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DuPont: Highest Ethical Standards – As Captured In The Stories We Tell

Charles O. Holliday, Chairman of E. I. du Pont de Nemours and Company (DuPont) delivered the following address at the Atlantic Legal Foundation's Annual Award Dinner on Tuesday, October 27, 2009 as this year's recipient of the Atlantic Legal Foundation's Annual Award.

Editor's Note: Hayward D. "Dan" Fisk, Chairman of the Atlantic Legal Foundation's Board of Directors, introduced Charles O. Holliday, Chairman of DuPont. He said in his introduction, "I am privileged to introduce Chad Holliday. Chad has been chairman of the board of DuPont since January 1, 1999. He served as chief executive officer of DuPont from February 1, 1998 until he retired from that position on January 31. He is the 18th executive to lead DuPont in that role in its 207-year history.

"Mr. Holliday started at DuPont in the summer of 1970, after receiving a B.S. in industrial engineering from the University of Tennessee. He is a licensed professional engineer, and holds honorary degrees from Polytech University in Brooklyn, and Washington College in Chestertown, MD.

"He is a member of the National Academy of Engineering and past chairman of the Business Roundtable's Task Force for Environment, Technology, and Economy, as well as past chairman of the World Business Council for Sustainable Development, the Business Council and the Society of Chemical Engineering (American Section). Just last month Mr. Holliday was named to the board of directors of Bank of America, and he serves on the boards of directors of John Deere, CH2M Hill, and Climate Works Foundation. He is chair emeritus of the board of directors of Catalyst, a leading



Charles O. Holliday

non-profit organization dedicated to expanding opportunities for women in business. In addition he is chairman of the U.S. Council on Competitiveness, a non-partisan, non-governmental organization working to ensure U.S. prosperity, and is a founding member of the International Business Council. He coauthored the book *Walking the Talk*, which details the business case for sustainable development and corporate responsibility.

"Under Mr. Holliday's leadership,

DuPont established the mission to achieve sustainable growth – increasing shareholder and societal value while decreasing the company's environmental impact. He is the recipient of numerous awards, including the prestigious George Washington Carver award honoring individuals in the private sector who have made a significant contribution to sustainable economic growth through biotech innovation.

"We are especially pleased to add yet

another honor to your long banner of merit badges, Chad, as this year's recipient of the Atlantic Legal Foundation's Annual Award. This is the twenty-second consecutive year in which we've honored a great American, and it is indeed a stellar list of past government and private sector leaders as printed in this evening's program."

Holliday: Tonight the title of my speech is "Highest Ethical Standards." I'd like to share with you just one message, that is that what you create in your firm, your company, or your family radiates from the stories you tell.

If you want to make a difference in ethics, and I think you have to make a difference for ethics to work, it is in the stories you tell. I cannot stress enough how important I believe that is to our culture in DuPont. So that's what I will focus on tonight.

Respect for people is critical. In the late 1980s, I had just been assigned to Beijing. One evening we were at dinner in that city with eight people around the table, which constituted our entire Beijing office. We had only 34 people in the entire country of China. Today we have over 5,000 in 26 installations.

I asked our people about themselves. As we were going around the table, the woman just to my right, the last one to speak, said "I am the receptionist." And I said "That's a very important job; you represent us to our customers when they come to our door." Since her English was quite good, I asked "What's your background?" She said I'm a medical doctor.

As I quizzed her a bit more, I realized that she wasn't quite a medical doctor as she was one year away from finishing. She was at the top of her class in China and had been accepted at a major U.S. university to finish her residency and internship, but after Tiananmen Square she could not get a Chinese visa to return to America.

When I asked her why she came to DuPont she responded that her mother said DuPont was a good place to work. I don't know how her mother came to that conclusion, but I looked across the table to one of my colleagues, and we didn't have to say a word. I knew that he and I were determined to see that she received a visa, and we did.

And that story about how someone can be influenced by our reputation and how we reinforced that reputation by getting a

visa for someone who needed our help even though we knew she would not come back to DuPont is a story that's been told tens of thousands of times. I think that's why we have been so successful in China with 5,000 employees and a lower turnover rate in China than a lot of other companies.

A second story that has been retold countless times is personal to me. It relates to an event that occurred when I had been with DuPont only one and a half years. I was the lead engineer on a project.

It was a pretty big deal to be a lead engineer after only one and a half years. The project to which I was assigned was to complete work on a DuPont plant that was supposed to start in about eight days.

Unfortunately our son became very ill, so I was away for a couple of days when I should have been on the project at that critical time. As soon as I felt more comfortable about my son's condition, I returned to the plant at about 1:30 a.m. as they work 24/7, which is customary at such plants.

When I arrived at the plant, I noticed that my project was behind schedule by about a half day, and I became very worried. The operators and mechanics then on duty asked me, what's wrong: Why was I there at such an early hour?

I explained the problem to these employees who were not managers or supervisors but who are typical of the people who really make our company great. They said, "Well what do you need?" I said I needed a welder, because it looks like the welding job didn't get done. So they said they knew a welder down at the powerhouse.

The welder came up with his welding equipment and finished his part of the job. Then I mentioned that we could then start the electrical work. They pulled a couple of electricians off another area, and all of a sudden they were working on it. By 6:30 a.m., we had made up for the half day we missed. They saw that I was pretty tired because I hadn't slept, and they said I had to go home because it would have been unsafe for me to remain there, as tired as I was.

So I went home, slept a few hours, and went back to the hospital to be with my family. I came back to the plant at about 8 p.m. the next night to see what progress they had made that day. In the course of about 12 hours they had finished the entire project – four days ahead of sched-

ule. They handed me the sign-off sheet to sign as lead engineer. Someone else very easily could have signed it for me, but they saved it for me to sign because they knew that I would be very proud of what had been accomplished.

I said, "What you have accomplished in so short a time is fantastic and unbelievable. Why did you do that?" They said, "We knew that you needed to be with your family and that you would probably kill yourself trying to do both, and the right thing is to get this job finished so you can be with your family. Go back to your family since when your son is so ill and don't come back here until he's better. We'll get things taken care of." That is the spirit of our company. I am sure that your companies share that spirit. I encourage you to find those stories and then retell them over and over again.

Let me move to the ethics piece. What I found from my seven years in Asia dealing with some of the more challenging developing countries in the world is that companies like DuPont needed to provide models that would help those countries understand that if they want to attract business and assure better lives for their people they need to observe the highest ethical standards.

We had a unique situation in Hong Kong. Our first plant in China is in Shenzhen, which is about 50 miles across the border from Hong Kong. We frequently had to send vehicles carrying needed materials back and forth across that border. Like EZ Passes in the U.S., a special license plate will get you through in the fast lane. We applied for this special license plate because we clearly qualified since we had our headquarters in Hong Kong and a plant in Shenzhen, but our name never came up.

After checking around, we discovered that it took a \$50 bribe to get your name to come up. We wouldn't pay a \$50 bribe, let alone a 50 cent bribe; that's contrary to our standard of ethics.

So, people would make fun of our drivers, saying what a stupid company we had because they were waiting in line for an hour or two, sometimes two or three times a week, while for fifty dollars you could go right through. We held out for about a year and a half until a reporter for the *South China Morning Post*, the Hong Kong newspaper, found out about it. It then got a list of everybody who had gotten a license plate after we had applied.

They printed it on the front page of the newspaper.

There were a lot of very embarrassed people, and we had a lot of very proud DuPonters because we wouldn't pay that bribe. We could have bought corporate image advertising or talked endlessly about our training courses, but nothing can beat that story. I have told it many times. It's the kind of thing that makes a difference because companies really demonstrate their ethical values in situations like that.

One last story on ethics. Maybe you can think through this one with me and see where you would come out. A few years ago I called Fujio Mitarai, who is still the CEO of Canon, and asked if I could bring our board of directors over to Japan to meet with its board of directors. I said there will be a lot of sharing, and they'll learn a lot about Asia and Japan. He said sure, that would be a great thing to do. So we brought our board of directors over and had a great exchange.

There was a little bag by everyone's chair, and we didn't think too much of it. When we got outside we found that there was a Canon camera inside the bag with every director's name engraved in it, which was quite nice. But, I took a big deep breath because under our ethics rules we can only accept a gift worth not more than \$200.

I looked at some of my colleagues in the room who know that very well and wondered what we should do. Here you have one of your best customers who has given a gift that is pretty inappropriate to give back because it's engraved.

Canon obviously wasn't trying to do anything wrong – it was just a courteous gesture. Yet, it's over our \$200 limit; in fact each camera retailed for about \$400 dollars. You could rationalize it and say, well it didn't cost Canon \$200, so we can kind of forget about this. That would be one route. Another route would be to donate the cameras to some good cause.

Nevertheless, our procedure says you must give the gift back because it is

important to let the giver know that it didn't influence your decision. So the only thing we could do was to return the cameras to Canon. And believe me, a lot of people on our team said, that is not a very good idea. This is our best customer, and they didn't mean anything by it. Don't be ridiculous. Can't we do something else?

So we thought about it overnight, and then I went to my good friend Mitarai and said, I have to talk to you about something. I then explained our policy and said that we had to return the cameras. I was a little bit nervous because I didn't know how he would take it because he is a very proud man who is also the head of the Japan Business Federation.

I was relieved when I heard his response. He said, "I always thought DuPont was a good company; but now you are a step above everybody else we deal with. What other company would have returned the cameras for such a good reason?" He immediately brought four of his directors into the room and had me explain the reason we felt compelled to return the cameras.

Afterwards Mitarai told me that Canon was going to adopt the DuPont policy because of this. Believe me, I've told the Canon story more than once too.

So, I leave these stories with you tonight because I believe they show how a human being telling a story that demonstrates the ethical values of your company can not only build good will for your company, but also influence the behavior of other companies and most importantly build public esteem for companies generally – at a time when the public is skeptical about companies and their ethical values.

In the ethics arena, I've had to deal with many issues, and I've always used three tests. They are not original with me, but when I am faced with a decision, first I ask myself if I went back and told my manager or my supervisor would I be proud of it? Second, if I went home and told my family I did this, would I be proud of it? And third, if it was printed in

the newspaper accurately, would I still be proud of it. What I find is that when I talk to people across multiple cultures, those three little tests transfer extremely well.

In closing tonight, I would like to say more about the Atlantic Legal Foundation. It has an absolutely fantastic mission.

We do a lot of work in DuPont around science as we are a science company. Our logo is the "Miracles of Science." We try to improve people's lives through science. We have focused for a long time on problems created by climate change and water scarcity.

Since retiring as CEO, I've had a lot more time on my hands and I have devoted almost 100 percent of my time to those problems. First, they are very serious problems – probably more serious than we know today, because scientists are reluctant to forecast what will happen in the future until they know for sure. From DuPont's perspective, these problems are so serious that we are taking action now to address them. Second, the good news is that there is science coming along that will help us get through this.

There will be a lot of change, but we will not have to sacrifice our standard of living. In fact, in the long run, our standard of living will continue to improve.

I congratulate the Atlantic Legal Foundation for its contributions to that bright future. Its support for charter schools will assure that we have institutions where students will get superior educations in science, and its efforts to assure that the patent laws are interpreted properly will stimulate invention in the complicated new areas of science. We need to assure that those who invest in productive research are rewarded for their efforts. The mission of the Foundation has never been more pertinent. I'm glad that our general counsel Tom Sager and his team are so supportive. It is such a pleasure to accept your honor tonight. Thank you very much.

