

## **The “Values Chain” in Business**

*By Marce Fuller, President and CEO, Mirant Corporation*

There is a crisis of confidence in American business: people just don't know whom to trust with their hard-earned dollars. Will that company stay in business? Has it disclosed its true financial picture? Are its leaders robber barons who will do anything for personal gain, or honest folk who work hard to maintain the trust invested in them?

The public's lack of confidence is at almost epidemic proportions. In a survey conducted by Golin/Harris International in February 2002, seven out of ten Americans expressed cynicism about a wide range of industries, including oil and gas, telecom, brokerage, airlines, the media – even, ironically, public relations firms.

In this mistrustful era, shoring up confidence takes more than providing profit figures, which may not tell the whole story. What people are looking for amid the results is a sense of how the results were achieved. They want companies to play by fair rules and display basic values, like truth telling and fair dealing. They don't believe businesses should be exempt from basic decency or be allowed to hide behind complex accounting practices. The ordinary person knows something a few high profile executives have forgotten: the bottom line of business isn't just numbers, it's the prosperity and happiness of human beings.

In law, a marriage is nothing more than a contract, but without a warm relationship built on trust, it isn't much of a marriage. And so it is with business. Investors, analysts, customers and suppliers are human beings, not just cogs in the big wheel of commerce. None of them wants to be lied to, used, or cheated.

To my mind, basic values are the glue that make the whole value chain of industry work. I call this “glue” the “values chain.” This is a chain of ethical principles and processes each organization must identify and practice to create trust among its stakeholders—from customers and employees to investors, the government and even the wider community. The “values” chain binds a company to act in the best interests of its stakeholders.

It's a concept I've embedded into my own company, Mirant. It has three primary components, revolving around the brand promise, employment practices, and communications.

### **Identify your principles and brand promise**

The first link in the values chain is a definition of principles—a definition of what you stand for. By defining what you stand for, you define the promise of your brand.

As we prepared to separate from our parent company last year, my fellow senior executives and I developed what we call the "Mirant Mindset." Much more than a mission statement, this document sets out a collection of principles that guide how we get results: *we act with integrity, shape the future, deliver results, care about people, build our business through strong local roots, act as one team, have a winning attitude.*

By binding our executives first and foremost to the Mirant Mindset we have been able to hire employees, make decisions (even painful ones), and direct operations with open books and clear consciences.

### **Find and keep the right people**

The second link in the values chain is to find and keep the right people. Your employees apply your principles to deliver the brand promise to your customers every day. It's critical to hire, retain and reward those who adhere to your principles. And remove those who don't.

The corporate culture must live and breathe the highest ethical standards. A survey<sup>1</sup> by the *Harvard Business Review* showed there's nothing worse than an ethics program that *appears* to exist only to protect top management from blame. Employees can smell that rat at 100 paces! On the plus side, effective ethics compliance management yields impressive results. These include more ethical

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<sup>1</sup> "Managing Ethics and Legal Compliance: What Works and What Hurts" by Linda Kleve Trevino, Gary R. Weaver, David G. Gibson, Barbara Lev Toffler, *Harvard Business Review*

behaviors, greater willingness to deliver bad news or report violations to management, better decision-making, and increased employee commitment.

### **Communicate constantly**

Any hint of secretiveness can be damning in today's climate of suspicion. So the third and final link in the values chain is to communicate constantly. Communicate your principles so stakeholders know what you believe in. And be generous with information so your key audience understands your issues.

Mirant has been praised for going the extra mile in our financial reporting. In our first year we held informative sessions with analysts about some of the more complex aspects of the risk management business, such as mark-to-market accounting. It's important to us that the investment community understand who we are and how we operate. Our latest 10K filing was given high marks by analysts for its clarity and openness. We are also planning a series of Web-based seminars for the media about accounting standards and the competitive energy business in general.

In the information age, the merest rumor floated in a chat room can spread like wildfire. Companies need to monitor the airwaves and be prepared to counter misinformation with truthful rejoinders.

Some business people feel uncomfortable with intangibles like values. Yet intangibles are measured in dollars and cents every day. Consumer confidence makes the Dow Jones soar one day, plummet the next. It's worth the effort to incorporate transparency and integrity right into the brand promise. According to Alan Greenspan, "the markets are clearly creating price-earnings premiums for corporations which are perceived to be without spin, so to speak."<sup>3</sup>

Executives who scoff at values are the weakest link in their organization. And they've outstayed their welcome on the American scene.

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<sup>3</sup> Quoted in the *New York Times*, Feb. 28, 2002