

PUTTING VALUES INTO ACTION IN BUSINESS: A STUDY OF THE  
DEVELOPMENT OF AN 'INTEGRITY' VALUE AT SMITHKLINE  
BEECHAM

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## **Abstract**

This paper is a case study of the implementation of an 'integrity' value at the Anglo-American healthcare firm, SmithKline Beecham (SB). SB was established as a result of a merger in 1989 following which the new company deliberately sought to design a new corporate culture based on a set of values which included 'integrity'. The merger is regarded as having successfully achieved this. The case study charts the development of the integrity value as part of the new culture and how this particular value has been put into action. We show that the new value was accompanied by detailed codification and inclusion in employee evaluation and training programmes. The case highlights the difficulties in implementing high level values in the grass roots of a large corporation. We include an appendix on how the lessons from the case have parallels in biblical teaching.

Keywords: values, code of ethics, integrity, SmithKline Beecham.

JEL Classification: M14

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## **PUTTING VALUES INTO ACTION IN BUSINESS: A STUDY OF THE DEVELOPMENT OF AN 'INTEGRITY' VALUE AT SMITHKLINE BEECHAM**

### **“The Promise:**

### **‘Striving to Make People’s Lives Healthier’**

At SmithKline Beecham, healthcare - prevention, diagnosis, treatment and cure - is our purpose. Through scientific excellence and commercial expertise we provide products and services throughout the world that promote health and well-being.

The source of our competitive advantage is the energy and ideas of our people. Our strength lies in what we value: customers, innovation, integrity, people and performance.

At SmithKline Beecham, we are people with purpose, working together to make the lives of people everywhere healthier, striving in everything we do to become The ‘Simply Better’ Healthcare Company as judged by all those we serve: customers, shareholders, employees and the global community.”

*Source: SmithKline Beecham Annual Report and Accounts 1997, p.1*

### **Values**

**6a** *gen.* in *pl.*, the principles or standards of a person or society, the personal or societal judgement of what is valuable and important in life.

*Source: The Oxford English Dictionary*

## **1. Introduction**

This paper is a case study in how values are to be imbedded in the culture<sup>1</sup> of a corporation. The case we look at is that of the multinational healthcare company: SmithKline Beecham (SB). The purpose is to chart the development of values and the process by which they are communicated and embedded in, what Clive Wright has called, the 'bloodstream' of the organisation<sup>2</sup>. As many writers have noted, it is simply not enough for companies to talk about values and write mission statements, value statements, codes of ethics. There must be a conscious effort to build these values into the culture of the organisation so that individual decision makers make use of the values as a matter of course rather than pay lip-service to them.

As the statement from the first page of the Annual Report of SB makes clear, values define what an organisation claims is important and the sort of image that it is trying to project to the outside world. The real question is how to make such claims part of the genuine way in which a company does business and how to actually 'walk the talk' - match public statements with internal reality.<sup>3</sup>

The SB statement and the definition of its values (in Table 1) both emphasise that values are wide ranging in scope. They encompass everything from the obviously important hard values of 'performance' and 'customers' through to the softer values of 'employees' and 'integrity'. We focus this case study to look at how SB has gone about bloodstreaming its 'integrity' value in the context of its overall development of a value-driven corporate culture.

## **2. The Context of SB**

SmithKline Beecham was formed as a result of merger of SmithKline Beckman of the US and Beecham plc of the UK, two medium sized

healthcare firms, in 1989. Headquartered in the UK, SmithKline Beecham plc was the fifth largest healthcare firm in the world in 1994 with a 2.7% share of the world market for pharmaceuticals (see Table 2) and was among Britain's top five most-admired companies in 1994<sup>4</sup>. It is a diversified healthcare company with three main businesses: Pharmaceuticals (well-known drugs include *Augmentin* (an antibiotic) and *Seroxat* (an anti-depressant)), Consumer Healthcare (including products such as *Beecham's* cold powder and *Ribena*, fruit drink) and Healthcare Services (encompassing SB's Clinical Laboratories (which conducts diagnostic tests on behalf of its clients, such as hospitals), pharmaceutical benefit management and disease management businesses)<sup>5</sup>.

The 1989 merger was the start of a merger wave in global healthcare which has seen a number of large mergers and takeovers including Bristol Myers-Squibb<sup>6</sup> (1989), Glaxo Wellcome<sup>7</sup> (March 1995), Pharmacia-Upjohn (August 1995)<sup>8</sup> and Ciba Geigy-Sandoz<sup>9</sup> (in 1996 to form Novartis). Recently SB itself was involved in merger talks with American Home Products (AHP) and then with Glaxo Wellcome.

The driver for all of these mergers has been the increasingly large costs involved in developing and marketing new pharmaceuticals<sup>10</sup>. A typical drug might take around 10 years and several hundred million dollars to bring to market and expensive global marketing is required to maximise the return to such an investment. In addition, competition between drugs companies to discover new products for the treatment of diseases is very strong and there has been a reduction in the time taken for generic alternatives to patented drugs to appear once drugs come off patent. Loss of patent can mean an 80% fall in the revenue from a drug within the first year. In such a market established firms must maintain a flow of new drugs moving through the development cycle from patenting, to testing, to regulatory approval, to marketing if they are to maintain an increasing return for shareholders. For much of the post-war period

pharmaceutical firms were darlings of the stockmarket because of the sustained earnings growth they delivered. However since the late 1980s patent expiries, rising regulatory demands, competition<sup>11</sup> and increased pressure to control healthcare costs in developed countries (leading to reduced demand for patented drugs and increased exercise of buyer power to reduce prices) have put pressure on the companies to control operating and R+D costs.

SB's integrity value relates directly to the increasing public scrutiny of the pharmaceutical industry.<sup>12</sup> There are a number of reasons for this. First, healthcare is a product about which there is a large amount of public interest which manifests itself in tight regulation of the introduction and use of new products. The rising cost of new drugs has been largely driven by the legal requirements for testing and approval which governments demand. For instance, public concern about testing on animals requires much more heavily controlled and expensive tests on humans. In developing countries there are problems with dangerous locally produced drugs banned in home countries<sup>13</sup>. Second, governments continue to be major purchasers of pharmaceutical products. Pressure on healthcare budgets has led some government purchasing authorities to focus on drug costs and to question the large profits that pharmaceutical companies make on successful drugs.<sup>14</sup> Third, at a national level drugs companies have been heavily involved in lobbying against healthcare reform in US<sup>15</sup> and in favour of the transfer of private patient information to commercial companies for use in market research.<sup>16</sup> Fourth, healthcare is a global industry and is dominated by multinationals. These multinationals raise concern about how they are exercising their economic power over resource allocation and local culture to shape both national and global economic order<sup>17</sup>. There have been scandals involving the bribing of politicians for the procurement of government contracts<sup>18</sup>, questions about the influence of drugs companies in the extension of GATT patent protection rules and the fair exploitation of natural biological resources.<sup>19</sup> Fifth, the

competitive strategies of the companies towards increasing horizontal and vertical integration have raised concerns about attempts to increase and exercise market power via horizontal mergers and acquisitions of healthcare maintenance organisations in the US (purchasers of drugs).<sup>20</sup> Other antitrust issues include parallel pricing<sup>21</sup>, antitrust exemption on pricing<sup>22</sup> and marketing practices.<sup>23</sup> Finally, public concern has been raised by the new healthcare revolution heralded by advances in gene technology and pharmaceutical company support for such research.<sup>24</sup> And questions are raised about whether pharmaceutical companies spend sufficient resources on the treatment of irradicable diseases.<sup>25</sup> On many of these issues drugs companies have responded by lobbying hard via such trade associations as the Pharmaceutical Manufacturers Association (now the Pharmaceutical Research and Manufacturers of America - PhRMA).<sup>26</sup>

SB has played a part in these trends.

The SB merger was motivated very much by the need to create an R+D budget with critical mass. Neither of the two merging companies could achieve the R+D budget on their own that would allow them to be part of the leading group of global pharmaceutical companies. At the time of the merger, one drug, Tagamet, constituted 25% of SB's sales and it was due to come off patent in the US in 1993. The company was heavily committed to the European market where several governments, including Germany, announced unilateral cuts in the prices it would pay for branded drugs in 1993 - saving \$1.3bn on its healthcare budget.

In 1994 SB acquired Diversified Pharmaceutical Services (DPS) in an attempt to vertically integrate into a pharmaceutical cost management company. In the same year it also acquired Sterling Health, which had a significant retail pharmaceutical business outside Europe and the US. In 1995 SB entered a joint venture with Human Genome Sciences and has been a leader in genetic research. DPS is a company which provides

insurance for drug costs by allowing customers to sign up to a proscribed formulary (list) of drugs which the company will supply for particular ailments. This sort of integration, which has also been undertaken by Merck and Bristol-Myers-Squibb, gives drug companies access to the list and to client information for use in developing future drugs and marketing plans. The result of these strategic moves is increased consolidation of the health care industry, which raises fears of higher health care prices and a shrinking range of alternative treatments and medications available to consumers.<sup>27</sup>

In the case of Merck's acquisition of Medco, a Federal Trade Commission inquiry investigated the charge of favourable treatment of Merck's drugs on Medco's formulary and of the potential for Medco to share sensitive pricing information with Merck, thereby undermining competition.<sup>28</sup> SB's acquisition of DPS followed that of Merck within six months and appears to have been driven by similar strategic motives. Where SB's acquisition went further than Merck's is in the six-year alliance it struck with United Healthcare (from whom it acquired DPS), which gave SB access to a more complete set of patient data (through United's 1.6 million-strong membership to its Health Maintenance Organisations).<sup>29</sup> With the increasing privatisation of health care around the world, the potential for private pharmaceutical companies to access sensitive patient information raises important ethical questions and it is telling that pharmaceutical companies have been amongst the most forceful in lobbying against legislation that will protect patient privacy.<sup>30</sup>

In 1993 the US government began investigating whether several clinical laboratories, including some owned by SB, were conducting and charging for large numbers of diagnostic tests which were not medically necessary. Private suits, filed by 'whistleblowers' and subsequently taken over by the US government, were brought against the company. In 1997, without admitting wrongdoing, SB settled out of court for \$325m<sup>31</sup>. The potential legal liability had SB lost the court action could



have run into billions of dollars given that there was a statutory penalty for each wrongly billed diagnostic test under the False Claims Act<sup>32</sup>. In mid-1998 private healthcare payors are still pursuing similar suits against the company.<sup>33</sup> A number of individuals and chain drug stores have also sued more than 20 pharmaceutical companies, including SB, for damages in respect of alleged price discrimination resulting from the sale of some drugs to certain classes of customers at lower prices.<sup>34</sup> Overseas the company also experienced discomfort when in 1996 it emerged that certain members of SB International's Central American staff had been involved in the inappropriate re-dating of out-of-date stock of its injectible anti-biotic, Timentin, which had been sent to a hospital. Even though those responsible were dismissed, the scandal was potentially damaging to SB's worldwide reputation under its customer and integrity values.<sup>35</sup>

### **3. 'Culture by Design'**

The history of the development of the values at SB starts with the background to the merger of SmithKline Beckman and Beecham plc<sup>36</sup>. In 1988 Bob Bauman, Beecham chief executive, contacted Henry Wendt, CEO of SmithKline Beckman, with a view to creating a genuine 'merger of equals'. The two men appear to have shared the same vision of where the healthcare industry was going: towards globalisation and large scale R+D. They designed the merger of the two companies to be such that it was a 50:50 merger from the point of view of shareholders and they agreed a division of the top jobs. Wendt devised the 'Promise of SB'<sup>37</sup>, the current version of which is at the top of the paper. This expressed the underpinning logic for the merger and the foundation of the new corporate culture. The two intended to create a new corporate culture which combined the best of the old but established a new one which reflected current best practice. Wendt was to be Chairman of SB and Bauman, chief executive. The geographical and competency fit of the two companies was excellent: Beecham strong in Europe and in

product development, SmithKline Beckman strong in the US and in marketing. Analysts in the City of London were very positive about the prospects for the new merger.<sup>38</sup>

The merger was finalised in July 1989 and Bauman and Wendt set about establishing a new corporate culture. The first management conference in July 1989 was under the slogan 'Now we are one'. After an initial period characterised by sustained effort to sell the peripheral parts of the business and to achieve integration of the business units, it became clear that there were different cultures within the diverse company. The first step to designing the values took place in early 1990 when the Executive Management Committee (EMC) of 15, including Wendt and Bauman, spent several weekends designing the core values and leadership practices of SB. There was a debate about whether to include the 'integrity' value, with some of the EMC thinking that it was so obvious that the company should have a value of integrity that it did not need to make it explicit. The values were about 'who we are' as a company. In July of 1990 the EMC went on to design nine leadership practices which were measurable, accountable, limited in number but widely applicable, and which gave guidance for implementing the values. There were to be two practices per value, except for integrity which was to have only one (see Table 3).

In the autumn of 1990 came the cultural breakthrough with the development of the *Simply Better* concept which has come to characterise SB. *Simply Better* was conceived of as 'a sustained effort to create a culture that would embody the five values'<sup>39</sup>. Its aim was to establish SB as the sort of company which could aspire to and achieve industry leadership - something that was thought to be impossible given the culture of SmithKline Beckman or Beecham<sup>40</sup>. Bauman and the rest of the EMC recognised that, more than a year into the merger and in spite of the significant amount of top management time that had been devoted to the development of the values and leadership practices, they

were still only words on a piece of paper: there had to be a process of turning them into action at the level of the individual employee. Behaviour had to be measured with respect to these values and practices to make a difference. Performance in adhering to the leadership practices was made to constitute 50% of the top 250 managers' assessments for 1991. At the November 1990 management conference Bauman said 'Every organisation has a culture. A culture happens either by accident or design... and we are going to design ours!'<sup>41</sup> After a year of hard work integrating the two companies it became clear that the senior managers at the conference were going to take some convincing that they should rapidly move on to designing a new culture. *Simply Better* was to be rolled out in February 1991 with a series of introductory seminars which would eventually cover all 50,000 employees. However it met with a rather mixed start as different divisions had made better progress with integration and some were more ready to receive *Simply Better* than others. As the year wore on it became clear to Bauman that he needed to convince the EMC of the need for consistent implementation and to provide motivation for driving the company forward in order to achieve its performance goals. He took the EMC to Japan for nine days in January 1992 to view best practice in change management and continuous process improvement.<sup>42</sup>

The EMC trip to Japan was a turning point in the thinking of the EMC. The trip took the executives to see the Japanese process working - in Canon, Fuji-Xerox, NEC, Esai and Nissan - and they came back committed to developing a culture that fostered continuous improvement. They developed the *Simply Better Way* which involved a programme of worker education to bloodstream the values and leadership practices. The *Simply Better Way* embodies a number of principles: first, it is management led, done in parallel across the company, provided just-in-time and as hands-on training, delivered by insiders (as opposed to external consultants) and fully aligned with strategic business priorities. This programme of change was rolled out at

the '*Simply Better Way*' management conference in early 1993.<sup>43</sup> The Corporate Personnel Director commented on it:

'The *Simply Better Way* will succeed only through an unwavering commitment to leadership practice number 9 – communicate with all constituents openly, honestly, interactively and on a timely basis.'<sup>44</sup>

The management review of the new programme concludes with:

'What You Can Expect From Management...

We will be champions – role models for the '*Simply Better Way*'...

What Management Expects From You...

Enthusiastically lead and sincerely promote the values and principles of the '*Simply Better Way*'... We want you to be players, not spectators.'<sup>45</sup>

The *Simply Better Way* involves introducing continuous improvement into the culture via work practices. A large number of *Simply Better Way* facilitators are now trained up to introduce and lead *Simply Better Way* meetings. A typical 'improvement' meeting will involve a cross-disciplinary team in discussion about how processes can be improved, how to solve problems, a focus on team work and training in the use of analytical tools.<sup>46</sup> The *Simply Better Way* was incorporated into the planning process and the 10>3/1 planning system which discusses specific three and one year targets within a 10 year plan.<sup>47</sup> The first 10 year plan was set in 1992 and has yet to be updated. The *Simply Better Way* embodies six core concepts:

- Customer-Driven Quality
- Plan-Do-Check-Act

- Process thinking
- Waste elimination
- Managing by facts and data
- Continuous improvement in partnership with people.

These concepts are to be integrated into the work habits of teams and individuals via appropriate training.<sup>48</sup> The current *Simply Better Way* programme incorporates the Daily Involvement System (DIS) – for ‘improving the way we work, every day, consistently and continuously, involving everybody, everywhere, enthusiastically working together’ - introduced in February 1994<sup>49</sup>. The DIS system emphasises standardisation of best practice, team work and idea generation, recognition of achievement, and measurement of results and progress.<sup>50</sup>

The *Simply Better* concepts are also incorporated into the annual the Leadership Planning Process (LPP) which develops managers via detailed one-to-one appraisal. Leadership competency, under SB’s LPP and its associated Leadership and Development Review (LADR)<sup>51</sup>, is assessed with respect to the five core values. Under the integrity value managers are expected to lead courageously, foster open communication and act with integrity. The detailed behaviors they are expected to demonstrate under *Act with Integrity* are:

**‘Demonstrates principled and sound business ethics; shows consistency among principles, values and behaviour; builds trust with others through own authenticity and follow-through on commitments.**

**Key behaviors:**

Protects confidential information.

Maintains professional conduct which passes the test of public and internal scrutiny.

Shares credit with others.

Follows or applies company policies consistently and fairly.

Admits personal mistakes.

Communicates openly and honestly to employees and customers.

Represents information and data accurately and completely.

Demonstrates personal commitment to employee health and safety.<sup>52</sup>

There is a *Simply Better Way* unit within the company responsible for developing the corporate values and training in the *Simply Better Way* and bi-annual 'Simply the Best Awards' for successful improvements. By the time the new culture was being rolled out, most of the senior managers in place at the time of the merger had left and the new appointments included the human resources director and the current chief executive, Jan Leschly.<sup>53</sup>

For SB the value of integrity is closely associated with open communication.<sup>54</sup> As part of the bloodstreaming of this value top managers have continued to emphasise integrity at management conferences and in corporate communication. The bi-annual values survey includes a number of questions on each of the values and the core concepts of the *Simply Better Way* together with up to 10 added questions on the particular business. The questions on integrity relate to employee satisfaction with (exact sentence in brackets):

- personal integrity (the things I am asked to do at work are consistent with my perception of integrity)
- co-workers' integrity (people I work with act with integrity)
- business ethics (SB takes an honest and ethical approach in how we do business)

- extent to which manager shares information (my manager shares information on issues that are important to me in a timely way)
- open communication (SB communications are open and honest)
- actions match words (senior management is consistent in word and action)
- being open about failures (people at SB talk about their failures as well as their successes).<sup>55</sup>

Employees are asked to indicate whether they are favourable or unfavourable about the statement. Data are produced at a corporate, departmental and market level and fed into the planning. The company also has a magazine – *Communiqué* - distributed to managers worldwide and new employees receive a half-day induction programme which includes a video presentation showing an overview of the core values and the *Simply Better Way*.

1993 was a key year for SB as Tagamet came off patent in the US and as the new values were being rolled out across the company. It was an extremely profitable year and this helped to reinforce employee commitment to the new values. Henry Wendt and Bob Bauman announced that they would step down in 1994 giving a year to train the chosen successors Sir Peter Walters and Jan Leschly. Bauman spent 40% of his last year working on the SB Way and its implementation.

#### **4. Integrity and Compliance Procedures at SB**

The pharmaceutical industry is heavily regulated and innovation-driven and hence SB has a substantial corporate legal function. This exists to protect its intellectual property and to ensure that it complies with the legislation governing the conduct of pharmaceutical research and

development and the manufacture and marketing of its products. In addition, as a large company with a degree of market power, SB needs to be wary of falling foul of competition law in each of the jurisdictions in which it operates, especially the US where a triple damages rule is in force and third parties routinely initiate claims against companies in respect of their pricing or marketing policies. As a multinational listed on the New York Stock Exchange with overseas governments as clients, SB comes under the jurisdiction of the 1977 US Foreign Corrupt Practices Act (FCPA) which bans the payment of bribes by US companies and individuals to foreign government officials and imposes reporting requirements.<sup>56</sup> Questionable payments overseas might lead to legal action in the US. Other significant pieces of legislation include the US False Claims Act<sup>57</sup>, which entitles employees who report fraud against the government to a share of any damages which might be paid as a result of legal action against the company in respect of false claims, and the 1991 US Federal Sentencing Guidelines, which allow for very substantial reductions in fines for non-compliance if the company can demonstrate that violations occurred in spite of the presence of an 'effective' compliance programme.

The Sentencing Guidelines have seven due diligence criteria which will qualify as an 'effective' compliance programme:

1. The organisation must have established compliance standards.
2. Specific individuals must be assigned responsibility for oversight of the programme.
3. The firm must have exercised due diligence in delegation of authority.
4. The organisation must have taken steps to communicate standards to all employees.
5. The firm must have a reporting system designed to monitor conduct.
6. Standards must be enforced through disciplinary mechanisms.
7. After an offense is detected the firm must have taken steps to prevent reoccurrence.<sup>58</sup>



Given that the nature of much US<sup>3</sup> corporate legislation is to impose fines for each violation disproportionate to the benefit to the company and also to impose personal fines and prison sentences on the employees involved – SB has a strong incentive to have integrity in the narrow (but broadening) sense of complying with the law.

The legal function in SB has taken the initiative in setting up compliance procedures within the company which are designed to minimise the risks of falling foul of the laws under which SB operates. Establishing a corporate culture is crucial, but for complex matters of law definite behavioral guidelines are important. A landmark development was the introduction in April 1993 of a Policy Manual which detailed corporate conduct in a wide range of internal and external relations. This document collected together, systematised and acted to disseminate more effectively many policies that had been in force in the two companies previously. Bob Bauman introduces it:

‘The SB Policy Manual is part of the ‘Simply Better’ Way. It reflects the five values by which SB lives... It includes many policy statements which SB managers will be expected to be aware of and required to adhere to in the performance of their work. Examples of this include the policies on business standards, confidentiality of information, conflicts of interest, political contributions and share dealing...’<sup>59</sup>

The manual contains 46 policy statements each of which details an issue, outlines the policy and gives contacts for further advice. Each policy is sponsored by a member of the EMC. Some of the policies reflect issues of the day such as animal testing. The Policy Manual collected together previously scattered policies and makes it clear that managers should contact members of the legal team if there is any doubt about what course of action to take.

A process of revision of the policy manual began in 1996 with a new Corporate Code replacing it in January 1998. This Code reflected ethical issues but also an element of compulsion in that managers were subject to the Code as a condition of employment. The process of developing the Code involved a former senior corporate lawyer spending two days a week for a year working on it. There were no other external consultants. A number of benchmark companies were identified – Xerox, American Express, Monsanto, BP, Barclays, Reuters, ICI and Gillette. These companies were visited and their own codes and implementation practices were studied. The lessons were that codes had to be widely circulated, practically focused, easy to use and understand and that there were important differences between US and UK codes – UK codes focus more on lines of authority and responsibility, US codes focus on business ethics. Some other companies' manuals were also looked at. About 40 board sponsors and operations managers were contacted and interviewed in the development of the Code and the drafts of individual policies were discussed. The intention was that the Code should be available on, and updated on, the corporate intranet, designed for internal and external audiences and be widely communicated within the company. Hard copies were made available to middle and senior management.

Jan Leschly introduces the Corporate Code which covers 73 policies (the Policy Manual covered 46), outlining for each the background, the policy and compliance procedures. It is organised into 7 sections – compliance (e.g. with competition policy law), assets (e.g. use of the SB corporate signature), employment (e.g. appropriate gifts), external relations (e.g. relations with governments), external obligations (e.g. with respect to advertising and promotion), internal responsibility (e.g. the responsibility of the legal function) and internal processes (e.g. management of legal documents). Each is signed by a member of the Corporate Management Team (CMT). The introduction does not explicitly mention the *Simply Better Way* or the corporate values.

However the basis for the inclusion of each policy was how it fared on a grid which indicated whether it affected SB's reputation, other assets, whether it directly applied to employees as well as managers, and whether it was relevant to one or more of the company's five core values. The Code applies to all employees, allows for periodic revision envisaged annually on intranet and every three years in hard copy, is monitored by a committee of the CMT consisting of the General Counsel and Corporate Secretary, Chief Operating Officer, Chief Financial Officer and the Director of Human Resources. Sanctions for breaches can include termination of employment. All existing and new managers above a certain grade get a copy of the Corporate Code and the employment contract builds in compliance. Employment performance evaluations entail periodic certification of adhering to company policy and compliance issues. However the basic assumption is that employees are honest. Although the Code is available to all employees individual copies were issued only to share option eligible managers. At the time the Code was developed it was intended that a second document, containing simple down-to-earth guidance, would be developed for all employees. An initial version of such a document, entitled *Business Conduct Guidelines*, had been issued in 1997.

The Code was launched by the General Counsel (head of the legal function) at the General Management Meeting in March 1998. In the presentation of the new Code the General Counsel emphasised the need for compliance which equals 'laws, company policy and good ethics'<sup>60</sup>. It was to be part of the ongoing compliance programme within the company which started formally in 1995 and which in 1997 involved 50,000 training hours. One manager commented that the Code was part of the *Simply Better Way* because it involved the continuous improvement of the compliance programme within the company.

In order to demonstrate how SB has gone about bloodstreaming these compliance procedures we trace the development of business standards

policy in SB International which now covers all of SB's businesses outside North America and Europe (£1677m sales in 1997).

In March 1990 Bob Bauman sent the 'Business Standards – Use of Funds' policy to the International Management Committee asking that they be distributed to 'all appropriate staff for signature and return to the Corporate Secretary.' This policy, which was later reiterated in the SB Policy Manual, covered payments to politicians and government officials including facilitating payments<sup>61</sup>. It specified the boundaries of acceptable payments and also noted that any payments beyond nominal amounts must be reported to the General Counsel and Corporate Secretary and must be fully and accurately disclosed in the books and records. As such this policy related directly to the concern of the FCPA which covers such payments and their disclosure.

The policy developed over time such that by 1997 presentations were being made by SB international area lawyers on business standards as part of in-country compliance programmes and as part of the employee induction programme. In 1997 the international area lawyers also began a series of interactive presentations with managers in the international business on both the laws they were subject to and SB policies towards anti-trust issues. The 1998 Corporate Code contains an updated restatement of the policy on facilitating payments and relations with governments.<sup>62</sup>

In-country compliance programmes have the purpose of ensuring compliance by all International Area employees with relevant laws and regulations and with generally accepted standards of business conduct, as reflected in SB and International Area policies. The International Management Committee oversees and coordinates the programme's implementation. The current six components of the programme are; training in advertising and promotion, compliance with clinical trial standard operating procedures, compliance with terms of master data

sheets and product licenses, compliance with safety and environmental regulation in manufacturing, business standards and anti-trust law.

SB's Standards of Business Conduct document begins with a letter from Jan Leschly:

'...As a world leader in healthcare, SB has a special responsibility to conduct its business openly and honestly. We treat people fairly. We deliver what we promise. Public trust and confidence in our word and in the integrity of our products and services is, after all, the whole basis of our business...'<sup>63</sup>

The document discusses 12 guidelines including examples of situations where the guideline would need to be applied. The guidelines cover competitive practices, conflicts of interest, political contributions and other payments, employment policies, environmental issues, gifts and entertainment, health and safety of employees, product recalls, proprietary and confidential information, media relations, share dealing and alcohol and illegal drugs. For the Political Contributions and Other Payments the examples are:

*It is your first assignment in a new country, and it soon becomes apparent to you that competitors are making payments to the Health Minister to place and keep their drugs on the reimbursement list. Although it is against your principles, it appears this is the way business is done here.*

And

*Someone in the company suggests that you give a personal financial contribution to a political candidate, and you will be reimbursed through a pay increase or higher bonus.*<sup>64</sup>

The training given under each of the compliance programme topics varies: for the Business Standards component it consists of a 75 minute session involving a presentation of four scenarios similar to the ones above, and then a discussion about what the appropriate course of action is. The aim is to raise the issues, encourage sharing of experience and to network 'workers in the trenches' with corporate lawyers or appropriate individuals from whom they could seek advice. The message is reinforced via statements in the quarterly report from the chairman of the division. He recently commented:

'There can be a fine line between trading aggressively, but fairly, as opposed to unfairly and illegally. It is far better that we find out in our own internal meetings about these matters and where necessary, make changes to our working practices and third party arrangements. The alternative may be to have prosecuting authorities discover these matters later with serious consequences both for the Company and individual employees.'<sup>65</sup>

## **5. Assessment of the Success of SB's Development of its 'Integrity' Value**

The development of values at SB conveniently splits into two major strands: the ongoing programme of establishing a change management culture via the *SB Way* and the refinement of the legal compliance programme, of which the Corporate Code and the Business Conduct Guidelines are important recent developments.

As we have seen both of these strands have an important role to play in the establishment of a corporate culture of integrity. Their history in SB gives rise to two questions relating to business ethics in SB. Has the company established a successful compliance programme (integrity / business ethics)? And to what extent is the development of the

compliance programme part and parcel of the programme of change management?

The answer to the first question is hard to discern, mainly because the development of a well articulated code of ethics is a relatively recent phenomenon. At the compliance training session for middle management that we attended few had seen the Corporate Code in spite of a high profile launch six months earlier. That said however the commitment of the compliance team and the quality of the training currently being offered is of a high standard. If SB's corporate culture is a textbook model (exemplified by Bauman et al's book), the development of integrity via the compliance programme lags rather than leads industry best practice. We did not detect in SB the same high profile public commitment to an integrity value and leadership in the ethical field that some US companies have made.

This brings us to the answer to our second question. It is not clear that the new Corporate Code was itself developed consistent with the change management programme of the *Simply Better Way*. The Code itself originated in the legal department and has not been clearly linked to the SB Way since Bauman's endorsement of the SB Policy Manual, five years earlier. In line with best practice in other corporations the Code should have been developed via a process of wide consultation, the advice of external consultants and been associated with a wide dissemination. Given the nature of its development it is not surprising that the content of the Code lacks any ethical stance beyond prudential risk management. Interestingly a *Times* survey<sup>66</sup> which praised SB's performance under its other values gave it 5 out of 10 for 'ethical expression' because its code lacked any reference to human rights. It seems likely that a more inclusive process - internally and externally - of consultation in the drafting of the code would have led to a more inspirational and visionary code consistent with the vision of the *Simply Better Way*.

Haas<sup>67</sup> has distinguished two approaches to business ethics. First, a *compliance-based* approach based on rules and regulations designed to minimise the financial risk to the company of damaging litigation. Second, a *principle-based* approach which bases individual responsibility on a set of company values. Companies such as Levi Strauss, Motorola and Johnson and Johnson may be seen to be in this second category, while SB's new Corporate Code places it in the first category. Perhaps the reason for SB's approach is that an integrity value is difficult to proclaim in the highly competitive pharmaceutical industry.<sup>68</sup>

The process of developing codes of ethics should be an ongoing one. SB may be lagging best practice at the moment in the area of consistently developing its integrity value but such processes do not stand still. SB is developing an effective compliance programme as part of its desire to be an organisation that responds to change. The legal environment facing firms is changing and it is not enough to talk in vague terms about integrity - there must be clear guidance on appropriate behaviour (in the light of the law) in specific circumstances.

## **6. Key Lessons**

It is no coincidence that the company conceived of by two experienced and successful businessmen – Henry Wendt and Bob Bauman - as having such 'promise' should see responsibility for its integrity value end up being advanced by a rigorous compliance program run by the corporate legal function. In the pharmaceutical industry integrity does not so much consist of the soft issues, more prevalent in less regulated industries, but of complex competition and government relations issues for which there is much scope to come up against US and other law. The legal context, particularly in the US, is pervasive and companies seeking to act with integrity have to face questions of what constitutes legally acceptable behaviour in specific circumstances.



Since its formation in 1989 SB has worked hard to establish a set of corporate values and to operationalise those values within the company. The above description provides a number of key learnings for the process of how values are to be made part of the corporate culture.

**1. The initiative to develop particular values must come from the top of the company.** In large part the success in developing the corporate culture of SB is owed to the leadership of Bauman and Wendt, both businessmen with marketing rather than legal backgrounds. This is not to say that all the initiative came from them – they did use outside consultants and brought in new staff who developed the policy – but they were clearly seen to be making the development of corporate culture a business priority. In the SB case those managers who were not willing to change fast enough were replaced by new managers brought in with the specific purpose of developing the values.

**2. The process of value development must be inclusive.** Although the EMC of SB formulated the values and leadership practices, the hardest part was to get other managers and employees to buy into them. That process was extremely costly in terms of management and employee time. The *Simply Better Way* development was a key way by which the values were communicated, as well as via the nature of interactive sessions adopted by other employees and via the biannual values survey. The programme initially faltered in 1991 when it was not consistently pushed across the company.

**3. Values must be given a high priority within the organisation.** If a company is to be ‘value-driven’ it must continually emphasise the importance of corporate values. Thus training and recruitment must involve introduction and development of the corporate values. SB has done this via the *Simply Better Way* training given to employees, the corporate newsletter – *SB Communiqué*, the Corporate Code, Business Standards Guidelines and in regular messages from the chief executive

and heads of the business units. However linking performance bonuses to adherence to corporate values provides the key internal incentive to the development of such values.

**4. The vision of a value-driven company must be combined with specific training.** Promises, value statements, leadership practices, glossy brochures and fine-sounding letters from top management about the values being 'who we are' are important. They provide verbal commitments against which actual behaviour can be evaluated and by which management choose to make themselves internally and externally accountable. However specific training is required on what constitutes ethical or legal behaviour in a particular circumstance.

**5. Ultimately internal legitimisation of the process of developing values must be via the effect on performance.** 1993 was a crucial year for SB in which the new culture would either be established or discredited. It was a year of commercial success and this legitimated the EMC's whole strategy, which included the development of values. Since then brushes with authorities over selling practices and pricing policy have served to reinforce the need to develop the value of integrity. Managers and employees will buy in to a new value-driven culture if they see that it produces results.

## **Appendix: Biblical themes and lessons from the SmithKline Beecham case**

In our earlier work we investigated the biblical basis of economic integrity and fair competition<sup>69</sup>. We therefore wish to ask to what extent do the concluding observations on the development of SB's values resonate with the biblical approach to developing values. We take each of our earlier conclusions in turn.

### **1. SB case: The initiative to develop particular values must come from the top of the company.**

*Biblical observation: In the bible God is the source of all primary values and these values are communicated from the top down.*

Jesus himself summarises the law and the prophets as saying 'So in everything, do to others what you would have them do to you'<sup>70</sup>. The law was given through prophets, such as Moses, who directly attributed God as the source of the inspiration for their teachings.<sup>71</sup> It is fascinating to observe that biblical values can be summarised, as Jesus demonstrates, and easily communicated. The bible strongly argues that human society, or more particularly its local business units - such as the nation of Israel at the time of the Kings - is successful when it's leaders promote biblical values and unsuccessful when they do not.<sup>72</sup> Thus strong leadership in espousing values is in line with biblical best practice.

### **2. SB case: The process of value development must be inclusive.**

*Biblical observation: The bible emphasises inclusiveness in decision making about the practical operation of primary values.*

Although God's approach in the bible is top-down with respect to primary values, turning values into action involves working with human creativity and independence. Legal decision making<sup>73</sup>, teaching<sup>74</sup>, healing<sup>75</sup> and administration<sup>76</sup> are delegated in the bible. Indeed, the concept of the 'royal priesthood' of believers<sup>77</sup> and of Christians as

‘Sons of God’<sup>78</sup> suggests a joint responsibility for moral decision making within society. The New Testament church emphasises meeting together to decide on the way forward<sup>79</sup> and on maintaining unity within the organisation<sup>80</sup>. Thus SB’s learning on the need for communication of values is in keeping with biblical practice.

### **3. SB case: Values must be given a high priority within the organisation.**

*Biblical observation: In all aspects of human society, God’s values should be given primacy.*

The bible promotes and envisages a value driven society<sup>81</sup>. In the bible believers are called on to teach God’s values to their children<sup>82</sup>, to celebrate festivals of remembrance of God’s actions<sup>83</sup> and to read scripture publicly<sup>84</sup>. In the New Testament, regular meetings to discuss God’s values are reported and endorsed<sup>85</sup>. If values are part of ‘who we are’, we need to spend time reflecting on them: SB demonstrates this biblical principle in the development of its values as the implication of ‘The Promise of SB’.

### **4. SB case: The vision of a value-driven company must be combined with specific training.**

*Biblical observation: Practical and appropriate training is central to the creation of a value driven society.*

Just as in the case of SB, the bible gives a picture of a society where the existence of written value statements is not enough (King Josiah of Judah was surprised when the book of the law was rediscovered)<sup>86</sup>. Even detailed knowledge of the words of the bible may not be enough (Jesus criticises religious leaders of his day for diligently studying the scriptures but not being able to discern when they were being fulfilled)<sup>87</sup>. It is the duty of those responsible for communicating biblical values to explain them faithfully to others and live them out (In the bible religious leaders are often criticised for leading the people astray)<sup>88</sup>. The bible

stresses the need for diligent and regular study of God's values<sup>89</sup> and for training to be conducted in a way that people can understand<sup>90</sup>.

**5. SB case: Ultimately internal legitimisation of the process of developing values must be via the effect on performance.**

*Biblical observation: Emphasis on performance to legitimate values is a reflection of fallen human nature.*

The bible does not primarily promote its values on the basis of their beneficial effects on society. There is a very strong sense in the New Testament of the full benefits of living according to God's values being in the New Jerusalem which will come at the end of time<sup>91</sup>. In the Old Testament the Psalmist laments the fact that many bad people seem to prosper in this life<sup>92</sup>. However scripture does make frequent references to the beneficial consequences of obeying God's law in the present<sup>93</sup>. Evidence for the rightness of biblical values is given e.g. in the ultimate success of many biblical figures in the face of opposition and in the evidence of miracles. However there is a sense in which calls for such evidence should not be necessary if we had more faith<sup>94</sup>. For a company like SB, just as for an individual, it would be great if values were accepted immediately but it is only human, and indeed necessary for survival, that some evidence should be given in the present.

Analysis of the biblical record thus shows the SB case in sharper relief. The bible supports the view that there do need to be strong values at the centre of an organisation, communicated effectively from the centre with buy in from all members of the organisation; there should be both theoretical and practical training in the values and, in the presence of skepticism, confirmation by results. Our case therefore suggests that there are lessons for modern business ethics from the ancients and that future research which seeks to refine how companies put values into action should be more informed by such wisdom.

## Notes

1. By culture we mean 'the whole complex of learned behaviour, the traditions and techniques and the material possessions, the language and other symbolism' of a corporation (The Oxford English Dictionary, 5b, 1963, from British Journal of Sociology, Vol.XIV (1963), p.21).
2. C. Wright. Business Ethics and Corporate Culture. In *The Role of Business Ethics in Economic Performance*. I.W. Jones and M.G. Pollitt (eds.), Macmillan, London, p.191 (1998).
3. M.G. Daigneault, Why ethics?, *Association Management*, September, 29-34 (1997) identifies no less than 12 key elements of an ethics programme. On the issue of 'walking the talk' see R. Haas, Ethics – A global business challenge, *Executive Speeches*, August/September, 8-12 (1994), R. Haas, Business ethics, *Executive Excellence*, June, 17-18 (1997) and T.A. Stewart, Why value statements don't work, *Fortune*, 10 June, 137-138 (1996).
4. See N. Hasell, Britain's most admired companies: Rentokil topples Glaxo, *Management Today*, December, 40-49 (1994).
5. SB has recently announced that it is disposing of its Healthcare Services businesses (see 'SmithKline announces disposals and restructuring', *Financial Times*, 10 February, p.27 (1999)).
6. See W.C. Bogner and T. Howard. Core competence and competitive advantage: A model and illustrative evidence from the pharmaceutical industry. In *Competence-Based Competition*, G. Hamel and A. Heene, John Wiley, Chichester, 130-131 (1994).

7. 'Waging Psychological warfare', *The Economist* **334**, (7859), 73-74 (1995).
8. 'Carving up Europe's drugs industry', *The Economist* **336**, (7929), 63-64 (1995).
9. 'The Behemoth from Basle', *The Economist* **338**, (7956) 89-90 (1996).
10. See D. Hyde, *The Making of the Simply Better Healthcare Company: SmithKline Beecham (A) and (B)*, INSEAD, European Case Clearing House, Cranfield University, Bedford (1994).
11. W.C. Bogner and T. Howard (1994) op. cit., p.143, note the difficulty of maintaining competitive advantage in the pharmaceutical industry.
12. See H. Schwartz, Ethics and enterprise – Industry's dilemma, *Pharmaceutical Executive* **17**, (11), 24-26 (1997) which discusses ethics with respect to marketing practices, bribery and facilitating payments and testing practices.
13. Interview, A healthy drug policy for the Third World: An interview with Kumariah Balasubriamian, *Multinational Monitor* **14**, (12), (1992).
14. G. Hess, Pharmaceuticals '93: Washington – Rx for cost-containment, *Chemical Marketing Reporter* **243**, (10), SR10-14 (1993) discusses President Clinton's determination to reduce drug prices as part of healthcare reform and L. Lewis, Pharmaceutical industry, *Business and Health* **12**, (3), 23-27, (1994) discusses the rise in the price of drugs between 1987 and 1992.

15. S. Ainsworth, Clinton health reform plan vexes drug firms, *Chemical and Engineering News* **71**, (40), 5-6 (1993).
16. J. Wechsler, Privacy, research & marketing, *Pharmaceutical Executive* **17**, (11), 18-22 (1997) and 'They'll pay a bundle to invade your privacy' *Seattle Post*, 28 July, A3 (1998) notes that healthcare firms spent \$45m in congressional campaign contributions to resist privacy legislation – which would have prevented them getting access to patient records - in 1995 and 1996.
17. For a review of some of the ethical issues facing pharmaceutical companies see L.A. Tavis and O.F. Williams, *The Pharmaceutical Corporate Presence in Developing Countries*, University of Notre Dame Press, Notre Dame, Indiana (1993). See also interview with Henry Wendt, SB chairman in A.J. Vogl, So Big, *Across the Board* **30**, (1), 16-21 (1993) and his book in which he defends multinationals' role in the global economy – H. Wendt, *Global Embrace*, Harper Collins, New York (1993).
18. See P. Agnew, Drugs and bribes at the health ministry, *The Irish Times*, 18 November (1993) which discusses the detention of a health minister on allegations of taking bribes to ensure certain branded drugs were on the national health prescription list.
19. See *Multinational Monitor* (1992) op. cit.; R. Weissman, GATT Patent Plunder, *Multinational Monitor* **11**, (11), 1990; and D. Gatti, Patents, a new form of colonialism, *World News Inter Press Service*, 31 August (1998).
20. See M. Leschly, *SmithKline Beecham (SB)*, Graduate School of Business, Stanford University, European Case Clearing House, Cranfield University, Bedford (1996).



21. 'Drug trafficking: Pharmaceuticals/Europe's angry drug giants', *The Economist* **341**, (7996), 97-98 (1996) discusses the issue of second-hand trading in branded drugs where wholesalers buy them cheap in markets where prices are controlled and sell them at a discount in northern Europe.
22. See R. Begley and E. Kirshner, Drug makers seek antitrust exemption, *Chemical Week* **52**, (10), p. 11 (1993).
23. On marketing practices see J.G. Dickinson, FDA letter, deputy's speech, define a dilemma, *Medical Marketing & Media* **31**, (10), 12-18 (1996) on marketing drugs for purposes other than those intended by the regulator.
24. See SB Website for an introduction to the debate: [http://www.sb.com/innovation/rd/dna/dna\\_h.html](http://www.sb.com/innovation/rd/dna/dna_h.html)
25. See *Multinational Monitor* (1992), op. cit.
26. See 'Drug Trade Group Reorganises', *Chemical Marketing Reporter* **245**, (19), p. 7 (1994).
27. See M.J. Mandel and A. Rea, A pack of corporate King Kongs, *Business Week*, 3 February, 33-34 (1997).
28. See 'Pharmaceutical company agrees to end unfair practices, *Fox News Online*, 27 August (1998).
29. M. Leschly (1996) op. cit.
30. See 'Politics of privacy Gore, Congress talk but will they act?', *U.S. News and World Report*, 10 August (1998), and 'Regulation

alert: New Medicare+Choice rule is long, but the confidentiality provisions are vague', *Health Data Network News*, 20 July (1998).

31. A US district judge subsequently awarded 16% of the settlement to three of the whistleblowers involved. See K.Hallam, Harvesting the fruit, *Modern Healthcare*, **28**, (16), pp.54-56 (1998).
32. S. Hensley, Settling Fraud Charges, *Modern Healthcare* **27**, (9), p. 28 (1997). The maximum liability per false claim is \$5000.
33. See A. Bell, SmithKline Lab Unit face suit by insurers, *National Underwriter*, 9 September, p.11 (1997).
34. See SB *Annual Report on Form 20-F*, 1993, p.14.
35. SB International Chairman's Message, Third Quarter (1996).
36. For a detailed history of the background to the merger and the history of the company from 1989-94 see R.P. Bauman, P. Jackson and J.T. Lawrence, *From Promise to Performance - A Journey of Corporate Transformation at SmithKline Beecham*, Harvard Business School Press, Boston, Massachusetts (1997). See also D. Hyde op cit. For comments on the lessons from the merger see 'Lessons from the SmithKline Beecham war room', *Cross Border Monitor*
37. Bauman et al., p.93.
38. Bauman et al., p.85.
39. Bauman et al., p.169.
40. Bauman et al., p.166

41. Bauman et al., p.175. SB hired W.W. Burke as a consultant and made use of his model of individual and organisational performance. See W.W. Burke and G.H. Litwin. A causal model of organisational performance. In *Developing Human Resources*, San Diego University Associates, (1989); W.W. Burke and P. Jackson, Making the SB Merger Work, *Human Resource Management* **30**, (1), 69-87, (1991); and B. Trahant and W.W. Burke, Traveling through Transitions, *Training and Development* **50**, (2) 37-41, (1996).
42. The trip to Japan was daring because Japan was not a recognised leader in the manufacture of pharmaceuticals.
43. *SB Communiqué*, Spring, 1-19 (1993) and SB, *Understanding 'Simply Better' & the 'Simply Better' Way* (1993).
44. Peter Jackson, *SB Communiqué*, Spring, p. 18 (1993).
45. *SB Communiqué*, Spring, p. 19 (1993).
46. For a description of this process see T. Coyle and T. Page, Learning to change in SmithKline Beecham, *Business Change and Re-engineering* **1**, (4), 10-19 (1994).
47. SB, *10>3/1 Overview of the Planning Process* (1998).
48. See SB, *Leader's Guide* (1998).
49. '1994 Management Conference – The journey continues', *SB Communiqué*, Spring, p. 3 (1994).
50. Details of the programme are given in *SB Communiqué*, Spring, 10-22 (1994).

51. Source: *SB Leadership Planning Process* (1998).
52. Source: *Leadership Planning Documents* (1998).
53. Of fourteen direct reports to Bauman at the time of the merger only two were left a year later (Source: G. Litwin, J. Bray and K.L. Brooke, *Mobilising the Organization – Bringing Strategy to Life*, Prentice Hall, London, p. 175 (1996)).
54. The Chief Operating Officer emphasises this in an interview in G. Gordon, A CEO who communicates = a CEO who builds trust, *Communication World* **10**, (6), 17-20 (1993).
55. SB Company-Wide 1996 Worldwide Organisation Survey Results. This survey also allows calculation of the percentage of respondents who think a core value is being demonstrated in the company. The results show that the support for the integrity value was 78% in 1994 rising to 82% in 1998.
56. An introduction to the provisions of the Act can be found at <http://www.usdoj.gov/criminal/fraud/fcpa/dojdoc.htm> and the statute itself is at [http://www.usdoj.gov/criminal/fraud/fcpa/FCPA\\_Stat.htm](http://www.usdoj.gov/criminal/fraud/fcpa/FCPA_Stat.htm). Penalties for violation are up to \$2m per conviction for corporations, \$100,000 for individuals or five years in prison or both.
57. This law was enacted in 1863 but was substantially strengthened in 1986 (see A.G.Feliu, Whistleblowing while you Work, *Business and Society Review*, **72**, pp.65-67 (1990)). On whistleblower legislation in the US see T.M. Devine and D.G. Aplin, Whistleblower protection – The gap between law and reality, *Howard Law Journal*, **31**, (2), 223-239 (1988).

58. G. Spratling, *Corporate Crime in America: Strengthening the 'Good Citizen' corporation – The experience and views of the Antitrust Division*, Speech, 8 September (1995) available at <http://www.usdoj.gov/atr/public/speeches/speech1grs.txt>.
59. SB Policy Manual (1993).
60. SB, *Together We Win*, Video, Desert Springs, January 1998.
61. SB Policy Manual, SBPM-28, 2.
62. SB Corporate Code, SBCC-09, Facilitating Payments, p.31 and SBCC-46, Civil and Political Activity – SB, p.87.
63. SB Business Conduct Guidelines, July (1997).
64. SB Business Conduct Guidelines, July p. 7 (1997).
65. SB International Chairman's Message, Second Quarter (1998).
66. Corporate Profile: SB, *The Times*, 14 September (1998).
67. R.D. Haas, Business ethics, *Executive Excellence*, June 17-18 (1997).
68. For instance, the chief executive, whether fairly or not, was recently criticised for his handling of the merger negotiations with AHP and Glaxo Wellcome. Some employees questioned why the proposed merger deal with Glaxo Wellcome was made public on a Friday evening only minutes after AHP was told that advanced merger negotiations with them were at an end. See S. Ryle and P. Farrelly, Glaxo and SmithKline plan merger, *The Observer*, 1 February (1998); S. Ryle, Drugs firms hooked on mergers: Bitter

pill for workers as companies refuse to say where axe will fall, *The Observer*, 8 February (1998) and 'Leschly fighting back at SmithKline Beecham, *Independent*, 13 July (1998).

69. See Jones, I.W. and Pollitt, M.G., Economics, Ethics and Integrity in Business, *Journal of General Management*, Vol.21, No.3, pp.30-47 (1996) and Jones, I.W. and Pollitt, M.G., *Economics, Ethics and Unfair Competition*, CBR Working Paper No.22 (1995).
70. Matthew 7:12.
71. See Acts 7:38 and 2 Tim 3:16.
72. See 2 Chronicles and 1 and 2 Kings.
73. E.g. Exodus 18:24.
74. E.g. Ephesians 4:11.
75. E.g. 1 Corinthians 12:28.
76. E.g. 1 Corinthians 12:28.
77. 1 Peter 2:9.
78. E.g. Galatians 3:26.
79. See Acts 4:23-31, Acts 15 and Hebrews 10:25.
80. Romans 15:5 and Ephesians 4:3.
81. Revelation 21.

82. Deuteronomy 6:7.
83. Exodus 12:14.
84. 1 Timothy 4:13.
85. Hebrews 10:25 and James 2:2.
86. 2 Kings 22:11.
87. John 5:39.
88. E.g. Matthew 23:15 and 23.
89. Acts 2:42-47.
90. 1 Corinthians 9:22.
91. Revelation 21:4.
92. E.g. Psalm 73.
93. E.g. Psalm 41:12, Proverbs 10:9 and 16:13.
94. See John 14:11 and 20:27.

## TABLES



## Table 1

### The SmithKline Beecham Values

**Customer: To achieve full customer satisfaction.**

SB is customer-driven. We strive to provide products and services of superior value to meet the expectations of our internal and external customers.

**Innovation: To be one step ahead of the competition.**

SB constantly strives to be creative and innovative in all its endeavours. All SB employees are encouraged to bring forth new and better ideas for improved performance, whatever our responsibilities.

**Integrity: To be a team people trust.**

SB demands openness and honesty throughout its operations to engender trust, and integrity underscores everything we do. We believe that every activity must be able to pass the test of public and internal scrutiny at all times.

**People: To be the best place to work for the best people.**

SB employees are all partners, working together in the pursuit of the SB mission and strategy. We strongly value teamwork, and we want every employee to be motivated to succeed.

**Performance: To be the benchmark for success in our industry.**

SB is performance-driven. We continuously aim to improve in all that we do: scientific excellence, commercial expertise, operating efficiency, developing and delivering products and services that add value, in global healthcare and for our shareholders.

Source: SB Website, <http://www.sb.com/careers/why/values.htm>

**Table 2**  
The Business of SB (1997 figures)

<i>Sales (£m)</i>		<i>By Location</i>	
<i>By Business</i>			
Pharmaceuticals	4572	UK	607
Consumer Healthcare	2377	US	3824
Clinical Laboratories	846	Continental Europe	1687
		Rest of World	1677
<i>Total Sales (£m)</i>	7795		
<i>Pre-Tax Profit (£m)</i>	1650		
Number of Employees	55400		

Source: SmithKline Beecham Annual Report and Accounts 1997.

**Table 3**  
Leadership Practices at SB

1. Find opportunities for constantly challenging and improving his/her personal performance.
2. Work with his/her people individually and as a team to determine new targets, and to develop programs to achieve these standards of performance.
3. Identify and continuously implement improved ways to anticipate, serve and satisfy internal and external customer needs.
4. Stress the importance of developing and implementing improved ways to anticipate, serve and satisfy internal and external customer needs.
5. Initiate and display a willingness to change in order to obtain and to sustain a competitive advantage.
6. Reward and celebrate significant and creative achievements.
7. Develop and appoint high-performing and high-potential people to key positions.
8. Help all employees to achieve their full potential by matching their talents with the jobs to be done and through quality performance feedback and coaching.
9. Communicate with all constituents openly, honestly, interactively and on a timely basis.

Source: SB Website, <http://www.sb.com/careers/why/values.htm>