

Building Operational Excellence Utilizing a Code of Ethics:

A Qualitative Case Study

by

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A handwritten signature in black ink, appearing to read "Kari Dahl", is written over a horizontal line.

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ABSTRACT

The purpose of this case study was to use existing research on codes of ethics to determine the extent to which they are a driver to operational excellence. The study focused on an in-depth analysis of one data subject, Ariens Company, an organization that operates within an industry sector where clear, identifiable, universally accepted ethical standards are not commonly shared.

The researcher's goals of this study were to document the insights of a company president regarding the impact of introducing culturally embedded ethical practices as a means to operational excellence. And, to preliminary identify criteria about the introduction of culturally driven ethical codes to improve operational excellence.

The qualitative data was collected during an in-person, audio recorded interview with Ariens Company president using a 29 question survey consisting of the following sections: introduction, ethical standards, social responsibility, and exceptional quality.

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TABLE OF CONTENTS

	Page
.....	
ABSTRACT.....	ii
Chapter I: Introduction.....	1
<i>Statement of the Problem</i>	3
<i>Purpose of the Study</i>	3
<i>Assumptions of the Study</i>	3
<i>Definition of Terms</i>	4
<i>Limitations of the Study</i>	4
Chapter II: Literature Review.....	6
<i>Table 1: Eight Steps Toward Integrity</i>	12
Chapter III: Methodology.....	19
<i>Subject Selection and Description</i>	19
<i>Table 2: Ariens 15 Principles</i>	20
<i>Instrumentation</i>	21
<i>Data Collection Procedures</i>	22
<i>Data Analysis</i>	24
<i>Limitations</i>	24
Chapter IV: Results.....	26
<i>Item Analysis</i>	26
Chapter V: Discussion.....	58
<i>Limitations</i>	58
<i>Conclusions</i>	59

<i>Recommendations</i>	65
References.....	66
Appendix A: Survey Instrument.....	71
Appendix B: Consent Form	75

Chapter I: Introduction

Enron. America Online-Time Warner. Arthur Andersen. Bristol-Meyers Squibb. Qwest. WorldCom. What do all of these companies have in common? Their association with highly unethical business practices. Each of these well known organizations has participated in most of the following corporate fraudulent activities: falsifying millions and billions worth of sales projections, securing sales deals through bribery tactics, hiding and destroying documental evidence of wrong doings, and reconfiguring debt and revenues reports (Patsuris, 2002). The negative societal and economical outcomes from a company operating unethically can impact business globally. Case in point, the now infamous Enron Scandal of 2001-2002 whereas billions of corrupt dollars channeled their way through the international economy by way of company executives, shareholders, lenders, and partnering agencies. Beyond societal mistrust, the fallout from Enron has unleashed massive financial impacts. These include 20,000 former Enron employees losing pensions and 401(k) assests, shareholder and investor lawsuits totalling over seven billion dollars, energy stocks formerly valued at \$90 billion dollars diminished to junk value, and a Chapter 11 bankruptcy court-awarded fee of \$780 million (Iwata, 2006). Pawinska (2004) ascertains that the farthestest reaching Enron outcome has been the United States enacted corporate governance and accounting reforms, namely the Sarbanes-Oxley act. The act dictates chief level executives to provide the assurance that they are knowledgeable of and responsible for the activities of their company. The overall intent of Sarbanes-Oxley has been focused towards instilling a better corporate checks and balances system. Nonetheless, it has received a sizeable amount of unfavorable pushback from public companies that suddenly had to cover the extra costs of compliant related services (Burton, 2006; Iwata, 2006; Pawinska, 2004). While certain leaders utilize dishonest methods to meet business goals, others are going above and

beyond to succeed through honesty and uprightness. Leaders who publicly and proactively choose to inculcate an organizational code of ethics within their company understand that every single action they make has an impact on the whole. To a larger extent, this study seeks to discover the importance of having an operational a code of ethics.

There are industry sectors, including legal and medical, that have been offering goods and services accountable to stringent implicit and explicit rules and policies for centuries (Gardner, Csikszentmihalyi, & Damon, 2006). And yet today, there are many professionals that work within fields that lack a standardized approach for conducting business while following an ethical order. Profit is a key indicator for how businesses measure successful performance. As a means to increase performance, some companies are building and integrating their own ethical standards even though their industry sector lacks such overall criteria. Ariens, a Wisconsin-based company that manufactures outdoor power equipment, is an organization that chooses to employ this approach. In an industry experiencing losses of United States based manufacturing to China, Ariens maintains its global competitive edge through practicing lean manufacturing principles (Hozeny & McGinn, 2006). Ariens is led by company president, Dan Ariens (Ariens, 2007). Upon becoming company president in 1998, Dan Ariens delivered a set of core values to which the company remains committed to today. Recently, Ariens has been the recipient of several state and national honors. In 2005, Ariens Company was named "Wisconsin Manufacturer of the Year" (Stilp, 2006). Then in 2007, the company was selected for the "Eli Whitney Productivity Award" (Stilp, 2007). During a 2006 "Wisconsin Innovates! Business Best Practices" conference convened by Wisconsin's Department of Commerce and Governor Doyle, Dan Ariens was selected as a best practices presenter for how to build a competitive edge through lean manufacturing processes (Hozeny & McGinn, 2006).

Statement of the Problem

To what extent does the company president believe that utilizing a code of ethics has had a positive impact on organizational excellence at Ariens Company?

Purpose of the Study

The significance of the study is to examine a company to determine the extent to which culturally embedded ethical practices are seen as a driver to operational excellence. The study will focus on an organization that operates within an industry sector where clear, identifiable, universally accepted ethical standards are not a common approach.

The objectives of the research are twofold:

1. Document the insights of a company leader regarding the impact of introducing culturally embedded ethics as a means to operational excellence.
2. Preliminary identification of criteria that can be shared with other companies about the introduction of culturally driven ethical codes to improve operational excellence.

Assumptions of the Study

The assumptions of the research study are as follows:

1. Ariens Company will not make significant changes to its code of ethics within the next year.
2. Ariens Company thoroughly understands and appreciates the aspect of an organizational code of ethics.
3. The insights obtained from Ariens Company president, Dan Ariens, are commonly shared and upheld throughout the entire organization.

Definition of Terms

Code of Ethics. According to Sarbanes-Oxley (2003), section 406 of the legislation passed in 2002:

The term “code of ethics” refers to written standards that are reasonably designed to deter wrongdoing and to promote:

1. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. Avoidance of conflicts of interest, including disclosure to an appropriate person or persons identified in the code of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
3. Full, fair, accurate, timely, and understandable disclosure in reports and documents that a company files with, or submits to, the Commission and in other public communications made by the company;
4. Compliance with applicable governmental laws, rules and regulations;
5. The prompt internal reporting to an appropriate person or persons identified in the code of violations of the code; and
6. Accountability for adherence to the code. (para. 4)

Limitations of the Study

The limitations of this research study are that it focuses on the investigative results of one case study. Therefore, these findings alone cannot be generalized to other companies in a similar industry (Leedy & Ormrod, 2001). This study focuses on a code of ethics as one key driver that can positively affect performance. The investigator acknowledges that there are other key drivers that impact organizational performance including leadership, marketing, sales, competition,

labor, and manufacturing practices. The outcomes of the study can develop a preliminary basis of criteria for how to incorporate ethical codes within an organization in order to improve performance.

Chapter II: Literature Review

Introduction

This chapter begins with identifying what are codes of ethics and what are the determining factors of organizations that operate ethically. Next, this literature review addresses how integrating a code of ethics within an organization impacts certain performance indicators. The chapter closes with an analysis of lean manufacturing. In summary, this literature review provides documentation relevant to the relationship between codes of ethics and operational excellence.

Codes of Ethics

Businesses utilize particular methods for how to conduct their day to day operations. Due to factors such as industry sector and setting, some methods may not be consciously observable or administered. While in other settings, they are obvious and stringently followed. For example, in the sectors of medicine and law practitioners are highly aware of the required service standards (Gardner, et al., 2006). They have been thoroughly trained about them by way of written orders, visible indoctrinations, universal practices and regulatory upholding. Comparably, companies without these resources often resort to operating with an unclear ethical type code that is masked somewhere within the organization's culture (Gardner, et al., 2006).

Defining ethical codes. In order to develop conclusions whether codes of ethics bear merit to overall organizational excellence, it is important to concisely define the nature and scope of the term "code of ethics." According to Sarbanes-Oxley (2003) ethical codes include the key dimensions of responsibility, fairness, and honesty. By incorporating caring, respect, and citizenship within these dimensions, the foundation for how to create a code of ethics is established (Schwartz, 2004). The developmental process for building a code's content includes

the stages of creation, implementation, and administration. At length, a functioning code of ethics emerges as the method a company can utilize for compliance measures. After this code development phase, a company can work towards building integrity by supplying explicit communication about the newly established governing rules of the organization (Sherman, 2003). And then, follow through with investing the necessary resources for building a shared understanding and acceptance among its employees.

Damon (2002) suggests that moral virtues are a necessity for someone to practice if they are to experience a flourishing business career. He also reports that skeptics have a completely different take on ethics and morals. They view ethical practices as an unwelcomed treatment that gets forced upon businesses so that society may be protected from their greed. Many people carry the attitude that moneymaking and profit building are automatic products of greed, deceit, and exploitation. Such beliefs place business success and moral responsibility at opposing spectrums.

Within a professional setting, the Merriam-Webster (2007) dictionary defines the term "ethics," as the collection of moral principles or values from which a person or group can use to govern conduct. Kaptein and Schwartz (2007) define the term "code" across two meanings. The first refers to something that provides denotation by way of symbols, signs, or signals. The second meaning represents rules and regulations. Further refinement on ethics compares the terms "descriptive ethics" and "normative ethics." David Friedman, Professor of Law at Santa Clara University, describes descriptive ethics as how people behave based upon the norms of their society (Friedman, Velasquez, Freeman, Gentile, & Hanson, 2003). Normative ethics, also known as prescriptive ethics, are how people ought to behave. Someone possessing a good conscience in seeking to get into heaven would be exemplifying this. Friedman believes that

understanding the norms of a given society is a tool for building descriptive ethics that pertain to that arena. By learning about what other population's norms are you will know whether you are, or are not, violating them. He concludes that businesses that can do this will be successful.

Characteristics of an ethical organization. What are the signs that a company is conducting its day to day operations using ethical practices? Federwisch (2007) reports the findings from a presentation made by Kirk O. Hanson, executive director of Markkula Center for Applied Ethics. Hanson created an ethics model in 1984 and has revisited and updated it over the years. The following items have surfaced as Hanson's best practice elements utilized by ethical organizations:

- Value statements
- Codes of conduct
- Executive modeling
- Training and communication
- Systems that embody values
- Mechanisms to discuss difficult cases
- Hotlines and helplines
- Audit, enforcement, and discipline
- Governance of ethics and values
- Renewal process

As Hanson articulates, value statements need to encompass both the organization as a whole as well as each unit within the corporation. Additionally, values cannot simply be a written piece of words. Both Federwisch (2007) and Wee (2002) agree that values must be in action. For example, value conscious companies like Johnson and Johnson conduct regular credo

evaluations whereas employees rate how well the company is living up to its ethical code (Wee). The results are presented to senior management and immediate action is taken to address shortcomings as well as new strategies. The ideal code of conduct provides a detailed, thorough, and understandable explanation of company policies that are applicable to every employee (Federwisch). The behavior of the company leadership team, namely the president or corporate executive officer, is by far the most important element to ethical organizations. Day or night, rain or shine, at work or at home, they are the physical embodiment that represents the company's values. In the 1998-2000 *Project on Good Work* study, forty leaders among the countries top performing companies were interviewed regarding values (Gardner, et al., 2006). Among the findings was convergence regarding what they value most: honesty, fairness, truthfulness, ethical relations with others, and competence.

No matter how much communication a company works on, enough is just not enough (Federwisch, 2007). Communication inclusive to the values of the organization needs to occur regularly among all employees. Additionally, companies should invest in values training systems that not only pertain to new employee hires, but to all employees on a regular basis. Successful systems that embody values do so by cutting across every key function of the organization including performance evaluations, key decision making processes, and operations.

The importance of ethics quickly surfaces to the top when companies experience critical decisions such as how to handle financial hardship (Federwisch, 2007). Federwisch supports Wee's (2002) view that Johnson and Johnson is a company that has done a superb job with building the company's credo within every thought process each employee makes. When times get rough, transparency must take place so that employees know they can bring forward problems or concerns without the threat of being penalized (Federwisch). One of the best ways

for companies to offer employees a safe means to report problems or concerns is via external hotlines and/or helplines. Managers must guarantee anonymity and be able to take immediate action to investigate concerns so that employees take this resource seriously. Companies demonstrate a high regard to ethical codes by auditing appropriate information, enforcing a means for compliancy and disciplining fairly.

Through Hanson's research of companies that exemplify best practices of ethical codes, they do so with the following ethics and values governance structure: oversight by senior level leadership, having an on-staff ethics officer, and having an ethics committee that periodically reports to the board (Federwisch). Finally, in order for the values of an organization to remain fresh and resplendent, organizations should revisit them once every three years through an open, engaged, dynamic process. Hanson adds that building individuals who possess strong ethical backbones is additionally very important for companies as they grow their senior leadership base.

Given the awareness of Hanson's best practices elements, why do people still behave unethically from time to time? In the article *When Good People Do Bad Things at Work*, author Dennis Moberg explains the answers to this question (1999). Moberg describes three main situational factors that prevail at preventing good employees from doing what is ethically best. The first of these factors is scripts. Scripts, often utilized by psychologists, are sort of the automatic pilot reaction that our memory instructs our brain for how to behave given past experience. Moberg adds that in situations where a high degree of repetition is at hand, scripts are most likely to exist. Jobs with a lot of repetition include customer service, quality control, and many manufacturing processes. Preventative measures to decrease workplace scripts include job rotation and introducing new technologies that engage and challenge workers. Distractions

are the second problem affecting ethical behavior. Distractions occur when our mind drifts off to other thoughts while it should be focused on a given task. Employees that are driven by management to be super focused without the ability to tap into new insight and perspective can easily become distracted. Organizations that support flexibility and offer mechanisms for work-family balance can successfully challenge distractions. The third major factor that prevents people from working ethically is moral exclusion. This tends to be a human nature syndrome whereas certain people or groups are viewed as moral outcasts that fall outside expected fairness and righteousness. A simple example of this is when one company unit depicts themselves as “we” and places themselves up against another “they” unit. Stereotypical terms such as “bean counter” or “the management” are connotations that those who fall into those arenas do not count. Greater awareness via training is one means to combat moral exclusion. Another way is to make better connections among existing groups and end users. Although Moberg does not highlight this as a main factor, he adds the point of people simply failing to bother as another hindrance to behaving ethically. This is something everyone needs to work on within their own being.

Implementing a code of ethics. As a result of the highly publicized scandals that were mentioned in the opening comments of this paper, society is demanding more demonstrations of ethical practices from companies (Sherman, 2003). Businesses find themselves searching for effective means to rebuild consumer confidence and boost employee morale. Many companies are seeking to build integrity by creating formalized ethical standards and shared organizational values. Possessing the mechanical devices, such as a written policy on ethics, does not necessarily deliver integrity (Wee, 2002). For instance, Enron had an ethical code. But, in the words of Washington, D.C. based Ethics Resource Center president Stuart Gilman, “at Enron,

ethics was simply a piece of paper with three Ps... print, post, and then pray that something is actually going to happen” (para. 8). Michael Hoffman of Bentley College’s Center for Business Ethics adds “ethics is a matter of developing good habits, and it doesn’t come overnight...it happens through repetition and a long process of development” (para. 18). Although integrity is a quality that exists within the individual, Sherman suggests the following eight steps are a guide to building integrity throughout an organization (see Table 1):

Table 1

Eight Steps Toward Integrity

Step	Description
Doing what we say we will do	Keeping promises
Doing the right thing	Taking the right action by knowing what is right
Taking responsibility	Accepting total responsibility based upon our behavior
Supporting our own weight	Strengthening the whole by our ability to support all elements of our own life
Holistic thinking	Understanding and appreciating the wholeness of the big picture
Respecting others	Support doing right by treating others with the utmost of respect, even when they do not meet our expectations
Checking the mirror	When we make a mistake, take time to reflect on the err
Defining the rules and values	Thorough and explicit documentation of what is expected and what the consequences are

As Sherman outlines in Table 1, these steps identify what it takes for an individual to possess a high degree of integrity. He adds that integrity is openly available to anyone who desires to practice it. Organizations that can provide awareness and discipline regarding the eight steps are organizations that can build consumer confidence and high employee morale.

On a more macro level for how to best implement ethical codes, Young (2003) focuses on measures that best obstruct abuse of corporate power. Young states the three deterrents of corporate abuse are market incentives, moral character, and legal regulation. Market incentives that have been created on truth offer the greatest deterrent as people have an easier time working with clearly defined procedures than idealistic intangibles. In order for open markets to operate truthfully, those who operate within the market must possess a strong, moral character. As people can easily be drawn to self-gratification, moral character summons integrity. Damon (2002) acknowledges that, at times, people do make decisions by what serves them best. However, many identify themselves as dedicated to doing what is good for all those concerned. They possess a broader approach to do what is best for a larger purpose. And, by incorporating these personal traits within the business arena, one can build a corporate moral advantage. Improving accounting practices is another key deterrent to corporate misconduct (Young). With no clear-cut standards or truths, companies are able to recreate whatever accounting convention best fits their bill. By regulating the necessity of specific company released facts through a responsive board of directors, illegitimate claims will dramatically decline.

Another feeder to implementing ethical practices is corporate social responsibility (CSR) (Pharoah, 2004). Corporate social responsibility is becoming the latest buzz across the globe. However, there are differing viewpoints regarding the usefulness and impact of CSR. At one end of the spectrum, are those who believe CSR is a means to generate business through attracting talent, developing new relationships in new markets, nurturing long-term relationships with customers and partners, and building strong brands. At the other end of the aisle, are those who view CSR as more of a corporate risk reduction tool; a mechanism that can help them look good should times get rough. While opinions over the use of CSR are varied, it is evident that CSR is a

desirable item. Investor favoritism could be one factor driving the interest. Surveyed at the World Economic Forum in 2004, over 70% of the attending corporate executive officers believed that investors will show an overwhelmingly interest in companies pursuing corporate citizenship issues.

Operational Impacts of Employing a Code of Ethics

Friedman et al. (2003) have determined that businesses can experience positive returns on investment, both financially driven and societal driven, from employing corporate responsible practices. On the other hand, they have also unveiled that companies that operate irresponsibly and without regard to social good can also demonstrate financial success. Determining whether ethics exists to build profitability and provide a social good or to simply rat out the nonconformists is a concerning factor to many business leaders. Selinger (2003) adds that while Sarbanes-Oxley has set forth higher reporting standards for publicly traded companies to abide to, additional work needs to evolve around the issue of how to build a corporate culture that utilizes ethical procedures. The performance impacts of an organization that employs an ethical code are assessed at both financial and non-financial levels.

Financial Performance Impacts. As cited earlier, Sherman (2003) has identified the importance for widespread rebuilding of business integrity. However, building integrity is a long and demanding process that, in the end, fiscally pays off. The process includes building customer and employee loyalty, focusing on quality, developing managerial conviction to the effort, and reducing risk. Supporting the importance of building integrity, Selinger (2003) has determined that building business integrity begins with top-level management leading by example. Both Sherman and Friedman et al. (2003) concur that organizations can achieve this by developing and implementing ethical standards and values. Traditional business ethics teachings separate

business operations and ethics (Friedman et al). Profits are set to one end of the table and ethics are set to the other as though they are opposing to each another versus suitable to one another. Much greater impact can be achieved in ethics education when those in the instructional setting have the understanding of what it means for businesses to create value.

There are sources that report specific monetary gain by companies that employ ethical practices. According to Selinger (2003), research stemming from McKinsey and Company reported that investors are paying 12-14% higher in premiums for businesses that are able to demonstrate proactive ethical practices. Additionally, businesses that were highly driven to first and foremost meet the needs of external shareholders versus internal stakeholders were receiving as high as 8.5% greater returns on an annual basis. The liability of ignoring utilization of ethical standards is enormous. Just look at the publicized indictments of corporate scandals to gauge the level of financial impact.

Non-financial Performance Impacts. In addition to incorporating ethical policies and procedures within the day to day operations of a business, companies need to recognize the importance of building a desirable corporate culture (Selinger, 2003). Morgan (1997) defines corporate culture as “the visions, values, and sense of purpose that bind an organization together can be used as a way of helping every individual understand and absorb the mission and challenge of the whole enterprise” (p.102). This entails the belief that in order for a business to operate ethically, employees should have access to a working environment that supports ethical behavior, possesses a high sense of morality, and rewards and disciplines behavior accordingly (Damon, 2002; Selinger, 2003; Wee, 2002).

One indicator of non-financial performance gains is employee satisfaction. According to Wee (2002), studies support the outcome that workers who view their employer as ethically

sound feel a greater sense of value and are more satisfied with their jobs. One criteria workers use to determine whether or not an organization is practicing ethics is judging how well their managers utilize and encourage ethical standards. Workers who viewed their supervisors to behave ethically demonstrated a high level of ethical doings themselves.

Another non-financial performance outcome that stems from following a code of ethics is morality. Damon (2002) refers to corporate moral advantage as being a major asset to a company. He believes that corporate moral advantage ignites motivation, inspiration and innovation. Through hundreds of personal interviews, Damon found that the most common reason why professionals left, or longed to leave, their business career was that their work left them in direct conflict of their own morality.

Gardner, et al. (2006) point out the issue of disarray within a particular industry sector that lacks a shared, universally understood set of operating standards. When such a code is nonexistent, industry professionals find themselves questioning their standards for success, doubting results, and possessing overall feelings of animosity. In summary, employing a code of ethics offers benefits that go far beyond possessing a structure for rules and regulations useful for rooting out wrongdoers (Wee, 2002). These findings support both financially driven motives, such as shareholder value increases, and non-financially driven motives, such as higher employee morale, as incentives for why a company should employ a code of ethics.

Lean Manufacturing

History. Today, numerous companies are applying a variety of lean manufacturing processes within their organization (Keller, 2006). Although “lean manufacturing” was not termed, the Japanese were the first pioneers of standardizing lean procedures through the Toyota Production System (TPS) during the 1950’s (Keller, 2006; Kropf, 2008). Taiichi Ohno, inventor

of the TPS, credited Henry Ford's Model T production system as being his impetus (Keller, 2006). And, Henry Ford cited his insights for development of the continuous flow assembly line to that of slaughterhouse visits while in Chicago in 1893. Therefore, the fundamental principles of lean were drawn over a hundred years ago and continue to be implemented today.

Definitions and concepts. Kropf (2008) defines lean manufacturing as a strategy that seeks to eliminate non-value adding activities for the production of goods or services. Non-value adding activities are referred to as waste and include defects, re-runs, excess production, transportation inefficiencies, time delays, machine downtime and unnecessary movements of people or goods (Emiliani, 1998). Waste is summarized as a particular activity that attracts resources, does not generate value, and can be systematically eliminated (Kropf & Emiliani). Lean manufacturing's key objective is to deliver higher quality goods and services by utilizing greater production efficiencies in order to grow and be globally competitive (Kropf).

There are five concepts that shape lean productions (Emiliani, 1998). First, specify value whereas the value of a given product is determined by the consumer and not the producer. Next, is identifying the value stream. As with specifying value, the key to identifying the value stream is utilizing the viewpoint of the consumer to disclose three sectors of activities: those that add value, those that do not add value but cannot be avoided, and those that do not add value but can be avoided. Flow is the third concept in lean production and refers to getting the activities that add value to process smoothly and continuously from start to finish. After flow, comes pull. Pull refers to customer demand and how well production channels can respond to the ever changing needs of the consumer. The fifth and final concept is perfection. Perfection exists when a company can successfully master concepts one through four so far as the activities themselves become transparent.

Advantages and disadvantages of lean manufacturing. According to Kropf (2008), there are particular advantageous outcomes that companies can experience from successful implementation of lean manufacturing. These benefits encompass both the process side and people side of operating a business. The following are a listing of the process advantages:

- Fixed overhead costs are held to a minimum 30%
- Lead time reduced by 50% to 90%
- Profits can increase by as much as four times and productivity by 75% to 125%
- Zero focused defect percentages
- Production line space can be cut by as much as 70%

Next, are a listing of the people centered advantages:

- Less on-the-job frustrations
- Higher levels of inspiration and self-worth
- Manufacturing philosophy that promotes efficacy
- Clarity and openness

One disadvantage of lean manufacturing is that it can lead to production shortages within the supply chain cycle. Another is that fewer resources are typically allocated to research and development functions.

Both Kropf (2008) and Stainer and Stainer (1995) support a complimentary association between lean manufacturing and ethics. Because of lean manufacturing's systematic approach to standardizing value adding processes, ineffective contributions and hidden agendas by employees are completely unacceptable (Kropf). Stainer and Stainer state that a focus on quality supports morality, freedom, improvement and intellectuality. "Quality and ethics are alike in that they both mean: doing the right things right" (p.5).

Chapter III: Methodology

This project focused on researching a manufacturing company that has proactively and purposely embedded ethical practices within the culture of the organization as a means to positively impact operational excellence. Through researching Ariens, this study sought to address the question: “To what extent does the company president believe that employing a code of ethics has an impact on organizational excellence at Ariens Company?” In order to address this question, a qualitative case study was utilized as the method of the project. Initially, a thorough site visit was conducted at the Ariens Company facilities. This was followed up with a one-on-one interview with Ariens Company president. Through data analysis, the insights collected from the data subject were interpreted as well as patterns and triangulations were identified. This chapter details the design of the project, the research process, the population, the instrument, and the analysis technique.

Subject Selection and Description

The project's research advisor made a recommendation that Ariens Company, would serve as ideal investigative subject given the focus area of ethics and excellence. Ariens is a family-owned, Wisconsin-based company that manufactures outdoor power equipment (Ariens, 2007). As reported on the corporate website, the culture of Ariens Company is dependant upon the organization's employees embodying the following components (“Ariens 15 Principles,” n.d.).

- Core Values: be honest, be fair, keep our commitments, respect the individual, encourage intellectual curiosity
 - Vision: “Passionate People... Astounded Customers”
 - 15 Principles of the Ariens Management System (see Table 2)
-

Table 2
Ariens 15 Principles

Principle	Description
1. Core Values	Ariens culture is built upon our Core Values and the pursuit of our vision to astound customers.
2. Long-Term	Base management decisions on a long-term vision, even at the expense of short-term financial goals.
3. Leaders	Effective leaders develop the individuals around them. The continuous improvement of people is vital to our growth.
4. Technology	Use reliable, thoroughly-tested technology that serves our customers, processes and people.
5. Development	We choose to develop exceptional people and build teams that embrace the Ariens Company culture and vision.
6. Learn	Continuous improvement requires a learning organization that thinks strategically in pursuit of perfection.
7. Quality	Continuous improvement requires a learning organization that thinks strategically in pursuit of perfection.
8. Flow	The right process will produce the right results.
9. Pull	Use pull replenishment systems to avoid overproduction.
10. Level Load	Level out the workload (Heijunka). Work like the tortoise, not the hare.
11. Standard Work	Standardized tasks are the foundation for continuous improvement and employee empowerment.
12. Visual	Use visual control so problems are not hidden and flow is easily understood.
13. Supply Chain	Respect our extended network of supplier partners by challenging their practices and helping them improve.
14. Just Get Dirty	Go and see for yourself to thoroughly understand the situation. Continuously solving problems drives improvement and organizational learning.
15. Think	Make decisions with the involvement of many people. Thoroughly consider all options and implement decisions rapidly.

The company has received numerous awards, recognitions, and honors shortly after Dan Ariens took office as company president in 1998 (Ariens, 2007). Additionally, Dan Ariens sits on the advisory committee of University of Wisconsin-Stout's People Process Culture (People Process Culture, 2005). He also served as the University of Wisconsin-Stout Arthur R. Cabot executive in residency during the fall of 2005. According to Ariens (2007), the array of company awards include the following:

- “2005 Wisconsin Manufacturer of the Year” by Wisconsin Manufacturers and Commerce
- “2006 Wisconsin 75 ‘Generation of Innovation’ Award” by Deloitte and Touche USA LLP, Milwaukee
- “2006 Business and Industry Award” by Entrepreneur in Manufacturing, Marian College
- “2007 Eli Whitney Productivity Award” by Society of Manufacturing Engineers
- “2007 Entrepreneur of the Year, Midwest Regional Finalist” by Ernst and Young

Instrumentation

The data was gathered using a survey instrument (Appendix A) obtained from the February 2001 *Good Work Project* as revised by fellow University of Wisconsin-Stout, training and development graduate student, Dinah Richartz (Richartz, 2008). The survey consisted of 29 questions and was organized into the following four sections: introduction, ethical standards, social responsibility, and exceptional quality. The interview for data collection was tape recorded and transcribed. Follow-up interactions with Dan Ariens was done via telephone conversations and email correspondence. All communication with the subject was recorded using written and audio recording devices. Descriptors of Ariens location, physical space, meeting room, and overall environment was additionally collected and noted as addendum material to the survey instrument.

Data Collection Procedures

The design of this research project is qualitative case study. Case study research is an ideal technique to use when a certain program, person, organization, or event serves as the focus of the study (Leedy & Ormrod, 2001). Additionally, case studies seek to deeply investigate the focused subject over a given length of time by collecting key data through observations, interviews, focus groups, past records, public records, and other material findings. Considerable time is dedicated toward the investigator reporting contextual aspects such as the physical environment, environmental and/or social factors, and other visual displays. According to Yin (2003), when the design focuses on the input from an individual source, the collected data should include the following: individual's behavior, individual's attitude, individual's perceptions, organizational archival records, and other reported behaviors, attitudes, and perceptions from within the organization. As this study focused on the information retrieved from one individual through an in-depth interview, additional data was retrieved from observations, record findings, comparative studies, and other Ariens Company materials.

The study began with conducting investigative research on the topical areas of ethical codes and organizational excellence. Additionally, extensive data was collected on the focused subject, Dan Ariens, as well as on the Ariens organization. The objective of the first on-site visit to Ariens headquarters in Brillion, Wisconsin was to gain a descriptive sense of the organization's physical space and become familiarized with the functions of a few management-level employees. During this visit, a facilities tour was provided by the corporate communications manager. During the tour, descriptor notes on physical spaces and environmental visuals was taken. Although introductions were made by the corporate communications manager to two other Ariens managers who were involved in the company's

lean manufacturing processes, specific research data was not collected from any of them. Upon the second company visit, in-depth organizational data was retrieved via an on-site, in-person interview with Dan Ariens administered by the author. The interview took one hour and forty-two minutes to complete. Company information including profitability factors, workforce characteristics, values and principles, goals, ethical codes, obstacles, reward systems, training practices, and safety records were compiled as metrics for performance measurements.

A total of 28 pages were typed word for word from the taped interview recording and saved on a flash drive held solely by the investigator. Upon completion of data transcription, the information was emailed exclusively to Dan's assistant who printed it out and delivered to Dan for his review. Dan verified the reported data for accuracy and potential security issues of confidential information. His only concern was that the information was not always grammatically correct; but understood that this was the result of word for word capture of conversation. He approved the accuracy of the data and did not find any data that needed to be withheld due to confidentiality concerns. Following his approval, the transcribed report was then distributed to a random selection of five Ariens management team convened by the corporate communications manager. All five responded back with their approval that the information captured was accurate.

In order to ensure a subject's willingness to participate, he was provided a consent form (Appendix B) prior to the in-person meeting and prior to any data collection. Within the consent form, it was noted that the subject will have the opportunity to review all data collected and drafted in the project prior to any public release. All electronically saved data was stored on one flash drive that was held solely by the investigator. Paper form data, including data retrieved from the interview and all hand taken notes, was also kept solely in the possession of the investigator.

Therefore, access to collected data was limited to the investigator. The subject was given the authority to remove data he deemed confidential in nature. Should the subject have requested specific data to be removed, data from flash drive would have been deleted and data from paper format would have been shredded. The investigator further restated the policy verbally during the interview process. The subject demonstrated his willingness to participate by signing the consent form with no revisions to it.

Data Analysis

According to Creswell (1998) and Stake (1995), the following steps offer a basis of conducting case study data analysis (as cited in Leedy & Ormrod, 2001).

1. Organization of details about the case: fact findings that are appropriately ordered.
2. Categorization of data: assigning data to key clusters or groups.
3. Interpretation of single instances: thoroughly reviewing retrieved data pieces for meaningful interpretation.
4. Identification of patterns: seeking to build patterns or big picture themes from data pieces as interpreted in step three.
5. Synthesis and generalization: drawing overall conclusions and recommendations for next steps based upon the analysis findings.

The analysis of collected data from this research followed these five steps. By comparing the data retrieved from Dan Ariens and Ariens Company to the literary research; conclusions about Ariens' application of an ethical code were drawn.

Limitations

As stated earlier in the paper, the major limiting factor of using a single subject qualitative case study is that the results are not sufficient enough to deliver overall generalized

conclusions (Leedy & Ormrod, 2001). They are, however, suitable for preparing preliminary conclusions that can build support for follow-up research within a similar topic. Another limiting factor of case study research is they lack a uniform, or standard, protocol for an investigator to follow (Yin, 2003). Leedy and Ormrod (2001) caution that case study researchers sometimes jump ahead to analyze data as they are collecting it and this can lead to premature conclusions. Yin adds that data analysis is one of the most challenging aspects of conducting case study research as there is minimal analysis technique strategy.

Chapter IV: Results

The purpose of this study was to research a company to determine the extent to which culturally embedded ethical practices are viewed as a driver to operational excellence. The study focused on Ariens Company, an organization that operates within an industry sector where clear, identifiable, universally accepted ethical standards are not commonly shared. And through the perspective of Ariens Company president, report on the following objectives:

1. Document the insights of a company leader regarding the impact of introducing culturally embedded ethics as a means to operational excellence.
2. Preliminary identification of criteria that can be shared with other companies about the introduction of culturally driven ethical codes to improve operational excellence.

A qualitative case study was utilized as the research method of the project. During a one hour and forty-two minute in-depth interview with Dan Ariens, data was collected and recorded using a 29 question survey. This chapter provides the responses as transcribed from each of the survey questions and presents the findings of the study as compared with the stated purpose and objectives.

Item Analysis

Responses to the 29 question survey have been organized according to the following four sections: introduction, ethical standards, social responsibility, and exceptional quality. The individual questions with a the reported responses are listed below.

Introduction:

1. What attracted you, initially, to this business/field?

Well, we are a family owned business. I grew up in it and it kind of came natural for me; something that I probably looked at from a long way back. It goes back to late 1800s here in

Brillion. The first business was Brillion Iron Works which has been through its third or fourth owner now. But, we lost that in The Depression and started over as Ariens Company. That business was reorganized and came out. In those days, there were no bankruptcy laws. There was no bankruptcy protection. You went straight to foreclosure and then someone would buy the assets cheaply. And then, Ariens started as a company in 1933 with products like a tiller.

a. What still appeals to you about it?

Probably three or four things; but primarily we are a manufacturing company. And that is always very interesting to be a part of the process to design, build, produce, sell and then promote a brand name. This is a full circle of production and not just a marketing company, for instance. We manufacture and design our own thing. I enjoy being in a lead role. I enjoy making a lot of decisions and having people collaborate and bringing people together. So, I think being in this business allows me to expand my own horizons as a leader. I think too, that we are in a small community. And there is a responsibility here, as partly my leadership, which I am okay with the idea that we have a lot of responsibility to this small community to survive and thrive. So, that sort of challenge and thrill to make sure business is prosperous while we work with a small group of people, and we go to the next level, and we do it in a small town.

b. How do you think you differ from your peers who choose other professions (i.e. law or medicine)?

I interact with a lot of different CEOs, leaders and your example as law or medicine. I interact with lawyers and doctors but not in what I would call a business peer group. I think I differ in that I grew up in a small town with fairly humble roots and in a business that has this history of starting from nothing and just hanging on and trying to go and stick with it. A lot of the

peers that I hang around with are successful; but with a different model. A lot of private equity guys or a lot of guys that buy and sell businesses or leaders that just use a different leadership mentality.

c. How about peers working in business and industry?

If you took our industry and you looked at where we fit sort of from the highest to the smallest sized company, we are probably right in the middle or maybe upper third quadrant. We have more the mentality of the guys at the bottom, though. As for the guys that are bigger than us and broader than us in terms of line and depth and breadth and distribution, I think we think and act a lot differently in terms of having a strong culture, a strong set of values and making decisions based on our value set versus a financial model. That, sometimes, has perhaps cost us money. But on the other hand, we think for the long run that will come back to pay us back. That is where we are different.

2. In lay terms, what kinds of things are you trying to accomplish in your work right now?

Today, I am late for you because we are integrating a new acquisition which we closed on Friday. We took the key to the building Friday afternoon and we opened it up Monday morning, yesterday. So, we are swirling around all the integration and evaluating all of the assets. It is a challenging acquisition in that it is a struggling company that basically went into bank foreclosure and we bought it from that. It is going to take a lot of work to clean it up. It was in Nebraska and was called Auburn Consolidated Industries. We are changing the name to Ariens Company – Auburn Operations. They are just going to take our name. The growth we are accomplishing on the top line should add about 10% additional revenue. We think for this year, as we get a partial year in, if we can break even that would be good. Not a rousing success, but we will clear up some of the assets. It is kind of like, in a sad way, walking into

an old car dealership with too many cars around the yard and we have to sell them real quick just to get the cash. But, there is opportunity after all of that is cleaned up. Diversity is in product line and in clients or in customer channels two step as well as in OEM direction.

- a. What are you hoping will be the greatest impact of the work you are currently doing?

I hope that whenever my career is done that people will look and say we were successful because we had a good leader in place and he did the right thing for most of the people and the community and continued to build this business. I think the best results are having succession that works really well with layers of leaders that have been developed over the last couple of years. If those people can look at how we are developing them, and how they become better people, and how they become better leaders, and that our company is thriving because we have strong depth in our people, I think that would be a nice impact. We have some employees that are in their second generation, and we have had three generations, working here all at one time. Actually we do right now. We have a grandfather, father, and son working in different divisions in sales. They are all selling. If you have seen our fifteen principles, you will see a lot of them are people centric and centered on the culture and the development of people and leadership. The others ones are really the after thoughts of now that we have worked hard to develop strong people and skills, we are going to work on process. We are going to take all of those skills and energy and develop the best process. For us, the culture is the foundation and the people are developed within that equator; within that sort of dimension. And then we work on the process.

3. What were the most important factors you considered when starting an organization?

When I became our CEO, we were in a major transition. The former CEO was a very different person with different leadership style than what I would say is the family legacy. He was an

outside CEO who was smart, bright and just had different drivers working for him. The measures for performance were driven by his incentive compensation. And so he made the company perform in a way that helped him perform at peak. So when I came in, we did have to reorganize and start with a clean slate; mostly of people and the culture piece was the first piece I put together. These core values were written when I was running one of our other subsidiaries. When I came back here, I gave all of the employees a long talk about this is how we expect to perform because several of these were not functioning. We were not honest with what was going on in the business. We were not treating with respect. We were not creative about innovating new processes, at all. To me, the critical factors of “be fair” and “keep your commitments” were a way for us to get on this journey of continuous improvement. Let us do the best we can to reach our goals. But, understand that it is about improving every time. Not just about how far along the path we are; but how we have gotten down the path. How we have performed. How we have treated each other and the things we built along the way. We do not want to leave a bunch of carcasses in the background as we have gone down the path. My first day on the job, I said here is the way we are going to perform. And it was with the same executive team that the former CEO had in place. This was, I still remember, March 15 of 1998. And on April 1, there were seven guys there. I had fired four of them because they just were never going to get it. It was the right decision to let them go. They were the wrong leaders for the company. But that was also a way to say “Look team. They are not living these core values and this is the way it is going to happen. We are going to live these things or you are not going to be here.” During these first couple of turnaround years my chant used to be “we are either going to change the people or change the people.” This really was kind of tough love. But, it needed to be. And the second layer was managers. Those managers had all been

hired by the executive team. So on the same day, I also let go fifteen different managers that I knew were not going to be performing. They lived by a different set of rules. I needed to change that. I had not touched anyone in the plant yet. And, we needed to have a layoff in our plant because we were in a mess financially. So, I started at the top and worked my way through the management staff and then introduced these core values to the plant. We do quarterly plant meetings with every employee. That was something that was a tradition. It was something my father started and the next CEO continued but did not really like going through because you had to get in front of everyone and tell them what was going on. So in my first meeting with all of the employees, I told them about why we let go of these senior guys, you know that rumor spread within fifteen minutes, and what was going on in the company. I introduced the core values and I said the first thing I need to tell you about is how we are doing financially; and that is the "Be Honest" part. Word is not good. We are going to have real struggles, we are going to shut down some production and we are going to have some layoffs. And you just had to tell them how it was going to be. Probably the last layer of that of that were people. There was still this skepticism even though we were a non-union plant in a small community. And that I grew up in this town and went to high school with a lot of these people. So, they knew who I was. It was not like they needed to learn who Dan was. They were excited to have the family back managing the business, frankly. But, you know? Here comes some tough love. We had some people who had just rambled through the organization for fifteen or twenty years and just were not performing. And we had some real tough decisions that we made and people that had to be let go. I do not think we made a bad choice in any of the singular decisions. This was in 1998. Seems like eons ago.

Ethical Standards:

A. Values and Beliefs

1. Would you say there are particular personal beliefs or core values that guide your work?

That is the core values I talked about. The only other thing to add is that we are very particular about them. We have been for these ten years and still are. We are talking about our integration plan in Nebraska. With this new business, the first thing that needs to get on the wall is this. I am going down there next week and am going to put those things up. We will have a quick meeting with all of the employees and say by the way... These people have been laid off for five weeks. They closed the plant. During our closing and due diligence, we met with all of the employees. It is a small town, as big as Brillion, in Nebraska. The mayor actually called them altogether. We met with them in City Hall and I gave them the "Core Value" speech. I said, "If we close on this business, this is the way it is going to work. And, you should expect me to be honest with you all of the time. And, I expect you to be honest with me all of the time. We are going to build a trust."

a. What experiences or influences were most important in forming these beliefs/values?

I have read a lot. Jim Collins' first book *Built to Last*, or was it *Good to Great*? I forget which one came first. Well, the first one Jim wrote had a chapter on core values and strong values systems within a company. I still remember reading that. And then I did some studies of what I thought were really good, strong companies. Usually not based upon their financials; just on which companies were saying the right things to their employees. So, SC Johnson was in my list. Harley Davidson was in my list. Another one that was kind of unique, and I think leaders change and companies change sometimes, was Master Lock. I do not know if they would still be today. So, they all had a set of core values. And, I looked at them all. Some were long and

wordy. The one thing I wanted was simple and concise and be able to say as much as you can in one word or two. And the other, was just the way I grew up.

- b. How do these personal values or beliefs determine the type of projects with which you get involved?

As we looked at where this plant was located... Auburn, Nebraska, Midwest, south of Wisconsin, small town, good core values, ethics, good principles, good all American kinds of leaders, people that come to work every day, mostly farms down there, it is very rural. If we were to look at buying that business in North Jersey, we are not going to find that value set that is kind of natural to those people. They just grew up in a much tougher environment where it is dog eat dog. Whereas the Midwest has established sets of guidelines; it is easier to find that.

2. Are these values the same or different than the values of colleagues and others in your field?

Within our field, we talk about these things. Often, even with our customers. We publish a marketing program, which is sort of the how you buy with promotional elements and such, and on the front page are our core values. I think there are some of our competitors that sort of think all of that is nice and rosy stuff, but they are just business people like all of us. But I think our customers would say just the opposite; the idea that that we are a very different company to work for. We hear that all the time. We hear we have easier people to work for. Our vision statement, for example, 'Passionate People, Astounded Customers' has a tie in with our core values. It basically says, "Look, we want you to like it here, we want you to make this a great career because when you are happy our customers will be." And they tell us that. They tell us it is great to work with you guys; you are the best company to work with. So in our field, we think that we set ourselves apart and we think that this brings more customers.

And so for competitors, it is hard to take us on. It is hard to be “better than.” And, it is hard to be the bad guys because nobody wants to work with the bad guys. This is a position, with our channeled customers, that it is hard to knock us off that piece.

a. (If in conflict)

None stated.

b. What effect does this have, if any, on pursuit of your goals?

I think it is too, sort of, emotive, right? It is not mechanical, what we do there. It is pretty emotional. Sure is it drafted and it is written. But, it is how you act. It is not what you say, it is what you do. And, it is a lot harder for those companies to act the way we act. You could say in the short term our financial performance may suffer a little bit compared to the other guys. But, we keep looking at this as a long term journey. It is like Toyota, for example. They were not the number two car company. They were not even number five, if you go back fifteen years ago. So, they have just slowly stayed with their game. They have great relationships with their dealers. And now, they have their customers buying the idea that this is a better company to work with. It is hard for GM to act like Toyota, right?

c. Is there tension between your beliefs and values and those individuals in your organization? If yes, how do you deal with it?

Not anymore. I think there are some good qualities about having the right kinds of tension. For example, early on when we launched, or published, our core values and made them our way of life, we would have employees challenging me or managers saying, “Hey! Are you sure that is a core value?” That you are not being honest, or you are not keeping your commitment, or you are not respecting me. ‘Respect the individual’ is one you can take away out of bonds or you can take without boundaries. When you terminate an employee, have you

been respectful or disrespectful? You could argue that either way. But has the employee been performing and keeping commitments and the other parts of the core value set. I think that is all healthy tension. If an employee is challenging a decision I have made and says, "Hey! Have you thought about the core values on this?" You know nine times out of ten, that was a good challenge for me to have to go back and say, yeah you know what, you might be right.

3. Do these values contribute to your achievements?

Early on, when we were struggling in our financial turnaround in ninety-nine and two thousand, we had some really tough decisions we had to make. Usually on customers or credits or financial decisions whereas you knew the right decision was going to cost you a lot more money than just saying no. We always made the right decision. And, it cost us more money.

4. If so, how?

We never had a customer sue us which was one of the liability potentials. We always preserved a customer and did the right thing by helping them with an inventory credit or a warranty issue or commitments from long ago that were promises that did not get kept. By the way, if we have an employee that is not keeping their core values, the action taken it is pretty swift; especially regarding the question of honesty. Of our number one issue, I always tell new employees if we are going to get into an issue, or if we are going to cross ways, it is probably going to be on the 'Be Honest.' Not that people do not want to be honest, sometimes it is just really hard to do when you have made a mistake. I just tell them, "Look, as soon as you make a mistake you have to tell someone. And by the way, I will make the biggest ones; the ones that are the most expensive."

5. Have you had any beliefs or values that have hindered your achievements or goals?

No. I do not think so. These values have never slowed us down. I think we have made sound decisions and they probably kept us out of more trouble.

6. What kinds of work, or which business leaders, do you admire?

Well my father was a good mentor. I think a lot of these core values were things he always practiced. He just never published these things. So, maybe my job in this generation was to publish these things.

a. Why do you admire them?

I am sure there are examples of people in other companies doing the same sorts of things we are. Look at Bob Cervanka. He has done some great things and I would look up to him and he is a great example. So, anyone else that kind of uses his thought process.

B. Ethical Issues in Work

1. Do you have ethical concerns about your area of work or things that you worry about?

I think more externals which are our competition. More foreign and Chinese based than United States. They just play by a different set of rules. I mean an ethical decision here is not the same in China. For instance, a product that is the direct copy of ours shows up at a tradeshow a month ago. Those are going to be things that just take us outside of our very stable world and challenge us. How do you fight back? And how do you do it right; within our value set?

a. Are your concerns shared by others? (i.e. public, other organizations, your colleagues)

Yes, I think most United States or western European manufacturers would feel kind of the same way, in terms of that example with direct knock-offs. On a very micro-scale, there are places making sales decisions and local product decisions, where some competitors do not follow all of the safety mandates or do not actually meet all of the standards whether it is for

noise or emissions. Then, they keep selling the product knowing that it does not really meet. And while for us to comply, it costs more money. So we have that product with the extra cost. Usually, they are not the big companies because they cannot get away with that. Usually, it is the smaller competitors, the start-ups, that perhaps do not understand and so maybe it is not unethical that they have not learned. But, if they do understand and they are trying to get a cost advantage... and there is a little bit of that but not a lot.

b. How would you like to see them handled?

Well, we have an industry trade association. I would like for them to be a little bit more proactive about calling everyone's attention to that; to really protect the whole industry from even more regulations and standards from the federal government. But then, the next wave is really the government actually stepping in; which is less than what we really want to see happen. But sometimes that is the only thing.

2. Are there things that you would not do in your business, even though they would be legal and profitable?

There would be a lot of things we would not do. There are a lot of things that are more profitable, but we would not do. I do not even know what those examples are. There are a lot of shortcuts in business and in life but those are the things that tend to be either unethical or illegal. Whether it is plant safety, discharges from your plant, the new regulations that come down they are the regulations. Why try to sidestep those things? The former CEO's method was a bit of some accounting gyrations that made one year's profits look better than another year's; the bonus opportunity might have been richer. There are several ways to do that in manufacturing. You build up a bunch of inventory that may get consumed or gets shipped out in to the field and invoiced as a sale but in fact it is not going to sell for another ninety days at

retail. So, you get credit from the accounting side for maximizing your utilization of your labor, you get a higher margin, you sell it at your price but then it sits out there. And that is a compounding issue that once you start down that road, you are committed. And he was committed for several years. So, he had loads of inventory that paid him. But when I took over, we had at least eighteen months supply. This was something that was legal; but not something that I would do.

- a. Have you ever been put into a position where you stood by your principles to your own detriment?

Not that I can think of. No. I mean it does not bother me to take an unpopular position if I think it is right. But, normally people understand. I can explain my position and why. And if we disagree, we disagree. I have really never been so to my own detriment, no.

- b. What would you not compromise? Is there a line you would not cross?

To me, it is just the real simple things. You know the value system that we have. Money is the root of most evil, right? But, we would not make those kinds of crazy decisions based on a financial decision that would save us hundreds of thousands of dollars because we could take it as an income. We would rather take our lumps on the financial decisions sooner rather than postpone or delay.

3. Have you ever been involved in a situation that violated your ethical sensibility (right or wrong)?

Not that I can recall. Once we suggested to people that this is the way our culture was going to be, you are not as approachable for sort of borderline ideas. People just do not come to us with these kinds of suggestions. And, I do not think they come to me with these kinds of hair brained ideas. You walk into our lobby and see our core values up there. And, if you walk in

any part of our plant you will see them a couple of times and every office has them. So, you know? You just do not get a lot of these things. I am scratching for an example, but I feel we avoid a lot of those pitfalls up front.

- a. Why did you see this as wrong?

Not applicable.

- b. Where did these beliefs come from?

Not applicable.

- c. Have you perceived a change in the availability of opportunities to work in a business that you consider to be responsible and ethical?

I think post Enron and post Sarbanes-Oxley, there are more opportunities for companies to be getting on the wagon in terms the types of cultures they are going to establish and expect.

Whether that is sustainable, I think, is another question. We are very big into lean manufacturing and have been since ninety-nine. When we were turning our business around, that lean was a big part of that. I think the right culture goes hand in glove with lean management thinking. You just cannot do one or the other exclusively. I think that is part of the Toyota secret that that is what has continued to make them so strong. Even though that is a company that recently has had some bad press. But, that is a company that you give them a little bit of bad press and they will get to work a lot harder and faster than Ford or GM or Chrysler. But, I think the answer to this question is that it would be encouraging to see sustainability and the culture piece growing.

Social Responsibility:

A. Goals and Responsibilities

1. Have you ever been torn between conflicting responsibilities in your work? (i.e. personal versus institutional, profit versus professional integrity)

a. Please describe.

We struggle with some of that. This is in business decisions on marketing channels or even on types of products we are going to develop and the markets we might go into. One of the tough ones for us is that we sell to Home Depot. We only sell them snow blowers. It is very good business. It is profitable. It is great volume. It occupies a lot of our plant capacity. And yet, we have a lot of customers who we would not sell to because they have their own pricing conflicts and they have customer conflicts. And you go to a Home Depot, in say Menomonie if there is one. You will go there or you will go to Joe's Lawnmower Shop. And our policy is to sell everyone at the same. Or, have them price everything at the same so that if you go there it is \$899 for this product and if you go to Joe's it is \$899. And Joe says, "I will sell, but I will also set it up for you and I will deliver it for you and I am here if you have a breakdown." And Home Depot says, "Here it is. We can set it up for \$25 extra and we encourage you to do that because... And, we will put it in your car and you can drive it home." Well, it is a little bit different transaction and there is less value to the proposition than the dealer who is probably the better choice. But on Saturday afternoon when you need a snow blower, or on Sunday morning when it is snowing, Joe is not open and Home Depot is. We get an awful lot of customer access that the small dealer is not going to get. They need the day off and we understand that. But, you are going to shop when you need to. So, we have to balance that conflict and what is the right decision. And financially it is the right decision for the business, for the brand, for the product development, for the future research and development expense. We need the volume that a new channel gives us. What we have not done is say okay Home

Depot is great. We are going to do Joe's Lawnmower Shop and three thousand other Joe's, Home Depot and Sears and Lowell's, and ... And, I think we could do that. For us, we make this choice and say you know this is good enough. We will grow this piece. We do not have to be everywhere all of the time, right now. We will make another decision five years from now. But, I think we struggle with that one. And kind of always looking at what is the right thing for all the parties involved. Let us be fair. Let us find the win-win-win for everybody involved.

b. How did you resolve the conflict?

The snow business, which is what we are talking about, is very fickle. And in the last two years, the number of snow storm events has been reduced. So, what happens in February when Home Depot has thousands of units in the pipeline and they need to move the inventory? The price comes down; which is tough on Depot because they lose margin. We do not fund that. It is tough on us because the brand has been diminished in value. It is tough on Joe's Lawnmower because he cannot match the price that Depot discounts. So when they call, and they do because they are very upset, we try to talk them through it and say look this is going to happen and there is nothing we can do about it. At the end of the day, you are going to have a customer out there who will have an Ariens' snow blower. It will perform. You will be their ultimate service and performance network. You are going to get some future business from that. And you know what, they are going to come into your store with the snow blower at some point in time and there is your opportunity to make them your customer. In the heat of the battle, they do not want to hear all of that. That is just happy noise. But, that is the truth. We do drive Ariens' customers into Joe's Lawnmower store because they had a Home Depot product and they needed some service and Depot is not going to do that. The last part of this is

that the entrepreneurial dealers will go to Home Depot when they are having their write down events. And if they look closely at the cost, it is below the price that we charge Home Depot and below the price we charge the dealer at. So what they should do is go to their local bank and borrow ten thousand dollars and buy everything they have on hand at the better cost. They have protected the market. They got a better cost. And when the business comes back, they have a great margin. But, it takes an entrepreneur to do that. That is a hard one to walk them through. They do not want to buy that one.

2. In your work thus far, is there an overarching purpose or goal that gives meaning to what you do; that is essential to making your work worthwhile?

Oh! I thought you were supposed to do that when you retire, not now.

- a. What is it?

I guess it is, in a simple way, the combination of having a company that is healthy and an employee and customer base that wants to be part of this company. Maybe this is more than you want. I think it is a simple equation of having sort of a win-win within the whole channel. We always talk about the value stream from the customer back to our raw materials. So if we have a happy train riding along the track with everything in unison and working smoothly, that is, maybe, success.

- b. (if unclear) How does this connect to your day to day work?

Not applicable.

- c. Are there certain tactics or techniques that have helped you achieve your goals in your day to day work?

For us, the tie in is lean management. There are a million little tools that we use and deploy everywhere. Even here in my office; this standard of work and the way my office is laid out is

a routine. It is a very simple little metric. But it basically says someone comes in and inspects my office for what we call a Five S in lean. Five S is the Japanese words for short, straighten, shine, sustain, and... I missed the other S. We do this in the plant. So if we go to a cell, they have a Five S. My assistant, Leone's office has one. Every office has one. And we audit the office. I usually get a low score. I have been cleaning my desktop and now it is just keeping it clean. And part of it is the example we try to set in the plant too. Our plant, today, is as clean as it has ever been and we have been sustaining that cleanliness for at least five years now. My father is probably the best observer of that. He is a plant guy. He is a manufacturing engineer. For a lot of years, we have manufactured things the way he had set them up fifty years ago, or forty years ago. And when we started changing to lean, he immediately said "My goodness! I have never seen a plant this clean. I have never seen it this organized. I have never seen it this flowing." You know, I like to describe it almost like a symphony. You know, things are kind of in tune and we are harmonic. We are sort of flowing very nicely. And, looking for ways to improve... just like the nine and one Packers.

d. What experiences or influences were most important in forming this goal?

These reports and checks are sort of the Deming Principles: the plan, do, check and act. We say: plan, do, check and adjust. Many companies are good at planning. And, a lot of us are pretty good at doing. It is the checking and adjusting that does not always happen and we are finding that we need to be better at that.

e. How do you know whether you are on track/making progress toward this goal?

As we became good at lean, we have become good at the doing part. And, we are doing it and doing it. There is a long time when you can go through lean where improvements are happening without really having to go back and check to make sure you are sustaining things

or that you need to readjust. We found that after four or five years, we need to do a better job of checking; and then adjusting or sustaining. That is how we try and make sure we are pacing on expected improvement. On a long trip to Europe for business in 2004, I started writing our twenty year vision. It was cast and summarized into five year increments so that by 2029 we want to be doing these things. The document that I wrote was pretty rough. So, I had the executives review it. And then the directors, there are about 25 different management directors, reviewed it and gave me their feedback. We rewrote again. I went through it again with the executive team and directors and we finalized the vision. This is how we did the fifteen principles, too.

- f. How would you describe an ideal culture within an organization? How would one go about creating this kind of culture?

I do not know whether you ever hit the ideal state. In lean, we talk about a value stream map that sort of maps out the flow of activities in a process. But those activities, or that process, could be the way you manage or the way you build that culture too. In a day or so, I could draw a value stream map of how we see the culture flowing or evolving. Or, a map of where we need to work on building the pieces that can make a better Ariens' culture. When we do a value stream map, we do a current state and then an ideal state. So that we can say, "Okay, this is how we kind of look today. But if everything were perfect, this is what ideal would look like." And when you say that, you know you are never going to achieve perfection, but you are always going to try to pursue it. So in an ideal state of culture, my mind is saying, "If it were perfect, we would be the strongest company in the world because we would have everyone engaged in a business they were very passionate about." And we would be a business that for your personal life would be the kind of thing that if you had to decide what

your hobby was, this would be your hobby. And, it would not affect your whole home life too. You would have this sort of harmony between your home and your work life. You would have this perfect balance so that the company has the same social balance with its' community, its' employees, its' customers. I do not know if you ever achieve that. How we achieve that is really the hard thing. I think everyone has a little bit different picture as to what the balance is. So, how does the leader of Ariens Company get to decide what the balance should be? So, in a perfect state, you all have to decide what balance looks like. For example, the Japanese culture is a work culture. The whole countryside is built around sort of a male dominated work environment. Where, if you are in Tokyo at work and it is 7pm, you are expected to go to the bar and socialize and have dinner until around 10pm. Then you go home to your family and get up to do the same thing by 7am. That is balance. And, I do not think that is the American idea of balance. Now that may be changing in Japan, but there is still a lot of that going on.

3. Do you see any conflict between the traditional business goal of making money and any of your other personal goals?

No. No, I do not. I gave my second son's, we have five children, sixth grade class the visit on "What do you do? Where do you work?" I went up to the blackboard and I wrote 'profit is good' because I feel like in the schools, sometimes, they are drummed by the media about these large, profit mongering companies and these big oil companies that are taking all of this money and making all of this money. Well sure, we are all driven by profit. But, the good side of that is that we are creating sustainability. I mean if you are not a profitable business, you are not going to be employing people and giving them a lifestyle that they choose. And the healthier you can be; the better off you are to do the right things with all the profit.

4. Do you share all formal information with your staff?

Yes. And we, as private company, are unique in that we share our full financial information with every fulltime employee in our quarterly meetings. This was something we started in ninety-nine or two-thousand. That was phase three of the core values, 'understanding.' There were a lot of long-term employees, when I told them we were not making any money, who did not believe me. So, I went through a financial statement and said here is what is happening, we are losing money, and I need your help. After that first meeting, I waited to hear back on what rumors were going around in the plant and many still do not believe me. So I went to the leaders of the plant, those whom other people really trust, and said, "Here is what is really going on. I cannot tell you any other way that we are losing money... big time. So, tell your friends. Here are the core values. I have nothing to gain by not telling you the truth." Since then, we have always shared this. Today, this is formalized in an informal sort of way. It is lean principle tools that are the formality. But very informal for how you want to get involved, how you want to bring forward your ideas. I do not know if we showed you the kaizen implementation board. Every month, people that have fresh ideas can put them on eight and a half by eleven sheets of paper. They draw a little picture and describe the problem, describe the solution, show a picture of before and after, have their supervisor review it and approve it. And if it is a good idea, we are going to make the change right now. We are not going to wait for another kaizen event. We are going to do it right away. We have a great idea and everyone needs to stop to get this change done and clear their tables because Sally has a good idea. We put it on the board, we have a drawing, and there is a small compensation for that. But it is more about the great idea and "thank you" along with a small reward. And the reward does not drive the ideas. It is the token of appreciation.

5. Have your goals changed over the years? If so, how have they changed? What caused them to change?

The five year goals will probably change as we will not achieve everything we have expected on our hurdles for the twenty years. For example, 'Be the number one employer in northeast Wisconsin.' We are trying. And I think we are a great place to work, but I do not think we are the best. I am not sure why, yet, because I really do not know how to measure that. Sure we can measure it with surveys and checking morale or just taking pulse from people, but it is all anecdotal I think. So, we are still working on that. If we know that is a goal, at least it is there and people understand that we are going to do that. And our goals will change. We talk about 'best' is the evil enemy of 'better.' And that you are always looking for best. Why not just get better along the way? And not wait to make your improvements until you have found best. Just get better, every day, and ultimately you will find best.

6. What direction do you see the future of your own career heading?

Well I just turned forty-nine. So, I am young enough to spend a lot more time here. But I am trying to take myself out of a lot more tactical things. I think this is part of developing people from within. The more I am actively involved in every decision, the less they will take lead. So, I am on more boards. I am involved more socially, in terms of looking for different businesses experiences. I am in an international business group of about 45 really amazing people like Pete Coors, Coors Brewery, and others who are a lot smarter than me. They have done a lot more things than I have and that just puts me out of my box. If I can do this for say another ten years, and keep growing this business and developing people, so that I can spend time looking longer term and finding big strategies, that is what I will do.

- a. How will you know when you have "made it?"

Well, everyone has sort of their own achievement benchmarks and I have my own. I do not know if those will change, but I have not made it yet.

b. How do you measure success?

I think, because I am in a private company, you always have this need or desire to be able to have an outside reflection of how well you are doing. Because internally, I am viewed as CEO and it is a family business and I got this job because I happen to be in the right blood. So, I need that affirmation on the outside that says, "We need you to lead this thing given what you are doing." Like being involved on the Packer's board and getting more deeply involved there on other committees and people ask me to lead committees.

c. What, if anything, would make you decide to leave the profession?

We will have some real significant business threats and business challenges. We are in an aggressively consolidating industry and that may change the way our company is shaped in the next decade. I do not think we will be in a position where we will be forced to do something. But, I think we will be in a position where we are going to need to do something to stay in the growth mode rather than just sitting at a stabilized rate of growth or stabilized lack of growth. Just a stable top line is really not good. It is not sustainable when you are not growing. And that will be a challenge for us whether we run out of research and development ideas or we cannot recruit the talented people that bring us engineering innovation. That would probably be the only thing that would drive me out of here. Or if, god forbid, I hit a tree and am disabled.

d. Do you have particular hopes or requirements about your income flow?

I always like more income and I think that is fairly natural. Comparably, I do not make as much as the peers in my industry or equal sized companies in this area. And, I am okay with that. That is just where we are.

7. What do you think is the primary goal of business?

Well it really is to make money. In the purest form, the primary goal has to be making a profit so that you can sustain yourself. Along the way, I think the subset of this is building a community of relationships. I think this has to be a subset of the goal of making money. You can make a profit in the rawest form of making money. But, without the right kinds of decisions, that is just the wrong kind of motivation. If you build the right community of people engaged in making money, this is what you need to do.

a. What challenges that goal?

As discussed earlier, a lot of the ethical challenges of doing this in the right way.

b. Are your beliefs and values aligned with this?

As much as making a profit is the primary motivation, it cannot be your single focus. It is an after effect of everything you have done. You have to make some money. So as much as that is the primary goal of business, it is the end result. It is the ends to the means.

B. Opportunities and Support

1. What are some of the things that are helping you to pursue your goals?

I did some work with Kellogg at Northwestern for two years. It was like a MBA level, but without a degree, and a very out of the box experience. I did the Aspen Institute which is a deep dive in philosophy which kind of took me back to my college days of liberal arts with philosophy and ethics like Plato and Aristotle. That was pretty neat. It was a four day deal and that I did two years ago. Northwestern was about four years ago. There is a Harvard thing that

I would like to do with the young presidents association that I am in and I kept putting it off. I wish I would have done it and I still can. I just need to do within the next two years because I am going to be too old for the young presidents.

2. Are there specific qualities that have contributed to your achievements?

I am a person that just gets things done, I guess. I am trying to do things the right way all of the time. I do not know if that is really a quality or not? We use a Myers Briggs like product here and my index is basically a) driver, b) personality or social, sort of interactive communicator. I am fairly impatient with routine and I am not good with doing the same things over and over again.

a. What about qualities that have held you back, or made it harder to pursue your goals?

The downside of how someone would describe me is that I am constantly throwing too much at them, probably. I am onto the next thing before they had time to digest the thing we just started. But, I think they would describe me as sort of the driver and in some ways innovator. That would be the nice way of saying moving too fast. I think I am fairly consistent in the way I manage people. I do not get emotionally wrapped up with one way or another and I am not political at all. I am okay with people criticizing decisions I have made. I would rather have an environment where criticism is done respectfully, but in a good honest way so that we get onto the next best thing. Or, get to a better level. If somebody is afraid to tell me the truth, than we have more problems.

3. What keeps you going, or sustains your commitment to your company?

I think it is the lean idea of always pursuing perfection and constantly driving for it. I am kind of competitive. We are all, here, pretty competitive. And this is an industry that is fairly small. We know all of the players. So, you hear so and so are doing this, so and so are doing that and

it is a bit of a competitive thing. It is a bit like a chess match. And, is our strategy going to work a little better than theirs? Is our product development going to be more dialed in with the customer? Each year is new. It is like a car thing. The new models come out and there we go. So each year is little new. Last year, we were a little off our game. And we knew it. We knew it about three months into our year and it was kind of hard to turn things around. But, we actually did a pretty good job of adjusting our plan midyear which really is hard to do. This year, we think we really dialed in much better. And we know it already. We can see it. The product line is better, the distribution strategy is riper, and we have some new opportunities. So we feel pretty good about that. Whereas last year, a year ago today, we were not feeling too good about what we had launched.

Exceptional Quality:

A. The Work Process

1. How would you define exceptional quality?

To me, that is sort of the value stream piece to be as perfect as you can be all the way along the process. Then, we have an Ariens customer who has a snow blower that lasts him or her twenty or more years. I mean our products should last them a long time. And all kinds of work inside there that has little processes that take as little maintenance to be perfect as it is possible. For Ariens, especially in snow, we have this really interesting emotional link with snow blowers. We get amazing letters. We are doing a book, just before lunch I was looking at a final proof copy of it, for our 75th anniversary. It was something that I kind of wanted to do that tied in these snow blower customers who have written us these amazing letters. We have thousands of letters. And they are hand written or emailed. But 90% of them are hand written letters that come to me, "Dear Mr. Ariens, I have had an Ariens snow blower since

1968 and this has been through...” and they name the storms. And it is usually right after a storm. “And my snow blower...,” and they have a name for the snow blower. Bessie or Big Orange or Big Boy, and they tell us the whole story. It is a hard bound book featuring about twelve or sixteen end users. We picked the best stories and those people we could find to do the interviews. We took of picture with them and their snow blower. It is just a kind of coffee table book. If you go to Home Depot, they have a whole book section. I would love to have Home Depot put this in their book section. I am not sure we would sell a lot. But, there are some great stories in there and I would love to see if our marketing folks can figure out a point of sale at the dealer snow blower locations to tell these stories. We have one story that a couple, pregnant and in a snow storm, used the snow blower got them out of their driveway and they got to the hospital and named their first son Arien because of the snow blower Ariens.

2. Do you have a particular philosophy that guides your overall business approach?

It is the lean process improvement.

a. If so, how did you come to acquire this philosophy?

How I came about this is pretty collaborative. I told you about in 1999 or 1998 when we had let all of these managers go; fifteen managers and four vice presidents. At one point, I had something like 29 or 30 people reporting to me because there was no staff left. The guy that is our sales and marketing vice president is the only carry over from that. I was looking, desperately, for a vice president of manufacturing. During that transition with the other CEO, I went to run this other business in Indiana. When I left this business, lots of managers that worked for me also left. They were not happy with the way things were going. One of them was a current vice president of ours’. In desperation after seven or eight months of looking for

a vice president of manufacturing, I could not find the right person. Well, I ran into this guy at an airport. He was heading to Finland and I was in Detroit heading home from another business trip and I was just exhausted. I bump into him and asked him where he was going and when he was going to be back and that I was going to call him. So anyway, thank god I bumped into him because he was sort of in the back of my mind but I had not reached out to him. I had a search going and the guy kept bringing me the wrong people. It was his idea on this lean. I am telling you the long story because the way he got to lean was when I was here running the plant. We had started working on what we called world class manufacturing and excellent manufacturing. We had these five or six things we were working on. Then as he and I went away, some four or five years later, someone started writing books on Toyota and lean. We looked at that and said well this is the same stuff with how it all unfolds. So, Jeff said this is what we need to do and I said go get it. And that is how we got to lean.

- b. What are some examples of how you have employed this philosophy in your career?

The nice thing on that is that it is coming up from within the plant. That is where we are building; which is really neat.

3. Which of your accomplishments are you most proud of?

Probably early in 2000 when we really were in serious financial trouble. That is a long time ago now, today. But I think there were a lot of big decisions, at the time, that we were making so fast and we were making the right ones. But, we were making them fast because we had to.

- a. To what do you attribute your success in this endeavor?

You do not know how you are going to perform until you are there and I think we performed really well. I think I will probably retire thinking had we not gone through that the way we did and how we did and making those tough calls. That really, you had to swallow pretty hard on

to worry that we were not going to survive tomorrow and could we make a payroll and that kind of stuff. So that, you know, we would not be here today.

b. What strategies did you use to accomplish this achievement?

A lot of them are not rocket science. They are fundamental things. They are not serious innovations. You know, choices between one or two or three options and what the best one is and we have to decide right now. We are kind of doing this with this business we just bought. The reason why I was late for this interview was we had not caught up with our vice president of sales and he has this new sales manager who has been with the company for a long time, he is great and is sixty-three and is perfect for this job. And we had to kind of convince him to take this job because it is going to be some work. At lunch, we decided on the distribution plan and it took us an extra twenty minutes. But, we had to do it now because we have to turn it around quick.

c. How did you learn these strategies yourself?

This was covered, in part, from the prior response.

B. Obstacles, Pressures, and Rewards

1. What makes it difficult for you to pursue your goals?

a. (if appropriate) Any difficulties from colleagues or your organization?

Not from colleagues. Comparable to a university, or a public institution, if you do not have colleagues that are performing, or who are holding you back from achieving your goals, you have to find a new colleague. It is really unsettling, but that is the hard truth. And this is that 'change the people or change the people' I have already referred to. I do not use that anymore because we are not in that mode of where we needed serious turnaround. And I think that if people, here, do not achieve their own goals, they are as frustrated as anyone.

- b. Can you tell me about a specific situation that you found discouraging or especially hard?

The one thing that makes it most difficult for our business is the nature of the business we are in is very dependent on the right kinds of weather. And if we do not get snow for two years, which we have not, our revenue line is going to be off; like for this year in snow blowers by 27%. That is significant.

2. How do you go about dealing with these difficulties and pressures?

So, how do you double your revenues while the snow business is contracting that much? Well, we can acquire this company in Nebraska. Okay, that helps but it does not cover for all of that snow we had lost. But, you know what? We have to do those kinds of things. I would say the biggest difficult situations are those that are beyond our control.

- a. How did you come to deal with them in this way?

There are product strategies, and maybe some additional channel strategies, that can provide some growth. Like if we were not selling in Texas, and we are now, we are going to get those increased sales in that marketplace. Or, they have a different product in Texas that they need that we have just launched. When the snow business goes down, one of the things we start pointing to, well that we always point to, is market share versus sales. Even if the market goes down, let us try to make our share of the market go up.

3. What is your work environment like?

- a. Is it generally supportive or constraining?

It is generally supportive.

4. Do you offer any employee development programs or training? Please describe.

Instilled in lean is development. We have a lean internship program for employees to develop and that is our future leadership. We take hourly employees off the hourly scale, actually they

are still paid hourly but they are not on the line or not assembling. And they are lean interns for six months. They learn all of the tools of lean. Right now, we are training three. Because the budget is tight, we are doing three this year but we have done as many as eight in one year. All training is done in-house. The guys you met, the lean directors, they are the instructors and they should always have two to four interns all of the time. That is ideal. We also help with advanced degrees or people that want to finish a college degree.

5. How important is communication in your working environment?

If you want to find out every companies weakness, it is in enough communicating. Even when you believe you are doing it enough, you probably still are not. And, it is huge. You cannot say the same thing over enough. But, you have to.

6. In your work experiences, what kind of work is rewarded? What kind of work is discouraged?

Well, we really like to reward continuous improvement. Kaizen events, like those kaizen implementations, are really for hourly and salary. On the salaried basis, we have bonus programs, very specific and targeted measurements, which are different for each manager. We have a process called policy, deployment and review. Every month, the team of directors meets together, along with me, in a room and it takes about three and one-half hours. We go through each manager's measures and how are they doing and we look for the red X's, as we call them. These are the areas where you are out of conformance and what are the action items that you are going to do to get into conformance. Can you do anything? Do you need some help? Whose help do you need? We go through this dialogue, at the salaried managers' level, along with their reports. And then, all of those measures come all of the way up to, and should take us on, this journey. So, it is tied together. Stuff that adds waste is discouraged. Those things that are not value adding. We do not like politics. We talk about silos and not creating

silos. We look at the organizational structure all of the time to make sure we are not putting people in a position to do that. And sometimes you measure the wrong thing and expect performance on those measures. But they actually create, you know, silos of people working on “if this is my reward, then this is what I am going to work on. And, I do not care if it is going to affect you or not.”

Chapter V: Discussion

While many professionals work within industries that lack a standardized code of ethics, some are employed with companies that are choosing to build and integrate their own ethical standards. The purpose of this study was to examine a company and determine the extent to which culturally embedded ethical practices are seen as a driver to operational excellence. The qualitative data was collected during an in-depth, audio recorded interview with Ariens Company president using a 29 question survey consisting of the following sections: introduction, ethical standards, social responsibility, and exceptional quality. After the data was transcribed, it was verified first with the data subject and then with five other Ariens staff members. They all agreed the information was accurate and complete.

In chapter one of this paper, the importance of operating ethically along with the implications stemming from companies indicted for unethical practices was documented. Chapter two provided extensive research on codes of ethics, operating them, measuring their potential impacts, and lean manufacturing. The methodology the researcher used to build the study was outlined in chapter three, and chapter four analyzed the results of the data. This chapter will establish conclusions to the objectives of the study and offer recommendations.

Limitations

The limitations of this research study were that is focused on the investigative findings from one case study. Therefore, these results cannot be generalized to other companies in a similar industry (Leedy & Ormrod, 2001). Additionally, this study focused on codes of ethics as one, of several other, key performance drivers.

Conclusions

The researcher has developed concluding points based upon the original key objectives of the research study. Using the literature reviewed on codes of ethics and comparing that with the background and survey data from Ariens Company, the researcher has determined particular correlations and differences. Each of the two objectives, as first reported in chapter one, will be reviewed one at a time along with the associated findings.

The first objective of the study is to document the insights of a company leader regarding the impact of introducing culturally embedded ethics as a means to drive operational excellence. Prior to drawing conclusions about this statement, the researcher feels it is important to determine whether Ariens Company possesses a working code of ethics. As referenced in the literature review, Sarbanes-Oxley's *Code of Ethics* states that ethical codes encompass the dimensions of responsibility, fairness, and honesty (2003). Comparatively, Ariens' core values include: be honest, be fair, keep our commitments, respect the individual, and encourage intellectual curiosity. The researcher believes that all three of the "ethics dimensions" are clearly stated within Ariens' core values. And, that they serve as the fundamental glue that binds the whole organization together. Therefore, although the titling "code of ethics" is not part of Ariens' Core Values verbiage, the researcher finds them worthy of representing the key facets that a formal ethical code has. Additionally, Ariens' first principle states that, "Ariens culture is built upon our core values and the pursuit of our vision to astound customers." This declaration signifies the importance of the core values and demonstrates that they are instilled within the heart of the company, the culture.

Through review of the survey data, Dan makes several remarks that support the concept of instilling a code of ethics within the culture of an organization in order to positively impact

performance. Therefore, the researcher concludes that the president of Ariens Company, a organization that does business in an industry sector lacking mainstreamed, universally shared ethical codes, believes that culturally developed ethical codes can positively impact organizational excellence. The comments that support this are reported in the following paragraphs.

In reply to the question, “What are you hoping will be the greatest impact of the work you are currently doing?” Dan’s reply includes, “For us, the culture is the foundation and the people are developed within that equator; within that sort of dimension. And then we work on the process.” He offers the following explanation for what he views are the most important factors when starting out as Ariens president in 1998 after taking over the role from the former CEO, “When I became our CEO, we were in a major transition. The former CEO was a very different person with different leadership style than what I would say is the family legacy. He was an outside CEO who was smart, bright and just had different drivers working for him. The measures for performance were driven by his incentive compensation. And so he made the company perform in a way that helped him perform at peak. So when I came in, we did have to reorganize and start with a clean slate; mostly of people and the culture piece was the first piece I put together. These core values were written when I was running one of our other subsidiaries. When I came back here, I gave all of the employees a long talk about this is how we expect to perform because several of these were not functioning. We were not honest with what was going on in the business. We were not treating with respect. We were not creative about innovating new processes, at all. To me, the critical factors of “be fair” and “keep your commitments” were a way for us to get on this journey of continuous improvement. Let us do the best we can to reach our goals. But, understand that it is about improving every time. Not just about how far

along the path we are; but how we have gotten down the path. How we have performed. How we have treated each other and the things we built along the way. We do not want to leave a bunch of carcasses in the background as we have gone down the path. My first day on the job, I said here is the way we are going to perform. And it was with the same executive team that the former CEO had in place. This was, I still remember, March 15 of 1998. And on April 1, there were seven guys there. I had fired four of them because they just were never going to get it. It was the right decision to let them go. They were the wrong leaders for the company. But that was also a way to say “Look team. They are not living these core values and this is the way it is going to happen. We are going to live these things or you are not going to be here.” During these first couple of turnaround years my chant used to be “we are either going to change the people or change the people.” This really was kind of tough love. But, it needed to be. And the second layer was managers. Those managers had all been hired by the executive team. So on the same day, I also let go fifteen different managers that I knew were not going to be performing. They lived by a different set of rules. I needed to change that. I had not touched anyone in the plant yet. And, we needed to have a layoff in our plant because we were in a mess financially. So, I started at the top and worked my way through the management staff and then introduced these core values to the plant. We do quarterly plant meetings with every employee. That was something that was a tradition. It was something my father started and the next CEO continued but did not really like going through because you had to get in front of everyone and tell them what was going on. So in my first meeting with all of the employees, I told them about why we let go of these senior guys, you know that rumor spread within fifteen minutes, and what was going on in the company. I introduced the core values and I said the first thing I need to tell you about is how we are doing financially; and that is the “Be Honest” part. Word is not good. We

are going to have real struggles, we are going to shut down some production and we are going to have some layoffs. And you just had to tell them how it was going to be. Probably the last layer of that of that were people. There was still this skepticism even though we were a non-union plant in a small community. And that I grew up in this town and went to high school with a lot of these people. So, they knew who I was. It was not like they needed to learn who Dan was. They were excited to have the family back managing the business, frankly. But, you know? Here comes some tough love. We had some people who had just rambled through the organization for fifteen or twenty years and just were not performing. And we had some real tough decisions that we made and people that had to be let go. I do not think we made a bad choice in any of the singular decisions. This was in 1998. Seems like eons ago.”

Dan and several of the cited references from the literature review agree that having a written piece of indoctrination bears no merit that it is being effectively utilized. Dan believes that core values are important in the pursuit of one’s goals. But, you must create actions that back them up every step of the journey to excellence. And sometimes, actions that support your core values might even cost you more money. But in the long-term, he believes they will pay back greater dividends.

Another demonstration of both Ariens turn-around success and Dan’s belief that their core values are the means to building excellence came forward in conversation about the future growth and success of Ariens. Dan’s mentioned that Ariens was in the process of buying out a company located in Lincoln, Nebraska that had gone into foreclosure. He stated how he had already visited with the plant employees and delivered the same speech that he gave to the Ariens employees back in 1998. The researcher concludes that Dan continues to depend on the installation of the Ariens Core Values as the instrument to grow and prosper.

Finally, the researcher has also uncovered another mechanism that Dan views as a major asset to building organizational excellence and that is lean manufacturing. When asked about particular opportunities to work in a business that you consider to be responsible and ethical, part of Dan's response was that, today, there are more opportunities than ever for companies to get on the wagon of doing things the right way. But, that sustaining the "doing well" is a difficult task to achieve unless you have the right system to process it. And for Ariens, that system is lean manufacturing. Ariens become heavily involved in lean manufacturing in 1999, shortly after Dan's leadership role and within one year of the introduction of the core values piece. Dan states that lean manufacturing was a big part in turning the company around back then and remains a big piece today. Similar to the research findings, Dan believes that lean manufacturing works very well with developing the right kind of culture.

The second objective was to identify preliminary criteria that could be shared with other similar companies about the means to introduce culturally driven codes of ethics to improve operational excellence. Referencing Kirk O. Hanson's best practice elements utilized by ethical organizations and comparing those with the data retrieved from Ariens Company, approaches for how companies can begin to introduce culturally driven ethics have been developed (Federwisch, 2007). The researcher found a lot of commonality between Hanson's ethical best practice elements and Ariens Company data. Each of Hanson's elements will be taken one at a time along with a comparable statement derived from Ariens' data.

First are value statements. Hanson, and several other references from the literature review, state that value statements must be action driven in order to be effective. Dan Ariens further supports this recommendation. Ariens Company is built upon the core values of: be honest, be fair, keep our commitments, respect the individual, and encourage intellectual

curiosity. Second are codes of conduct. Ariens' established code of conduct is its "15 Principles of the Ariens Management System." Third is executive modeling. In the all of the data captured about Dan Ariens, the researcher has determined Dan to possess a high degree of morality, integrity, honesty, fairness, leadership, and caring. Training and communication is the fourth element. Through lean manufacturing, Ariens regularly trains and develops all of its employees. Ariens also possesses an open communication policy whereas even company financial data is shared with every employee. The fifth element is systems that embody values. Ariens relies on its vision, 15 Principles, and lean processing as the means to develop the culture of the organization. Sixth are mechanisms to discuss difficult cases. As previously mentioned, Ariens culture promotes openness, honesty, fairness, and innovative thought processes. They also rely on kaizen events and techniques to formally bring forward new ideas, ways to fix problems, and implementation strategies. Hotlines and helplines that are external to the organization is next. The researcher did not observe or find evidence of Ariens possessing stand alone hotlines and helplines. The eighth element is audit, enforcement, and discipline. Because of Ariens continuous process for improvements, regular checks are occurring throughout the organization. This is largely the result of both the core values and lean manufacturing working together. When a member of the Ariens team chooses to not comply, the disciplinary action taken is noted to be fair and swift. Governance of ethics and values is the ninth noted element. Hanson described this element pertaining to more of a publicly held company versus a privately held organization like Ariens is. Nonetheless, Dan Ariens did speak about a board of directors and a company executive team. The researcher did not ask Dan if Ariens employed a corporate ethics officer, or similar position. The tenth and final element is renewal process. The researcher found a lot of

evidence that supports multilevel involvement with renewal and revising efforts at Ariens Company.

Recommendations

Based upon the findings of the study, the researcher suggests the following next steps. First, given there is preliminary evidence that supports employing culturally driven codes of ethics as means to impact organizational excellence, additional case study research on the subject should be done. Upon a greater number of comparable research studies, a final summary project could be convened to develop conclusions across all of the case studies. Another area for future study would be in the area of classroom taught business ethics versus practical industry ethics. Reported data alluded to disconnects on this subject between academia and business. That those who instruct need to gain greater awareness regarding the goals of business and how ethics can help achieve them.

The researcher did not anticipate the level of accountability that the data subject placed within lean manufacturing as another key driver to operational excellence. Although evidence from both the cited research and the data subject concur that lean principles and ethics are well suited to one another, it was difficult to unequivocally attribute where Ariens success in turning the company around came from.

An overlooked, but practical, discovery of the study was that evidence from both the review of literature and study subject indicate that having official, written ethics-related material provides little indication whether one is truly operating ethically. And, that a company that lacks a formal version of an ethical code, like Ariens Company, can nevertheless be a very ethics-centered operation. Therefore, the researcher finds it fascinating to review the potential differences between these two examples.

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Appendix A: Survey Instrument

This research has been approved by the UW-Stout IRB as required by the Code of Federal Regulations Title 45 Part 46.

**Building Organizational Excellence Utilizing a Code of Ethics:
A Qualitative Case Study**

Survey Instrument

Questions were selected from a previous study done by the Good Work Project. (Gardner Csikszentmihalyi, & Damon, 2001)

Introduction:

1. What attracted you, initially, to this business/field?
 - a. What still appeals to you about it?
 - b. How do you think you differ from your peers who choose other professions (i.e. law or medicine)?
 - c. How about peers working in business and industry?
2. In lay terms, what kinds of things are you trying to accomplish in your work right now?
 - a. What are you hoping will be the greatest impact of the work you are currently doing?
3. What were the most important factors you considered when starting an organization?

Ethical Standards:

A. Values and Beliefs

1. Would you say there are particular personal beliefs or core values that guide your work?
 - a. What experiences or influences were most important in forming these beliefs/values?
 - b. How do these personal values or beliefs determine the type of projects with which you get involved?
2. Are these values the same or different than the values of colleagues and others in your field?
(If in conflict)
 - a. What effect does this have, if any, on pursuit of your goals?

- b. Is there tension between your beliefs and values and those individuals in your organization? If yes, how do you deal with it?
3. Do these values contribute to your achievements?
 - a. If so, how?
 - b. Have you had any beliefs or values that have hindered your achievements or goals?
4. What kinds of work, or which business leaders, do you admire?
 - a. Why do you admire them?

B. Ethical Issues in Work

1. Do you have ethical concerns about your area of work or things that you worry about?
 - a. Are your concerns shared by others? (i.e. public, other organizations, your colleagues)
 - b. How would you like to see them handled?
2. Are there things that you would not do in your business, even though they would be legal and profitable?
 - a. Have you ever been put into a position where you stood by your principles to your own detriment?
 - b. What would you not compromise? Is there a line you would not cross?
3. Have you ever been involved in a situation that violated your ethical sensibility (right or wrong)?
 - a. Why did you see this as wrong?
 - b. Where did these beliefs come from?
 - c. Have you perceived a change in the availability of opportunities to work in a business that you consider to be responsible and ethical?

Social Responsibility:

A. Goals and Responsibilities

1. Have you ever been torn between conflicting responsibilities in your work? (i.e. personal versus institutional, profit versus professional integrity)
 - a. Please describe.
 - b. How did you resolve the conflict?
2. In your work thus far, is there an overarching purpose or goal that gives meaning to what you do; that is essential to making your work worthwhile?
 - a. What is it?
 - b. (if unclear) How does this connect to your day to day work?

- c. Are there certain tactics or techniques that have helped you achieve your goals in your day to day work?
 - d. What experiences or influences were most important in forming this goal?
 - e. How do you know whether you are on track/making progress toward this goal?
 - f. How would you describe an ideal culture within an organization? How would one go about creating this kind of culture?
3. Do you see any conflict between the traditional business goal of making money and any of your other personal goals?
 4. Do you share all formal information with your staff?
 5. Have your goals changed over the years? If so, how have they changed? What caused them to change?
 6. What direction do you see the future of your own career heading?
 - a. How will you know when you have “made it?”
 - b. How do you measure success?
 - c. What, if anything, would make you decide to leave the profession?
 - d. Do you have particular hopes or requirements about your income flow?
 7. What do you think is the primary goal of business?
 - a. What challenges that goal?
 - b. Are your beliefs and values aligned with this?

B. Opportunities and Support

1. What are some of the things that are helping you to pursue your goals?
2. Are there specific qualities that have contributed to your achievements?
 - a. What about qualities that have held you back, or made it harder to pursue your goals?
3. What keeps you going, or sustains your commitment to your company?

Exceptional Quality:

A. The Work Process

1. How would you define exceptional quality?
2. Do you have a particular philosophy that guides your overall business approach?
 - a. If so, how did you come to acquire this philosophy?
 - b. What are some examples of how you have employed this philosophy in your career?

3. Which of your accomplishments are you most proud of?
 - a. To what do you attribute your success in this endeavor?
 - b. What strategies did you use to accomplish this achievement?
 - c. How did you learn these strategies yourself?

B. Obstacles, Pressures, and Rewards

1. What makes it difficult for you to pursue your goals?
 - a. (if appropriate) Any difficulties from colleagues or your organization?
 - b. Can you tell me about a specific situation that you found discouraging or especially hard?
2. How do you go about dealing with these difficulties and pressures?
 - a. How did you come to deal with them in this way?
3. What is your work environment like?
 - a. Is it generally supportive or constraining?
4. Do you offer any employee development programs or training? Please describe.
5. How important is communication in your working environment?
6. In your work experiences, what kind of work is rewarded? What kind of work is discouraged?

*** We are coming to the end of our interview, is there anything you would like to add? May I contact you in the future for further clarification or additional input?

Appendix B: Consent Form

Consent to Participate In UW-Stout Approved Research**Project Title: *Building Organizational Excellence Utilizing A Code Of Ethics: A Qualitative Case Study*****Investigator:**

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Description:

The objective of the study is to research and report the significance of a company that integrates a code of ethics within the culture of their organization as a driver for operational excellence. The study will focus on an organization that operates within an industry sector where clear, identifiable, universally accepted ethical standards typically are not mainstream across the majority of associated companies.

Risks and Benefits:

The risk to the subject is that sensitive, private company information could be collected and released to the public within the project report. However, the risk will be minimized by using the following procedures:

- All electronically collected data will be stored on one, dedicated to the project, USB (universal serial bus) flash drive that will be held solely by the investigator.
- Audio recorded material will be kept on one tape that will be held solely by the investigator.
- Paper form data, including data retrieved from the interview and all hand taken notes, will also be kept solely in the possession of the investigator.
- The interview subject will be given the authority to remove data or information he deems confidential in nature.
- Should subject request specific data to be removed, data from USB drive will be deleted, audio material will be destroyed, and data from paper format will be shredded.

The benefit to society from the research findings would be twofold: 1) demonstrate the effectiveness of a company that engrains cultural ethics as a standard for its operational excellence; and 2) begin to develop a basis of criterion that, when compared with other topical-related research studies, can be shared with other companies on how to introduce cultural driven ethical codes as a means to drive operational excellence. The outcome materials can additionally be compiled and utilized by companies as a best practices standard from which they may replicate.

Time Commitment and Payment:

Interview subject is capable and willing to dedicate a time commitment of approximately two to four hours for in-person meetings (including in-depth interview) as well as necessary telephone

and email generated correspondence with the investigator. The subject will not be paid for the participation with the project.

Confidentiality:

Given the nature of this qualitative case study, the identity subject's name and company will be identified throughout the findings of the study. The subject will have first right to review all documented information gathered from the investigator relating to the subject and the subject's company. The subject has the right to withdraw any piece of data or information that they deem confidential in nature. Any such information or data deemed by the subject as being confidential will be taken out of the project by the investigator and appropriately destroyed therein.

Right to Withdraw:

The subject's participation in this study is entirely voluntary. The subject may choose not to participate without any adverse consequences. Should the subject choose to participate and later wish to withdraw from the study, they may do so without incurring adverse consequences.

IRB Approval:

This study has been reviewed and approved by The University of Wisconsin-Stout's Institutional Review Board (IRB). The IRB has determined that this study meets the ethical obligations required by federal law and University policies. If you have questions or concerns regarding this study please contact the Investigator or Advisor. If you have any questions, concerns, or reports regarding your rights as a research subject, please contact the IRB Administrator.

IRB Administrator

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Statement of Consent:

"By signing this consent form, I agree to participate in the project entitled ***Building Organizational Excellence Utilizing A Code Of Ethics: A Qualitative Case Study*** as well as grant permission to publish the project findings."

Signature

Date