

### It’s the law

There is a body of international human rights laws that business must adhere to as they engage in operations on a global basis. Legal foundations established by the United Nations have resulted in business practices of global companies governing human rights, focusing on the standards defined in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights.

Consideration of international law must be made jointly with an evaluation of international standards of domestic companies operating abroad. For example, in the United States, the Foreign Corrupt Practices

Act, or FCPA, regulates the way US companies transact international business. Enacted in 1977, the FCPA was a response to government findings that hundreds of US companies, including many of the Fortune 500, were using cash and “slush funds” to make questionable or illegal payments to foreign government officials, politicians and political parties. The purpose of the statute was to halt the bribery of foreign officials and restore public confidence in the integrity of the American businesses system.

Recent international initiatives, including the Inter-American Convention Against Corruption and the Organisation for Economic Cooperation and Development’s (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, have refocused attention on anti-bribery issues. Major US trading partners have now promised that they, too, will enact legislation similar to the FCPA.

What this means for international corporations is that they have to make decisions on a variety of issues that they would not consider at all if they strictly operated within the confines of their home country. At the same time, national and international legal considerations for companies operating across the globe make some considerations easier. There is no decision to make. Your value is to enforce the law and local standards or you will suffer the consequences.

Additional considerations occur where international operations are located in countries and cultures where there is a higher premium on jobs and jobs creation and less concerns about the environment or social issues. It is in these instances where corporations have the greatest opportunities to assert their leadership in the implementation of standards – or not.

### Two companies, two paths, one objective

To evaluate the implementation considerations outlined above, two companies are used to detail these considerations in practice. Baxter International and BHP Billiton Limited. The two companies are similar in that they have international operations, different in that Baxter develops products, systems and services in the health field while BHP is primarily involved in mining and the extraction of raw materials and petroleum.

Baxter employs 55,000 people worldwide, manufactures products in 28 countries and sells them in over 100 countries.

BHP has 38,000 employees working in more than 100 operations in



Companies must determine what is acceptable practice for each issue

approximately 20 countries. The vast majority of staff is comprised of union members. There has been a history of labour disputes, in particular on the mining side.

### History and goals

Baxter has had a business practice process for ten years. The corporation’s shared values have been in existence for approximately the same amount of time. These values emerged from focus groups at the

direction of senior management to determine what is unique about the company from a values perspective. “The objective was to determine what are the things that make this the kind of place to work that we all want to continue to work in. Respect, integrity, honesty, what do these values mean and how will they be defined?” said Gretchen Winter, Vice President of Business Practices with Baxter International. From this start, the Global Business Practice Standards for the corporation were developed. The company refers to the group charged with implementing corporate communications as Business Practices.

BHP Billiton has implemented a two-part approach towards implementing ethical conduct standards and practices. These efforts evolve around The Guide to Business Conduct and the Health, Safety, Environment and Community (HSEC) Policy. The Guide refers to standards of behaviour and personal conduct in BHP operations throughout the world and the HSEC details policies and procedures governing health and safety practices. The Guide to Business Conduct originated six years ago as a result of increased internationalisation efforts and was revised in 2002 to reflect the company’s merger. It defines what are and are not acceptable forms of behaviour with regards to all identified areas of ethical conduct.

### Documentation

The policy and structure of Baxter’s Internal communications programme is provided through the Business Practices Standards Manual. The document details global standards and practices that are to be applied on a local level. This document is currently available online to employees, business partners and the public in 17 languages.

The BHP Guide to Business Conduct is produced in 20 languages relevant to the Group's diverse employee base. In 2002 distribution of a revised Guide was done in a number of ways. Over 25,000 hard copy English guides were distributed. The intranet, emails, workshops and presentations were also used. Where literacy rates are low, alternative means are used to communicate the requirements of the Guide. In Mozambique, theatre was used to communicate awareness of acceptable employee conduct. Presidents of each of the company's seven business groups are responsible for ensuring that the guides are distributed and the contents understood.

### Corporate governance

For Baxter the process for determining business practice standards, consideration and enforcement issues and ethics is defined by the Corporate Responsibility Office. There are five people who serve as board members of this office. The Chair and the Vice Chair are rotated amongst senior business leaders of the company. The remaining three members are permanent positions filled by company mandate and include a corporate Vice President, the General Council and the Vice President of Business Practices. The Public Policy Committee of Baxter's board of directors appoints these members. The Vice President of Business Practices also reports on a straight-line basis to the Public Policy Committee of the board of directors. This latter group is composed of outside directors and Baxter's CEO.

One of BHP Billiton's initial efforts was to implement an Ethics Panel with a corporation-wide mandate. The initial role of the ethics panel was to promote the effective implementation of the Guide. The group considers how the system is performing, how it could be improved, and how to share experiences across the company. The panel meets quarterly and reports to the Risk Management

and Audit Committee of the Board of Directors. The Ethics Panel was altered to include business representatives of all corporate groups, functional representatives from Audit Services, HR and Legal and up to two external members.

### Implementation

Baxter's stated policy is to look at the implementation of business practices as a joint responsibility of managers and employees that is implemented every day through the collective and individual actions and decisions of every employee. To protect employees, the company has implemented a No Retaliation Policy. The stated intention of the policy is to make clear to employees that they will not be punished for asking about possible breaches of law, regulation or company policy.

For Baxter employees, on a local level, anywhere in the world, employees can access the corporate helpline with questions or to raise issues. Training and educational services are offered so that employees know how to access this number. Certification training programmes are being offered to partners and suppliers on Baxter business practices. Process charts are available with contact information for employees who have questions, need guidance or have to report inappropriate activities based on acceptable codes of conduct. Once issues are raised, it is the Committee's responsibility to develop a policy or an action plan to address that individual issue.

Annual certificates of integrity and compliance are issued on an individual basis to 20% of the workforce. This certification process asks series of questions of global practice standards to employees. Do they understand the standards, do they communicate the standards, do they follow the standards and do they have an issue they want to raise?

The components of BHP's original system were threefold: a Guide to Business Conduct, a helpline and

an Ethics Panel. In all of these much emphasis was placed on the practicality of the system, with a focus on providing guidance on the "grey" areas of behavioural standards. The Guide and the helpline were designed primarily to help instil a culture of openness in which issues of complexity could be heard, discussed and resolved. "The aim of the system was to deal effectively with ethical issues and challenges before they escalated," noted Matthew Taylor, Manager of Sustainable Development with BHP Billiton.

There are currently four regional help lines to cover all the main time zones, and trained operators who possess the relevant language skills staff these help lines. The Fraud Hotline was formally incorporated into the ethics system.

### Metrics, audit and enforcement

Baxter has created a structure called a Balanced Scorecard that is cascaded for implementation throughout the corporation's international facilities. The Scorecard is an updated list of annual performance objectives for the corporation and for individuals.

Professional employees set their own personal objectives and relate their goals to advancing the objectives of the balanced scorecard. An individual employee on a production line may not set personal objectives but that same person would understand what the performance expectation is for his or her department or facility. Broad corporate objectives are broken down so that performance expectations and company values are understood at all levels of the company, for example, a janitor might expect to find a performance statement that all floors must be clean so people don't slip and fall.

To globalise the implementation and enforcement of policies and practices, five regional practice committees have been established around the globe. These regional business practice committees are appointed by the Corporate Responsibility Office

and led by business leaders from the region. They always include legal, audit and human resources staff and have a rotating membership of both leadership and general committee members. The role of the committee is to address and interpret policy in consideration of the local legal requirements and norms of that geography. Regional boards work through issues when people come forward with issues requiring guidance. When necessary, investigative teams can be put together.

BHP requires compliance with the letter and spirit of Health Safety Environment and Community Standards as a prerequisite for any performance pay raise. Violations are subject to disciplinary action up to and including dismissal. These standards are intended to serve as a buffer between high-level standards and operations on the ground. Standards are audited against performance

requirements. Audit committees interview management at all levels and the workforce. This information is reviewed and evaluated against all site criteria. A site is scored against efforts and activities are scored against these efforts. There are 15 standards that are mandatory for all sites. Each of the performance requirements is scored and the site is given an overall score. Average scores are disclosed in the annual HSEC Report.

Each site is audited every three years and, in the interim, conducts self-assessments. Audit teams comprise around six people, drawn from the HSEC function, operations personnel and external sources. The Audit guides site managers through the identification of gaps in HSEC management programmes. The process provides assurance to the Group and the Board that HSEC risks are being satisfactorily managed

and identifies leading practices that can be shared across the Company. Contractors are also evaluated by their abilities to abide by requirements of the Guide and the HSEC Management Standards. Audits are mandatory for all sites. Corporate requirements are audited against, both via self-assessments and by external visits.

#### Begin with the end in mind

There is not a single right way (while many, many wrong ways) rather many paths to implement best practices for communicating ethics, standards and conduct for a diverse employee base against an ideal of a communications construct. You must draw your own conclusions, and companies must establish their own ideals. ■

David Liss is a freelance journalist. He can be contacted at [david.liss@verizon.net](mailto:david.liss@verizon.net).

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