

Wolfsberg Think Tank "Leadership and Global Business Ethics", 21 March 2007

Speech of Friedrich Schock, Owner, Schock Holding AG, DE-Schorndorf, on "Real Ethical Dilemmas, Choices and Consequences in My Life as a Business Leader"

My talk is divided into three sections. First, I will mention the three people who influenced me most; second, I will discuss what I see as the dilemma for today's elite; and lastly I will turn to the Caux Round Table's Stakeholder Principles.

First, then, the three people who influenced my life the most:

a) My father Wilhelm who I first met on 31 October 1930 - my birthday. He founded, with his two brothers, after the first World War, a small company in the town where Gottlieb Daimler was born and where the first car was seen by an astonished public.

Father and his brothers were modest and honest Christian craftsmen and had, like many other industrial founders and inventors of my State, Baden-Württemberg, clear ethical rules – not merely written but practised daily. The renowned Swiss educator Pestalozzi said: "Teach your children whatever you want, they will only imitate your example anyway!" Victor Frankl, the world-famous psychologist, said: "Values cannot be taught - they can only be lived out and demonstrated". My father and uncles were real examples to me for my life. As we were friends of many Jewish people, in our personal and business lives, the Nazis did not at all like the Schock Families nor the small Schock Company - with many negative results. So I had to learn very early in life to stand for my convictions – even against opposition by the powerful. The real ethical dilemma then was that we did not get credits or state orders because of the practice we followed as Christians. Father's advice was: "Friedrich, if you follow God's laws, you will be blessed and perhaps also successful – though that may be not come to you as quickly as you like".

b) My wife Margarete. When I asked her on the 13th of August 1952 only four words: "Will you marry me?", she said "Yes". We are a couple ever since then, with 4 boys and 13 grandchildren – in the eyes of many a rare species today. She was not yet 18, tall, blonde – a real beauty, so I was protected from falling into the real and today commonly-seen ethical problems in the lives of so many leaders.

However, a tragedy happened in our otherwise lucky family when, in 1983, our then drug- and AIDS-sick youngest son Steffen died – and soon after also his young wife Elke. "Doubts in my faith came up: Oh God, are you really the good Father?"

"What have we done as Christian parents, that this happened to us"?

c) In 1961 I met the third person who gave me, as young Christian and successful businessman, a global perspective: Kekoo Gandhi, an Indian Parsi businessman in Bombay. He gave me a small booklet: "Remaking Men", which explained the very simple philosophy of the founder of "Moral Re-Armament" - Dr. Frank Buchman, a Swiss-American educator. This little book is in the top one percent of the best books I have ever read. Buchman had very easy to understand - but very difficult to practise – sentences, such as:

- "If men listen, God speaks, - if men obey, God acts through them!"
- "How you are, is your country!"
- "Try always, to be honest and to decide not WHO but WHAT is right"
- "Adopt absolute ethical standards – even if you don't fully meet them"

I came back home from a world business tour in 1961 and took over political responsibility in my home town, Schorndorf, and later in our county, and finally as a publicly-elected member of our state parliament – all these activities were of course on top of my business position. Many times – especially in my position as President of the German political party, the CDU, in our area – I had to face real ethical dilemmas: "Do I prefer to please people for climbing up the ladder of success or do I follow my inner voice – my conscience – in order to follow "WHAT is right?". The challenges of politics include the challenges of making compromises, which are often necessary and may even be good as long as they do not harm and hurt others. After 25 years of nearly unpaid service to the public, I gave my position into the hands of a friend – the then-finance minister, Guntram Palm. I acted according to a very wise rule: "You will only have done your life's work well if you leave behind yourself at least three or four people, who do the job better than you".

Well, Peter Drucker said: "Leaders do the right thing, managers do the things right!" It is a real dilemma for many entrepreneurs to know when they should stop and give the responsibilities to younger hands. Moreover, these hands should not necessarily be the hands of your friends or even of your closest relative. The deepest and most personally-challenging ethical dilemmas I have gone through have all been personal decisions – for

example, where I followed feelings of friendship more than my inner voice, telling me: "Friedrich, this is not the right man for this specific position". Looking back, I should have said "NO" many more times than "YES" to friends and relatives with expectations from me.

The Problem of Today's Elite

Written rules, such as those in relation to Corporate Social Responsibility, and thousands of wise as well as ethical books, are good and worth reading. I don't underestimate their value, but the real problem of today is the lack of leaders with an incorrupt and responsible character.

The orientation to short-term shareholder value and success leads often to long-term losses. The many cases, just in the last few years, of world-renowned companies paying bribes – called commissions – making illegal price agreements, tax fraud, money laundering, tax evasion, and so on - are shocking and frightening. We have to wake up and take action to change this culture – not only by words, but by our lifestyles and by our perception and practice regarding what constitutes leadership – moving from shareholder value to stakeholder value. But doing that requires "character value" which has to include knowledge, will and performance.

Helmut Maucher of Nestle said once: "I am sure that we share more values than just shareholder value!" Reliability, honesty, integrity, transparency and global responsibility are the descriptive words for the new generation of leaders and managers that are needed.

However, I do not underestimate the temptations for business-leaders, whether new or seasoned. Some of these challenges are really substantial. For example, as an entrepreneur from a middle-sized company – luckily not as a highly-paid CEO who has probably more often to be before such challenges - I was once offered a great amount of money by a well-known Italian company, which wanted to buy technology from our company. The CEO of this company offered me a cheque in his office – which I rejected, because it was black money.

"Mister Schock," he said "I am shocked. You just threw out through the window 50% of the money"!

I answered: "Commendatore, you are well known in Italy, but you are part of the sickness of corruption instead of being part of the healing of this global problem!"

Later we became friends, the Italian company paid legally, we paid our legal corporation tax, the technology was transferred, and the transaction was properly completed.

The Caux Round Table Stakeholder Principles

I had the privilege to meet, twenty five years ago, internationally renowned industrial leaders such as Dr. Fritz Philips (then the CEO of Philips Eindhoven), Rionosuke Kaku, (then the CEO and Co-Founder of Canon Japan) and so on. These were "big shots" who were not only convinced about the necessity of clear business rules and principles, but who were also running highly productive and successful companies. Together, we started the CRT – Caux Round Table. Many others have built on the foundations laid then, and in these twenty-five years a worldwide network of leaders in industry has been preaching and practising these principles. In our experience, practising stakeholder value leads definitely also to shareholder value - though it may be a little later than we like!—but in any case it does not hurt the biggest asset in a company: the motivation of your employees! Only motivated people are innovative.

If you think back just a few months, how much the stocks of Siemens went down, when the BENQ bankruptcy happened, or when it came out that Siemens paid over the years hundreds of millions of Euros as bribes to get orders, or the disastrous effect of VW's bribery of its own Union leaders, etc.. – it is a sad and seemingly endless list of acts that destroy trust and confidence.

But I don't want to blame just the big names. You can consider the case of the small craftsman who daily has to decide whether to avoid writing a bill (and therefore the high - now 19% -Value Added Tax) in order to get work from individuals– or to let the order go to his competitor who does not write such a bill. Or the case of companies (middle-sized or big) that make price agreements with competitors to maintain their profits (as has happened in the plastics industry, between elevator makers, etc.).

Well, my allotted time has run out. So here is my conclusion:

- a.) The honest man is not the silly and stupid man.
- b.) We have to say "NO" to corruption and bribery. That may mean losing a battle or two, but we will always win the war – a first class example is the present CEO of ABB,

who shows clear business ethics AND first class results!

c.) We need to change, and the present is always the right time for it.

d.) "Every saint has a past – every sinner has a bright future!"

ENDS