

The DePaul University College of Commerce

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present

**A Case Study:**

***Establishing and Maintaining an  
Ethical Corporate Culture***

featuring

Integrated Project Management Company, Inc.

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Cutting corners or acting unethically must be the easy answer; otherwise, why would a firm engage in these activities? If the easy response to an ethical dilemma were the ethical response, most firms would choose it; yet many do not. Integrated Project Management (IPM) is a firm that strives to find the ethical answer to each of its business decisions, even at a financial loss, at times. The purpose of this case note is to explore the process by which IPM has established its ethical culture within the firm and the means by which it seeks to maintain and institutionalize this culture.

 *"Leadership, a commitment to excellence, mutual respect and trust, and uncompromising integrity.... As proclaimed in Our Mission and Beliefs, these form the foundation upon which we are building the future."*  
Integrated Project Management Co., Inc. Web Site

## **I. Introduction**

Integrated Project Management Company, Inc. (IPM) was founded in 1988 by C. Richard Panico, who was intrigued by the tremendous impact that project management capabilities could have on businesses. Through his more than fifteen years with Johnson & Johnson in various managerial positions, and through exposure to a myriad of technical and non-technical projects, Richard sought to identify the core competencies that he believed were essential to project management excellence. These ideas formed the basis for IPM, a privately-held company.

Based upon a core mission and set of beliefs that emphasize a commitment to excellence, mutual respect, trust, and integrity, IPM has grown from four employees in 1988 to over sixty employees ten years later (see "Employee Headcount," attached as Appendix A). It has accomplished this largely through its emphasis on *people* as its most important asset and through its open and honest communication culture. This emphasis is seen in IPM's performance feedback system, one that is based on honesty, objectivity, and timeliness in order to ensure that individuals are developed to the full extent of their potential. (See "Performance Summary and Development Plan Process," attached as Appendix B.)

The emphasis on people as the most important asset was developed as an early priority. For example, a major goal of the first annual plan was to begin the performance appraisal cycle and employee training and development programs. In later years, this was extended to support cooperative education programs and refined training for project engineers, who now number over forty in the company.

Initially, IPM applied its project management leadership know-how to industrial market segments, stressing

manufacturing and process-related projects (see "Market Development Profile," attached as Appendix C). Some examples of IPM's work in this area include:

- Evaluating a fully automated, high-speed, liquid filling and packaging line and determining the obstacles (personnel, machinery, methods, and materials related) to optimum performance. Developing and implementing an optimization strategy that includes management of the daily production operation during the optimization period.
- Coordinating all activities associated with converting several health care product lines to support a new product introduction.
- Evaluating the material and process flows associated with the manufacturing of adhesive tapes to identify and quantify inefficiencies. Recommending improvements and developing associated return on investment (ROI) calculations.

Other market initiatives were targeted in the mid 1990's that related to strategic planning and research & development projects. These expanded IPM's marketing horizons and the application of its core competencies to serve additional market niches (see "Market Development Profile," attached as Appendix C). Examples of projects in this area include:

- Supporting the initiative to improve a company's capability to develop new pharmaceutical products faster and more efficiently.
- Managing the consolidation and relocation of twelve manufacturing facilities and corporate offices into a single new site.

## **II. Establishing and Introducing Core Values: IPM Mission Statement**

A number of elements must be present in order to perpetuate an ethical corporate culture. First, there must be total top management commitment to the ethical environment. Since the impetus for the cultural foundation at IPM came from its upper management, this was not a challenge. Second, a set of core values must be agreed upon in order to provide direction to the organization and to its decision-makers. Third, the values must be identified to the work force through an educational training process so that the environment not only is maintained at the top levels but also becomes an integral part of the entire organization. Finally, ethics must be encouraged in every decision. Those who act ethically must see rewards while those who act unethically must be discouraged.

While one may be more aware of mission statements or statements of values in the past several decades, codes of values have existed within firms since the 1940s. In fact, one of the most well known value statements, that of Johnson & Johnson, was developed in 1943. Since the implementation of the Federal Sentencing Guidelines, however, codes of conduct have proliferated - some more serious and formal than others. Depending on the vision and purpose behind the establishment of a code or statement, some firms discuss these directives only during employee orientation and then later ignore them. In other firms, however, the codes or directives become fully integrated into every business decision.

IPM strives to be a part of the latter category. Its statement of Mission and Beliefs, while not unique merely in its existence, *is* unique in its strong, intricately detailed, though flexible content. (See "Our Mission and Beliefs," attached as Appendix D.) Many firms believe that a short, easy to memorize, punchy statement is the most effective means for total integration. IPM instead holds that it is more important to spell out particulars than to call on employees to recite the statement by heart.

In its specificity, IPM is aware of and welcomes challenges; in other words, by allowing greater detail, it creates greater accountability between management and its work force.

In addition to a belief that "it's the right thing to do," IPM contends that adherence to a shared statement of beliefs will benefit the firm in numerous other ways. "An employee who shares these values, displays a commitment to them, and believes that they are the basic foundation of the company possesses great strength. This strength lies in the employee's unquestioning knowledge that the company, comprised of individuals who harbor the same intrinsic values, will absolutely support decisions and actions in concert with these values. The job becomes easier, as decisions can be based on what is right, not what is fashionable." <sup>1</sup>

## **III. Infusion of Core Values: Recruitment, Hiring and Appraisal Processes**

One of the core beliefs at IPM is that "IPM is who it hires." In this vein, IPM believes that the only way to perpetuate the culture that it established with its Mission and Beliefs is to recruit and to hire individuals who can share in these values and beliefs. While every firm would like to be able to hire according to values, IPM puts a great deal of time and attention in this area of its operations in order to ensure that later attention to values integration will not be as necessary. In its own words, "A unit comprised of an employer and employee with shared intrinsic values has a synergy whereby the best course of action is truly the best for both. IPM makes every effort to employ individuals whose intrinsic values parallel the company's. Over time, the company and employee can confirm and strengthen a mutual belief that the values are shared. The end result is a feeling of unity, an understanding that the employee and the company are one." <sup>2</sup>

In addition, given the strong emphasis on teamwork in IPM's operations, hiring individuals with shared values allows teams to function more effectively. "The Mission Statement, its conscience, offers the team a commonality of purpose, a reason for being." <sup>3</sup> (See "Teamwork: A prescription for Success," attached as Appendix E.)

The recruitment process begins with IPM's advertisements. They begin with unique, if not strange, headlines asking the reader to "Join Our Quest." The advertisement specifically states that IPM is "a truly ethical organization with uncompromising honesty and integrity. Our employees share these values and are treated as our most valuable asset. . . These individuals must. . . share our unflinching passion for excellence" (emphasis in original) (See sample advertisements, attached as Appendix F.). While many firms may have these types of statement in their missions or statements of values, few include them in their recruitment literature. Even fewer firms emphasize the matching of recruits with organizational values as an integral part of the selection process. The end result at IPM is that common values become an integral component of the selection process - even more than required competencies.

IPM then schedules interviews with potential candidates. In striving to identify the appropriate individuals for the IPM position, the firm uses the interview as an opportunity to explore the candidate's values and character. At a minimum, the interviewing process consists of four separate interviews; usually two IPM executives attend each interview. The applicant is questioned about prior experience, with as much a focus on why and how a behavior was exhibited as on the behavior itself. Questions might include "What was the most difficult decision you've had to reach?" "Describe a situation where your integrity was questioned." "What can an employer do to gain your loyalty?" "Describe how you display

trustworthiness." Following the meeting, each interviewer completes an Applicant Evaluation form that rates an applicant on character and performance elements using a scale of one to ten. <sup>4</sup> All interviewers rate integrity, honesty, excellence, and work ethic. An applicant with scores lower than eight in these areas will not be seriously considered.

Once hired, the individual's commitment to the Mission and Beliefs is evaluated as part of the annual performance summary and development process. Both performance elements (such as tactical, strategic, management, personal and professional skills) as well as character elements (such as values, judgment, and perspective) are evaluated during this process. Workers are asked to conduct a self-assessment summarizing performance, "including display of character elements," and describing a milestone that gave the worker the greatest personal satisfaction. In this manner, the Mission and Beliefs is reinforced as a critical component of the firm's expectations. IPM thus avoids the potential pitfall of not "walking the talk."

#### **IV. Integration of Core Values: IPM Annual Plan**

Once IPM had established the firm's core values and had secured individuals who shared these values, IPM was faced with the quandary of how to ensure that the values it espoused in its Mission Statement were practiced both by its upper management as well as its entire work force. A review of other processes in place reveals IPM's methods in this regard.

Jo Jackson, IPM's head of Finance and General Administration and its Chief Financial Officer, is in charge of coordinating the development of each year's annual plan for the firm. As one of her first steps in this process, and in line with the firm's value of participation, Jackson solicits the input of all employees through a written survey that ends with the statement, "As in

the past, your input will be heavily considered." The purpose of the survey is to conduct a self-assessment of the workers and the firm in order to determine whether opportunities to improve performance or growth potential identified for the prior year were satisfied and to what extent.

The first question on the survey asks the employee to identify the area of company performance of which she or he is most proud. In this way, IPM reinforces the fact that employees should have ownership of firm accomplishments. Survey comments include:

I am proud "... that our actions match our philosophy... [that we didn't] lay off employees when work was slow... of our creating, updating, and sharing the vision ... of our philanthropy ... [that we] stand firm on our principles and philosophies in the face of challenges... that my involvement has made a difference..."<sup>5</sup>

The survey continues by asking employees what obstacles have posed the greatest challenges to their job performance. It specifically requests that the employee identify events that have transpired over the past year that have confirmed for that worker that the firm is managed according to its Mission and Beliefs. Year after year, the firm finds that workers recognize and laud its commitment to ethics, even when it is valued more highly than financial gain.

Confirmation that IPM is managed according to its Mission and Beliefs: "The presentation of the Annual Plan ... sharing company financial information at all meetings... continued focus on continuous improvement, excellence and quality... IPM turns down projects that are not aligned with our Mission... integrity and honesty are more important than financial gain... compassion in dealing with personnel issues..."<sup>6</sup>

Subsequent to the survey, the upper management conducts a presentation of its annual plan. The objective of this process and program is to present to the work force continuous improvement and expansion opportunities for the next fiscal year. IPM believes that, by capitalizing on these opportunities, the firm will address its long-range plan initiatives and move toward realizing its vision. The annual plan is intended to serve as an example of the firm's commitment to and reinforcement of the precepts proclaimed in its Mission and Beliefs. (See Annual Plan Development Process, attached as Appendix G.)

## **DISCUSSION QUESTIONS**

1. If you were to have the opportunity to create any culture you wanted at a new firm, what would be the underlying values or principles that you would encourage?
2. What is the difference between creating a corporate culture at a new firm and modifying or changing the corporate culture in an existing firm?
3. What are the barriers to either creating a culture or environment within a new firm and/or creating a different culture or environment at an existing firm?
4. How does a CEO justify spending money on factors that enhance the corporate culture, while potentially decreasing profits? In other words, why would a firm lose profits simply because that decision was in line with its mission? What is to be gained?
5. What different mechanisms can a firm put in place that ensure new employees understand the corporate culture that they have joined? How can a firm ensure that the new employees have values that are sufficiently similar to the firm's but also sufficiently distinct to create a diverse environment?

## **END NOTES**

<sup>1</sup> Integrated Project Management Co., Inc., "IPM's Intrinsic Values" (1998)

<sup>2</sup> Integrated Project Management Co., Inc., "IPM's Intrinsic Values" (1998)

<sup>3</sup> Integrated Project Management Co., Inc., "Teamwork: A Prescription for Success" (1998)

<sup>4</sup> Integrated Project Management Co., Inc., "Elements of Success" (1997)

<sup>5</sup> Integrated Project Management Co., Inc., "1998 Annual Plan Development Employee Survey" (1998)

<sup>6</sup> Id.