**Chapter 1**

**Introducing Straight Talk About Business Ethics: Where We’reGoing and Why**

**Contents:** *(Please note: the Instructor Guide for every chapter will follow this structure.)*

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**Chapter Outline**

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**Discussion Questions – Teaching Notes**

**1.** ***Before reading this chapter, did you think of ethics as "just a fad?" Why or why not? What do you think now? Why?***

Probes to Stimulate Discussion

* "If a roving reporter had stopped you last week on the street and asked you your opinion of the attention being given in the media to business ethics, what would you have said?"
* "Would you have said the same thing, if the street had been Wall Street?"
* "Has your opinion changed since reading this chapter? Why?"
* "What three points would you use to respond to someone who claims that business ethics is a fad?"

***2. Have you been cynical about business and its leaders? Why or why not?***

***(See the following cynicism exercise.) How does cynicism affect you, as a business student or as a manager?***

Probes to Stimulate Discussion

* "If you are cynical, name two instances that illustrate the source of your cynicism."
* "What about each of these instances makes you cynical?"
* "If you don'tfeel cynical, what is your opinion about the lapses in ethics represented by such practices as sexual harassment disclosures, attempted bribes, or skimming profits?”
* "What does your score on the "Cynicism Quotient" mean to you? Were you surprised by it?"
* “How does cynicism affect you, as a business student or as a manager?”
* "In what ways would the cynical attitudes of others influence your ethical behavior?"
1. ***Can you think of something that is legal but unethical, or something that is ethical, but illegal?***

Probes to Stimulate Discussion

* “If something is legal but unethical, what do you think would be the best way to ‘manage’ it in the organization?”
* “Is it appropriate for an individual to act on personal ethical beliefs (e.g., pro-life beliefs) in a work organization? For example, would it be appropriate to picket your company for offering health care benefits for abortion?”

***4. Do you think business ethics/social responsibility is important? Why or why not?***

Recall what was said in Chapter 1 about the cynicism of the public regarding business and industry, in light of the media coverage of their ethical lapses:

a. Public holds contemptuous mistrust of many professional groups

b. Prevalence of cynicism among managers and business students that employers do or will require them to compromise their ethics

1. Causes of cynicism:
* Businesses' preoccupation with gain
* Lack of reinforcement of ethical behavior
* Competition
* Acceptance of unethical practices within business and industry
* Perception that only results are important
* Ineffective enforcement of ethics codes

Although there are mixed research results regarding the claim that good ethics is good business, it behooves any intelligent organization to get and maintain an ethical image, if they want to retain and increase their client base.

It is the social responsibility of organizations to conduct their business ethically, because they are role models for their employees and society at large.

Business ethics gives an organization the knowledge and skills necessary to:

* Set ethical standards for themselves and their employees
* Establish policies and practices that support ethical behavior
* Provide managers the tools to manage unethical behavior

Probes to Stimulate Discussion

* "Regarding the responses above, what was the basis of response #1?" (Economic concern)
* "What was the basis of response #2?" (Moral concern)
* "Have you observed situations where business ethics was important? Describe one. What would have happened differently, if the participants hadn't behaved ethically?"
* "Briefly describe two different situations, one which relates an ethical behavior that you have observed, the other which relates an unethical behavior that you have observed."

***5. Identify reasons why an organization would be interested in being ethical (remove comma) and classify those reasons in terms of whether they represent moral motivation or economic motivation.***

Possible Answers with Economic Motives

* Ability to attract employees
* Better public image
* Industry pressure
* Sentencing guidelines

Possible Answers with Moral Motives

* The fair and right thing to do
* Consistent with values of the organization

Probes to Stimulate Discussion

* "Let's take a poll before we answer this question. How many think there will be more reasons dealing with moral motivation and how many think there will be more reasons dealing with economic motivation?" Ask for show of hands, and then ask volunteers from each side of the question. "Why did you vote the way you did?"
* "What are three attitudes that predominate in ethical decision making in your organization?"
* To what extent is each level responsible?"
* "Is operating on the philanthropic level an option or a responsibility?"

***6. Think about the television programs and films you've seen recently in which business was portrayed in some way. How were business and business people portrayed? Is there anything business could or should do to improve its media image? Some businesses try to stay out of the limelight. Why might that be? What do you think of that strategy?***

Probes to Stimulate Discussion

* "Describe a situation from a television show or a film in which an unethical behavior occurred. Who was involved? What were the results to others of the unethical behavior? Have you seen this kind of situation before in other shows or films? Does this represent "art imitating life" or "showing what sells?"
* "Do you think the media is being responsible in the way it reports the ethical behavior of individuals and organizations?"
* "Does the media teach ethics in their story lines? What kind of ethics do they teach?"
* "In addition to outright unethical behavior, what are the other ways in which business contributes to the image of "profit first"?"

***7. Do you believe that employees are more attracted and committed to ethical organizations? Are you? Why or why not? Make a list of the companies you would prefer to work for and the reasons why. Are there also companies that you would refuse to work for? Why? Are there “ethically neutral” companies that don’t belong on either list***?

Possible Answers

* Research suggests that individuals are attracted to ethical organizations.
* Students line up to apply for jobs at J.P. Morgan, Merck, and other highly regarded companies because of their excellent reputations for ethical management.

Probes to Stimulate Discussion

* "What can average employees do in an ethical environment that they can't do in an unethical one?"
* "If we believe that employees are more attracted to ethical organizations, does that support the contention that moral motives are every bit as powerful as economic ones in peoples' decision making?"
* "What are the flaws in thinking only about economic motives?"
* "What are the flaws in thinking only about moral motives?"
* "Imagine that you've been asked to describe five characteristics of an ideal organization. What would they be? Take 3 to 5 minutes to think about this so you don't just write down the first things that come to your mind. Is ethics among the top five characteristics? Why or why not?"
1. ***Discuss the importance of trust in business. Can you cite examples? What happens when trust is lost?***

Possible Answers

* Trust is essential to efficient business – if there is no trust, it’s almost impossible to do business.
* Without trust, one needs complicated contracts and lots of lawyers.
* In situations where trust is high, business can be conducted with a promise and a handshake.
* Regulators and the public are forgiving when companies try to do the right thing; they’re very unforgiving with companies that lie or stonewall.
* The best insurance policy a company can have is the will to do the right thing.

Probes to Stimulate Discussion

* “In the wake of Enron and the financial debacle, what will it take for the investing public to regain their trust the financial markets?”
1. ***What can we learn about business ethics from the recent financial crisis?***

Possible Answers:

* A lot of people think, “Greed is good.”
* The financial industry (Wall Street, government, regulators, rating agencies – pick your poison) is corrupt.
* Unregulated business can be a recipe for disaster.
* Ordinary people who invest are no match for professionals – it’s all “inside baseball.”
* Huge compensation packages can cause huge problems.

Probes to stimulate discussion:

* Who do you think was most to blame for the financial crash of 2008?
* Has anyone been punished for his or her role in the crisis?
* Do you know of anyone who suffered harm as a result of this financial collapse?
* Will new regulations help prevent a future crisis?
* What role do you think compensation played in the crisis?
* What role will the bailouts of 2008 play in future crises?

**In-Class Exercises**

**Exercise #1: Who Has Integrity?**

As you know, it’s important to get students engaged in the subject matter of a course as soon as possible. You can begin this process of interaction in the first class by asking students to introduce themselves and describe someone they know who has high integrity. Here’s how it works:

1. Allow each student about 1 minute (give or take) to introduce himself/herself and describe a “person with high integrity” in his/her life. (Most of the time, students will talk about their parents or grandparents.) So, if you have 25 students in your class, it will take about 25 - 30 minutes to complete this exercise.
2. Ask each student for two things:
	1. Introduction: their name, year, and major
	2. Who do they know with high integrity – and describe how that person behaves that makes that obvious
3. You should start it off by describing someone YOU know who has high integrity – demonstrate what you want from your students and take a few minutes to do this. It will give them time to think about an answer. Go around the room in order.
4. As students rattle off the qualities that indicate integrity, write them on the blackboard or flip chart and try to distill the qualities they are describing. Typical responses include: consistency, honesty, high standards, kindness, focus on others (not just themselves) etc.

**Exercise #2: Your Cynicism Quotient**

This is a great exercise because it will give students some idea of how they have been affected by media portrayals of business people. Of course, you can use this as a Power Point slide and ask for a show of hands for each question. You can also hand out a paper survey in class and have students complete it right there as an in-class exercise and use it as a springboard for discussion. You can also use a free online web survey (like Survey Monkey) and have students complete the survey online. You can then tally their responses and use the results in the next class to spur discussion. Students will no doubt be surprised by the results.

*A note: In research that is currently underway – we’ll write about the results in the next edition of the book – we’re finding that about 20% of male and 10% of female undergraduates are very cynical and about 10% of males and 5% of female undergraduates are moderately cynical.*

You can copy the grid on the following page and use it in class.

**Your Cynicism Quotient**

Answer the following questions as honestly as you can. Circle the number between 1 and 5 that best represents your own beliefs about business.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Strongly Disagree** |  |  |  | **Strongly Agree** |
| 1. Financial gain is all that counts in business | **1** | **2** | **3** | **4** | **5** |
| 2. Ethical standards must be compromised in business practice | **1** | **2** | **3** | **4** | **5** |
| 3. The more financially successful the businessperson, the more unethical the behavior.  | **1** | **2** | **3** | **4** | **5** |
| 4. Moral values are irrelevant in business | **1** | **2** | **3** | **4** | **5** |
| 5. The business world has its own rules. | **1** | **2** | **3** | **4** | **5** |
| 6. Business persons care only about making profit. | **1** | **2** | **3** | **4** | **5** |
| 7. Business is like a game - one plays to win. | **1** | **2** | **3** | **4** | **5** |
| 8. In business, people will do anything to further their own interest. | **1** | **2** | **3** | **4** | **5** |
| 9. Competition forces business managers to resort to shady practices.  | **1** | **2** | **3** | **4** | **5** |
| 10. The profit motive pressures managers to compromise their ethical concerns. | **1** | **2** | **3** | **4** | **5** |

Scoring Procedures

\* Add the total number of points. The maximum is 50 points. Total \_\_\_\_\_.

\* The higher your score, the more cynical you are about ethical business practices. Think about the reasons for your responses. Be prepared to discuss them in class.

**Exercise #3**

We feel that it’s important to encourage students to think about what they stand for and what “brand” or image they are communicating to the world. Here’s an exercise we’ve used with great success. This entire exercise takes about 20 - 30 minutes and students generally are very engaged while doing it.

1. Design a slide that looks something like this: Try to use famous people who are very different (who have different “brands”). Below, we have featured Laura Bush, Donald Trump, Tiger Woods, Oprah Winfrey, Paris Hilton, Barack Obama, and Bono. Just pull the images off of the Internet.



2. Divide the class into teams of 3 – 5 students per team. Either assign each team a famous person or ask each team to choose one they want to discuss.

3. Ask the class, if anyone present knows any of the famous people featured. (No one will!) Even though they don’t know any of these celebrities, they can probably answer these questions based on what they have read or heard about these people. Give the class 5 – 10 minutes to discuss this in their teams.

Here are some questions you might want to use or use your own:

* What three adjectives describe him or her?
* What kind of car does he or she drive?
* What is his/her favorite piece of jewelry?
* What three artists/songs are at the top of their favorite playlist?
* Where do they go for their news of the world?
* Do they have a tattoo? If yes, of what and where?

4. Now have each of the teams report out. After each team announces its “guesses,” ask the entire class if they agree. (Almost everyone will!) “Does this sound about right?” When all teams have presented (combine presentations from teams who have the same celebrity), begin the discussion.

5. Why were they able to answer these questions? Was it easy? Was it difficult? In our experience, students find it very easy to “fill in the blanks” about these celebrities. The point: This happens to all of us! People extrapolate all the time based on what they already know about us. So, if you have given people the impression that you are casual about your standards, then they may well extrapolate and figure that you might cooperate with them in fudging the numbers or lying to a client, etc. The very best protection you can have in the workplace is to understand what it is you stand for and then very consciously communicate it. We communicate our “brand” all the time, in everything we do. This exercise is a good way to begin to encourage students to think about what they are projecting to others and be mindful of that personal brand and what others may assume based on it

**Exercise #4: What Would You Do?**

1. Divide the class into teams of 4 – 5 students per team and have them consider the following case:

“When your colleague, Bill, is out of town, you receive a call from his wife. She's having a crisis with one of their children and needs to reach Bill immediately. You offer to track him down for her and when you do, you inadvertently discover that he's vacationing with Marie, the chief investment officer of a prestigious college endowment fund that Bill manages. He tells you to keep his hotel location a secret and that he will call his wife immediately. Two hours later, his wife calls back and screams that his cell phone is off and she hasn't heard from you or him. What do you do?”

1. Tell her you haven't been able to reach him. Then call Bob and update him on his wife's latest call
2. Give his wife the number of the hotel where she can reach him.
3. Tell your manager's manager about the situation.
4. Tell her that you left an urgent message for him, but she'll have to wait for his call.

2. Ask them to spend a few minutes discussing this case as a team and deciding which course of action they would take, making sure that they have justifications for their choice. Once the teams have reached their decisions, discuss the case as a group.

Possible Probes to Promote Discussion:

* What are the ethical issues involved in this case? (Most students will “miss” the conflict of interest issues (for Marie and the boss) and the risk to the firm of this relationship.
* Who are the stakeholders?
* Who has the most to lose?
* What are your obligations?
* What could happen if you do nothing?

3. Then reveal the “scores.”

Scores:

A) Tell her you haven't been able to reach him. Then call your boss and update him on his wife's latest call. (-30 -- a big lie and collusion with the boss)

B) Give his wife the number of the hotel where she can reach him. (10 -- deals only with the immediate crisis, not the conflict of interest)

C) Tell your manager's manager about the situation. (30 -- the only option that has the potential to deal with both ethical issues)

D) Tell her that you left an urgent message for him, but she'll have to wait for his call. (0 -- also a lie)

NOTE: You can revisit this vignette several times during the semester to discuss ethical frameworks (See Chapter 2) and moral awareness (Chapter 3).

**Homework Assignments:**

**Assignment #1 – Movie Review**

Have students choose a recent Hollywood film to watch for homework. They can watch in small groups or alone. The only requirement -- that the film portrays business in some way. Have each student write a one-page thought paper on how business was portrayed in the film. In class, have a discussion about the general portrayal of business in film. What you should find is that business is generally portrayed in negative terms. For example, most business people in these films are motivated by greed. There are exceptions. For example, in *Jerry Maguire*the lead character is motivated by an ethical code. But, throughout the film, he fights the greed of others. Discuss how this generally negative portrayal feeds public cynicism, and why students are choosing to study business, if this portrayal is accurate. This assignment is a great way to begin the class, especially for undergraduates who come to a business ethics class with little, if any, work experience. You can demonstrate to them how much their beliefs and attitudes may be influenced by the media.

Some suggested films:

*Boiler Room*

*Class Action*

*Michael Clayton*

*The International*

*Up in the Air*

*Capitalism: A Love Story*

*Sicko*

*The Constant Gardener*

*The Corporation*

*Crash*

*Disclosure*

*Enron: The Smartest Guys in the Room*

*The Firm*

*Glengarry Glenross*

*The Insider*

*Jerry Maguire*

*Norma Rae*

*North Country*

*Philadelphia*

*Quiz Show*

*Roger & Me*

*Syriana*

*Wall Street*

*Working Girl*

**Assignment #2 – Interview Someone You Respect**

This assignment is actually a way for students to pay a huge compliment to someone they admire and it gives them plenty to think about if they interview someone who has high standards. In our experience, many students select a parent, grandparent or manager to interview.

Instructions:

* Select someone who you respect and admire. Choose an adult who you believe has high personal standards. The interview should be approximately 15 – 30 minutes in length.
* Ask the following questions or questions you select for the interview:
	+ How important do you think integrity is on a scale of 1 to 10 (1 being not important; 10 being vital)? Why?
	+ Who had the most important influence on the formation of your ethical character?
	+ Describe a situation that you feel really tested your integrity. What are you glad you did? Is there anything you wish you had done differently?
	+ In your experience, what factors can make it difficult for people to make ethical decisions?
	+ How important do you think it is for someone to be vocal or open about his or her personal standards?
* Write a two-three page paper about the interview. Make sure you include the following information about the person you interview:
	+ Name (or an alias if you wish the person to be anonymous)
	+ Relationship to you
	+ Age group (e.g., 20s, or 50s, etc.)
	+ How long have you known this person?
	+ Why did you choose this person to interview?

**Additional Resources**

*1. Frontline on PBS*

Frontline has produced a number of mostly one-hour programs on the financial crisis that are excellent for use in class. A real plus is that most of them are free and can be viewed in their entirety on the Frontline website – click “Watch Video Online”: <http://www.pbs.org/wgbh/pages/frontline/>

Among the fascinating programs are:

On the Financial Crisis:

* *The Madoff Affair*
* *The Warning*
* *The Card Game*
* *Inside the Meltdown*
* *Breaking the Bank*

Other Programs on Ethics in General:

* *Poisoned Waters*
* *Sick Around America*
* *Black Money*
* *The Medicated Child*
* *A Dangerous Business Revisited*

*2. This American Life* on National Public Radio

No one tells a story as well as *This American Life* and there are many wonderful programs that can be assigned or listened to in class. Their website is located at: <http://www.thisamericanlife.org/radio-archives>

Among the best stories are:

* *Inside Job* (2010 Archive – about the financial crisis and how one Chicago hedge fund made hundreds of millions of dollars for itself, while making the financial crisis worse for the rest of us)
* *A Giant Pool of Money*  (2008 Archive – about the financial crisis and what caused it)
* *Another Frightening Show About the Economy* (2008 Archive – also about the financial crisis)
* *NUMMI* (2010 Archive – about a GM plant that could have saved GM if they had known what to do with it)

3. Video: *American Dream* \*

This is a 1990 documentary film about the 1986 labor dispute between Hormel Company and Hormel's union workers. Hormel lowered employee wages and simultaneously reported $29 million in annual profit.

\*Kopple, Barbara. *American Dream*. Channel 4 Films, 1990.

4. American Apparel Website, ([www.americanapparel.net](http://www.americanapparel.net))

This is a provocative website and organization. American Apparel manufactures clothing in Los Angeles and prides itself on making profits but also treating its workers in a very humane way – and it introduces people to workers on the website. The products clearly appeal to youth – the photo collections are sexy and suggestive. Regardless, the website can make for some interesting discussions in class.

5. Guest Speakers: Convicted White-Collar Criminals

Some people feel it is controversial to invite in a guest speaker who has served time for a white-collar crime. However, the authors’ experience in doing that has been positive. While some people feel strongly that we should not be “rewarding” ex-cons by paying them to speak to a class, we feel that it can be an excellent teaching device. In our experience, ex-cons can deliver a powerful message to students about crime, if they are contrite and accept responsibility for their behavior. We have found that they generally deliver the following messages:

* Ethical decision-making is a slippery slope.
* Prisons – even the good ones – are no fun. In fact, they are just awful.
* The effect of the whole “trial, conviction, incarceration, publicity” thing takes a terrible toll on the criminal’s family and can, in many cases, destroy family relationships.
* It’s extremely difficult to get any kind of a job once you have been incarcerated.
* They have paid a debt to society and they continue to pay that debt. It does not end when they are released from prison.

The challenge is finding an ex-con who is contrite, professional, and is someone with whom students can identify. We can recommend Aaron Beamformer, co-founder and CFO at Health South, who served time in prison for his part in the accounting fraud. He is a good speaker and students react well to him. You can contact Aaron via his website ([www.aaronbeam.net](http://www.aaronbeam.net)). He has recently teamed up with another former HealthSouth CFO, Weston Smith ([www.westonsmith.biz](https://exchange.smeal.psu.edu/owa/redir.aspx?C=02258a1f9bd74cd7b98b8283d15ea8ee&URL=http%3a%2f%2fwww.westonsmith.biz)). We have not heard Weston speak.

Another possibility is Justin Paperny (34 years old) who exited federal prison in 2009 for his actions as a stockbroker with a prestigious firm in Los Angeles.  According to Walt Pavlo (who used to speak for us but has now gotten on with his life), Justin is the type of person who admits his shortcomings and has learned from them.  According to Walt, Justin is well spoken, humble and tells his story in a straightforward manner. Justin has a degree from the University of Southern California and was also on the  baseball team at USC, appearing in the College World Series. Walt has transferred the website and the Etika business to Justin, who will now carry on the work of teaching from mistakes that send too many of our business leaders to prison.  For more information you can visit [www.EtikaLLC.com](https://exchange.smeal.psu.edu/owa/redir.aspx?C=02258a1f9bd74cd7b98b8283d15ea8ee&URL=http%3a%2f%2fwww.EtikaLLC.com) or email Justin  directly at JustinPaperny@EtikaLLC.com.  We have not heard Justin speak, so this recommendation is based entirely on information provided by Walt.

 **Supplemental Reading**

The following REFLECTIONS appeared in earlier editions of the textbook. We have found that our undergraduates do not connect with reflections about 9/11 as they once did – imagine – they were too young! But, we’re sure that some faculty members will want to continue to assign this reading and use it for discussion. So, we include it here. Renee Flemish is a graduate of the Smeal College, Penn State University MBA Program, a veteran of a number of jobs in telecommunications and the dot.com industry before returning to Penn State where she now teaches business ethics and serves as the Leadership Integrity Director for the college, overseeing honor code efforts.

**REFLECTIONS**

**By Renee Flemish**

If the true test of character lies in our ability to gain strength from tragedy, then we passed the test.

An unprecedented humanitarian response followed the September 11 terrorist attacks. It was the single most catastrophic day in the history of any fire department in the nation, as 343 firefighters gave their lives in the rescue attempts. In the days that followed, people lined up for blocks waiting to donate blood, and thousands volunteered at Ground Zero to aid in the search, recovery, and cleanup efforts. Private contributions came in the form of goods and services, volunteerism, and cash. Trucks rolled in with pallets full of bottled water, flashlights, food, clothing, and toys. Space was donated for warehousing goods, and fleets were donated for distribution of goods.

The city’s airspace was restricted, and F16 fighter jets blared overhead at Pier 94, where makeshift memorials covered the walls and death certificates were processed. Hundreds of people trained in crisis intervention and grief counseling came to work at Pier 94. Many of them never went home at night. Nothing in their medical, clinical, or theological training could have prepared them for this; still, they came to New York hoping to make a difference. People sought help without regard for our credentials. Early on, it became clear to all of us that what people mostly needed was someone who could listen and get things done.

In the year that followed, student organizations, church congregations, and youth groups arrived from all 50 states to offer their support and feed the rescue workers on site. Citizens from the world over donated their time in New York City to try to comfort those who had lost loved ones and assist thousands more who lost their homes or jobs.

The people we saw were bond traders, electricians, investment bankers, and food service professionals. Some were near retirement and others were just getting started. They came from different neighborhoods and different countries, and they prayed in different languages and religions. As we listened to them, I realized that people are far more alike than they are different. They were men and women with families, friends, and dreams. After the terror attacks, they shared the same despair and are still picking up pieces of their lives more than a year after the devastating losses.

History could offer no appropriate paradigm to guide the emergency response to a disaster of such unprecedented scale. There were no existing systems to provide clear, reliable information to the thousands of traumatized victims, or to equip the nonprofit and governmental organizations working to manage the crisis at hand. Within a short time, it became resoundingly clear that more formalized coordination would be critical to ensure that those affected by the attacks on the World Trade Center received the help they needed—in both the short and long term—as quickly and effectively as possible. To foster this coordinated approach, we chartered the 9-11 United Services Group (USG), a not-for-profit consortium of 13 human services organizations—including the American Red Cross in Greater New York, Safe Horizon, and The Salvation Army—working together on the front lines of the September 11 recovery effort.1 This founding marked the first time New York City social service organizations joined forces to coordinate efforts on such a broad scale.

These coordinated efforts of the USG member agencies have resulted in approximately $750 million2 being distributed or committed to approximately 70,000 individuals affected by the events of September 11. The organizations continue to work one-on-one with more than 6,000 victims or family members to assist them in getting the help they need—including mental health services, employment assistance, health care services, and financial assistance. Since opening in September 2001, more than 150,000 calls have been received by the September 11 Support Hotline to pair individuals in need with one of over 160 case workers cross-trained in the full range of benefits and services available to individuals affected by the tragedy.

**The Business Community’s Role in Aiding the Recovery**

The 9-11 USG charities faced the enormous challenge of creating a new infrastructure that would enable the efficient and compassionate distribution of September 11 assistance. As our nation’s largest disaster response got underway, dedicated talent, functional expertise, and operational know-how emerged from the business, philanthropic, and government arenas. With nearly $1.4 billion in donated monies, the 9-11 USG became the focal point for service providers who wished to aid in the recovery effort. Rather than working as 13 separate charities, the organizations combined their talents and bargaining strength to secure professional services from companies such as IBM, McKinsey, Merrill Lynch, Goldman Sachs, Morgan Stanley, and Skaaden Arps. Our professional service needs included information technology, operations expertise, legal counsel, financial planning, Web site development, and language translation services, to name a few. The vast majority of these services were provided on a pro bono basis, while others were deeply discounted or offered at cost.

Corporate partners came forward to aid the effort in a number of ways. Managerial talent was offered through senior executives who brought key contacts and longstanding business relationships that the charities were able to build on. For example, the chief executive of the 9-11 USG was also the vice chairman of Goldman Sachs. Along with private sector experience, these managers brought client and vendor relationships that were instrumental in advancing the recovery effort.

Bear Stearns donated an entire floor of their midtown offices to house the 9–11 Family Assistance Center. This interagency facility has served thousands of families with counseling, economic assistance and support group activities. In addition, the investment banking division of Bear Sterns dedicated some of their brightest analysts to the 9–11 USG.

Wall Street was especially hard hit by the attacks, with a number of firms directly and deeply affected with human and financial losses. The Financial Advisory Referral Program was formed with the participation of six such affected firms: American Express, JP Morgan Chase, Merrill Lynch, Morgan Stanley, Prudential Financial, and Salomon Smith Barney. These firms were selected on the basis of their size, investment expertise, and national presence. The program was designed to assist the families of victims in managing the money they may receive from the federal government’s September 11th Victim Compensation Fund or other sources. For many families, managing large amounts of compensation money would be complex and risky, so financial education and advice are key to their making sound investment decisions. Participating advisors from each firm were experienced financial professionals who were selected by their institutions and who stepped forward to participate in the program. These advisors have been working one-on-one with families to tailor investment strategies and meet individualized needs ranging from estate planning to college savings. This program is a vital part of USG’s mission to address the long-term needs of those affected by the attacks.

A shared goal of the USG and its corporate partners was to help clients navigate through myriad economic assistance and social service programs and tap into those that are most beneficial. In order for the 13 charities to offer seamless service coordination, they had to be able to operate from a common technology platform. Technology partners provided reliable and widespread access to relevant programs and funds, helping to minimize red tape and facilitate service delivery. IBM was instrumental in helping to build an e-business environment that would speed service delivery while ensuring the highest security standards. Finally, operational needs such as payroll, e-mail, staffing, and direct mail were also met through the contributions of corporate partners.

**Motivating Factors: What’s in It for Businesses?**

Motivated by a sense of civic duty and humanitarian obligation to the community, corporate partners came voluntarily. Targeting the center of world commerce, the terrorists took aim at a lifestyle and philosophy defined by capitalism and free markets. A good deal of our national identity is invested in the spirit of corporate enterprise. Corporate contributors helped to reaffirm some of that spirit by lending talent and business expertise to the recovery effort.

“Anything you need” was the phrase we heard most often in the weeks following the attacks, as offers poured in from the private sector. Many offers came through corporations where volunteerism is fostered. Still others were spurred on by employees who approached senior management with a call to action. Self-driven and generous, the corporate contributors created goodwill with the community, customers, and employees.

As the charities worked to define business requirements, the open-ended offers began to take shape. The list of partners narrowed and service agreements were structured. Each of the partners took on specific deliverables that would ultimately define their role in aiding the recovery.

The charities and their business partners shared a unifying sense of urgency. Getting assistance to the people in need was the sole priority and motives were never questioned. Whatever the underlying motives, everyone was drawn together to a common purpose.

Nonetheless, observations in retrospect do suggest motivating factors that are not entirely selfless. Aiding the recovery provided firms with a number of opportunities. It was a chance to build new relationships while strengthening existing ones. In a soft market, client referrals and testimonials are vital to new business development. For some partners, media exposure was a serious draw as the charities routinely shared press conferences with Mayor Rudy Giuliani, and September 11 news filled the front page of the *New York Times.* Some businesses welcomed an occasion to test their professional expertise in uncharted territory. These contributors were motivated by the professional challenge and determined to go well beyond their conventional approaches. Understanding and addressing the business needs of the September 11 marketplace was a monumental task and extraordinary assignment. The partnerships also posed a rare opportunity for businesses to learn from leaders in the human services arena. The charities worked closely with the Federal Emergency Management Agency, the Office of Emergency Management, the New York City Mayor’s Office and the New York State Attorney General. These linkages offered a unique learning opportunity for the businesses involved. In the most direct link to future business, corporate partners recognized that they were building a knowledge base that could be “productized” for future disaster relief opportunities. In the wake of another national crisis, future practitioners will rely on the lessons learned post–September 11. These corporate contributors are now better positioned in the disaster response arena and could respond more quickly in a future crisis.

In the days following the attacks, airwaves ran commercial free, and ad agencies were feeling the slowdown. In donating their services to build September 11 campaigns and Web sites, advertising firms were building their nonprofit portfolios, while staving the inevitable layoffs. Business was particularly slow across the professional services sector. Budget cuts and the Arthur Andersen scandal left consulting firms in survival mode. Pressured to keep utilization rates up, consulting firms saw an opportunity to build a knowledge base by deploying a dedicated team to formulate and conduct a study of unmet needs.

**Observations and Lessons Learned**

Nonprofits traditionally have not been able to take full advantage of cutting-edge technology solutions. Unfortunately, clients are the ones to pay the price, as service delivery is hampered, new programs are slow to develop, and cross-charity collaboration is out of the question. The coordinated case management approach that served more than 70,000 affected individuals would not have been possible without the expertise of the technology partners, many of whom worked on a pro bono basis. As a result, donor monies were more directly available to clients, as the charities were able to build large-scale programs and the necessary infrastructure with minimal cash investments.

Firms with a cultural tradition of volunteerism and pro bono service were more apt to maintain the highest standards of client service. They consistently put their best talent forward and saw their commitments through to the finish. They did not discriminate between paying and pro bono or low margin clients. But a number of Web site designs and consulting projects fell short, because the partners were unable to sustain the necessary investments or carry out their commitments. In the future, before stepping forward to provide assistance, corporations should carefully examine their motives and ability to deliver on their well-intended offers. For companies that do not have them, now is the time to establish policies on volunteerism and pro bono services. That way, if their services are needed in a future disaster (and hopefully they won’t be), they’ll be ready and able to deliver. In the meantime, managers and employees can reap the psychological and spiritual rewards derived from their organization’s commitment to meeting their financial and their moral commitments.

**What’s So Different about Nonprofit Organizations?**

In closing, it’s interesting to reflect on some of the contrasts between corporate and nonprofit organizations. These differences, in my experience, are not subtle—they shape the value system and the success measures and have a tangible effect on management style.

While we were working on the recovery programs, I thought it would be easy to ignore my emotions and focus instead on the business of running the operation. That is, after all, how we managed in the corporate world, and it had always worked for me. But September 11 was entirely different. Nothing was formulaic. Instinct and emotion permeated our thinking, for we were in the business of healing and rebuilding. It was the most rigorous test of my leadership abilities and a culmination of all my prior experiences. Wherever possible, decisions were made without review boards and committees. There was no time for the planning sessions, iterative revisions, and approval cycles that generally go into a corporate budgeting decision or product marketing plan.

The nonprofit business model is fundamentally different from the for-profit model. Much as businesses rely on customers for revenue growth, nonprofits rely on donors to finance their charitable missions. Rather than profitability, a key performance metric for charities is the effective utilization of funds and keeping operating costs at a minimum. Nonprofits maintain a fiduciary responsibility to donors, just as corporations do to their shareholders.

Corporate bottom lines are sometimes at odds with what’s best for the customer, as organizational decisions are strongly guided by cost justification. Decisions can be shaped more by how Wall Street will interpret the news than by what’s in the customer’s best interest. In contrast, because the September 11 recovery programs were funded entirely through donations, we were accountable to the private citizens and organizations that made our efforts possible. Unhindered by concerns of what the analysts might make of our latest decision, our thinking and the services were entirely client-driven. With a deep sense of urgency and compassion, we focused on serving the critical needs of our clients and maximizing the utilization of donor contributions. The clients were the only reason we were in business and their well-being was the sole motivation for our programs.

Similarly, negotiations with other agencies were carried out in the spirit of doing what’s best for the client. Parties left the negotiating table satisfied and accomplished in knowing that client needs were served to the very best of our combined abilities. As long as the resulting programs delivered the greatest possible service, there were no regrets over which agency took 51 percent and who got 49 percent.

Finally, in a welcome departure from the corporate world, I found that I could uphold the same principles at work as I did outside of work. Not only was it expected, but it was the self-guiding force that fueled the organization. Staying true to our core values gave us the energy, confidence and clarity that the recovery work demanded.

*Notes:* **1.** The founding USG member agencies are American Red Cross in Greater New York, Asian American Federation of New York, Black Agency Executives, Catholic Charities of the Archdiocese of New York, Catholic Charities of the Diocese of Brooklyn and Queens, Federation of Protestant Welfare Agencies, Hispanic Federation, Human Services Council, Mental Health Association of New York City, Safe Horizon, The Salvation Army, UJA-Federation of New York, and United Neighborhood Houses of New York. Independent agencies actively involved in USG Service Coordination include Asociacion Tepeyac, Brooklyn Bureau of Community Service, Center for Independence of the Disabled in New York, Children’s Aid Society, Community Service Society, Legal Aid Society, and WTC Permanency Project. **2.** This number reflects the reported records of USG member organizations as of December 2002.