Ben Heineman served General Electric under CEO Jack Welch (to 2000) and Jeff Immelt (2001ff) as senior vice president and general counsel from 1987 to 2003 and as senior VP for laws and public affairs from 2004 until his retirement at the end of 2005. Some may question whether a senior leader at GE has a legitimate ethical platform from which to teach the rest of the business community about ethics.

For example: from 1947 to 1977 (when they were outlawed) GE dumped 1.3 million pounds of toxic PCBs into the Hudson River, then spent millions of dollars from 1977 – 2002 fighting against efforts to make them clean up their mess, then seven years dragging their feet before finally, grudgingly starting a government mandated cleanup effort this year on 6 miles of the 167 miles of river that were polluted. True, it took a while before it was understood how toxic PCBs were. True, there was some question whether dredging out the PCBs would stir up more pollution than it cured. But their overall performance earned GE the title as America’s top polluter and their behavior in this episode has been shameful.

And now just this month GE settled with the SEC by paying $50 million in penalties after a 4- ½ year investigation concluded that on four separate occasions in 2002–03 the company intentionally misled investors or was negligent and “bent the accounting rules beyond the breaking point.” Basically GE booked sales that hadn’t yet occurred in order to inflate earnings so that they could continue to claim that they met or exceeded analysts’ financial forecasts for every quarter between 1995 and 2004.

And we won’t go into the draconian lay-off policies or personal integrity glitches of CEO Welch. There is, after all, a great deal to admire about Jack Welch and General Electric and no doubt some will feel GE did no wrong in either the environmental or accounting matters I just mentioned. So there you go.

But all of this is just to say that even if one acknowledges the foregoing as background problems and mistakes, Ben Heineman has, nevertheless, succeeded in delivering a message that is important for our time. Maybe the GE brand will help this message get read in some quarters that otherwise would resist.

In *High Performance with High Integrity* Heineman argues that capitalism as an economic philosophy and system has both high performance and high integrity as goals. “High performance” means sustained economic growth, superior products and services, and durable benefits to shareholders and other stakeholders. “High integrity” means adherence to the letter and spirit of the law, voluntary acceptance of global ethical standards, and employee commitment to core values of honesty, candor, fairness, reliability, and trustworthiness.

These are not just frills or add-ons but at the foundation of the corporation, Heineman writes. Fusing high performance with high integrity reduces risks on the one hand and enables benefits on the other. Only the CEO can truly lead the way on this critical combination. The CEO must “develop systems, processes, and practices that are built on clearly articulated principles and are based ultimately on a performance-with-integrity culture. What characterizes this culture? It motivates by values, norms, incentives, penalties, and transparent processes” (p. 11). Not just threats, but rewards and recognition, not just sticks but carrots lead the organization toward integrity. Heineman is good on the positive, upside potential of integrity in business.

Almost half the book is a long chapter on “Core Values and Principles” which for Heineman means eight things: (1) Demonstrate committed and consistent leadership – integrity in both word and deed; (2) Manage Performance with Integrity as a Business Process – i.e., consciously, carefully build integrity into your business systems and processes; (3) Adopt Global Standards; (4) Use Early-warning Systems to Stay Ahead of Global Trends and Expectations – be proactive as a global corporate citizen; (5)
Encourage the CFO and General Counsel to be both Partner and Guardian – the legal and financial aspects are so critical, don’t just leave it to the CEO to be the guardian;

I especially liked Heineman’s last three principles: (6) Foster Employee Awareness, Knowledge, and Commitment --- this means clarifying company values and guidelines and then effectively communicating and training all employees. Heineman’s comment here is right on target: “This kind of learning can be delivered as an interactive web program, but there is no substitute for resource-intensive, face-to-face training by experienced teachers, preferably from within the company” (p. 82). Web-based ethics and values training is essentially shallow and simplistic and radically individualistic: terrible preparation for the ethics reality which is collaborative and complex in nature. (7) Give employees voice --- through a well-designed ethics reporting system and regular “bottom-up” reviews of company performance by employees. Excellent counsel on how to do it. (8) Pay for Performance with Integrity --- not just for hitting the numbers or any other measure that overlooks ethics and values. Wouldn’t this be a great idea!

Heineman offers advice on “the toughest issues” confronting the “performance with integrity” leader: emerging markets, acquisitions, crisis management, public policy, and reputation. He offers his perspective on the right size and role of the board of directors – and favors more board independence and an improved board review of the CEO, linking compensation to integrity as well as performance. Heinemen closes by arguing (again) that it is the CEO and top leadership that alone can build the foundation for performance with integrity. Shareholders and directors have their roles but cannot do the job. The benefits inside and outside the company are huge, Heineman says; the costs are there but are less in the long term than the costs of neglecting integrity.

It is great to hear these wise words from a veteran leader from a global giant like GE. His counsel rings true for small and medium-size businesses as well. Most of good ethics in business is really common sense. Too bad it is so uncommon.