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PEGASUS

A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM
NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



Pegasus

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Forward

In this issue of Pegasus, we honor one of the leaders of the Caux Round Table, Frank Straub. When I was first invited to work with the organization, Frank was one of the most dedicated and articulate members of its board. His company, BLANCO, was a family company, one of the many which gave quality and employment to the German economy after World War II. The company group now has 8,300 employees, in 54 locations, in 23 countries. Its annual turnover is 1.4 billion Euros. Its specialty is creating kitchen spaces. The other year, when Hoa and I had a new kitchen installed in a condominium unit we had just purchased, I was delighted that the kitchen sink installed by our contractor was a BLANCO sink.

As he describes below, Frank's concern, as owner and CEO, was for the culture of his company. He realized, in line with the Caux Round Table approach of moral capitalism, that intangible assets – culture, social capital and human capital – are the principal highway to creation of tangible wealth that shows up on the balance sheets of accountants. It is us who produce useful wealth, not nature and not government.

I think you will find Frank's comments over the years from his company's in-house magazine most instructive.

Stephen B. Young
Global Executive Director
Caux Round Table for Moral Capitalism

Introduction

In this issue of *Pegasus*, ten of my essays are reprinted from the book, *Culture Time at BLANCO*.

I spent almost my entire professional life in different positions at BLANCO, the company founded by my grandfather, Heinrich Blanc. Over those years, I encountered a great many impressive people. As a result, I've always viewed the cultural issues that arise from coexistence in a special way. A well-established corporate culture is a key factor in success, of course, but at the same time, there's little better than working in a friendly, harmonious and mutually supportive atmosphere. A mainstay of my cultural work over 40 years at BLANCO was the 22 editorials on cultural topics in our company magazine, *BLANCO HORIZON*. I've often had them photocopied so that I can hand them out to new managers and ensure that those messages, which are so important to me, go a bit further. I wanted those thoughts on culture to continue to resonate. Nevertheless, this photocopying method seemed to me to lack a bit of **professionalism**, which led to the idea of publishing my Horizon editorials in a booklet. Over the years in which I was actively involved in our corporate culture, the communication forums that took place several times during a year under my leadership also proved hugely important. As one example – No. 8, May 2007, *Bureaucracy is devouring its Children* – people are now talking about bureaucracy. The politicians are addressing it. It's on the agenda at the EU in Brussels and it's a constant issue within industry. The suffix of democracy in Greek means “govern, rule, strength, power.” In that respect, bureaucracy is a baronial organization. That is, power is exerted from the people through the issuing of rules and regulations. Distrust is the perfect growing environment for bureaucracy, in line with Lenin's quotation of “Trust is good; control is better.” We believe the opposite is true: “Control is good; **trust** is better.”

Over the years, there have been many other influential essays in *BLANCO HORIZON*. We present a few here.

Frank Straub
Former Chairman
BLANCO

Where are the role models?

Horizon, December 2002 edition

There's been a lot of worrying news lately: fraud, concealment, insider trading, and so on. The global economy suddenly appears to be a playground for people with criminal tendencies.

Examples like ENRON, WorldCom, FlowTex and EM.-TV make it clear that counterfeit balance sheets, personal enrichment and other such activities have increased. Recklessness and a self-serving attitude have spread, in some cases with devastating consequences for confidence in the market economy.

The fact is that there is no alternative to the market economy. However, it must be supported not only by social values, but also by a general sense of morality.

This worrying development is akin to the Woodstock revolution in the United States at the end of the 1960s. In that case, it led to the 1968 movement, which was associated with a sudden craving for ease and a relaxed sense of authority, accompanied by ethical and moral shifts. At the time, many young people expressed the intention to adopt different ethical standards to those that their parents had accepted.

The principle of fun was prioritised over a Puritan work ethic. Making your own cause the focus of your life was seen as a higher duty than being a useful fellow citizen. This attitude is somewhat problematic and should not simply be accepted without question. Of course, even with a well-functioning market economy, there will always be the odd rogue firm. But the prevalence of them in today's world is worrying.

Our society is threatening to drift into a loss of its values, excessive materialism and an intolerable egocentricity among individual leaders. Who can people look to for guidance? Role models exist, but the sheer drama of recent events means that they have faded somewhat into the background. It's high time that we brought their example back into focus.

They include business figures like Mr von Kuenheim, the Chairman of the Executive Board and then Chairman of the Supervisory Board of BMW AG, Berthold Leibinger, Managing Partner of Trumpf in Ditzingen, and the late Hans Merkle, who led Bosch for decades. And there are role models of this calibre in our group of companies, too. Just think of Heinrich Blanc, Karl Fischer or Heinz Treffinger.

In our group, we base our dealings on commercial prudence – in other words, proper work. The new, recently published edition of the *BLANCO* guidelines emphasise these ethical values. *BLANCO* is a member of the *Caux Round Table*, a globally active association of companies and business personalities that aims to promote and disseminate ethical values in business and politics.

Rogue firms that damage the reputation of the many companies that foster integrity, decency and right-thinking business people, must be punished with all the rigour of the law. Economic history shows that the companies that work according to high moral standards – integrated into a strong corporate culture – enjoy the greatest and most lasting success over the long term.

You can help to ensure that equity, fairness and honesty are the benchmarks against which we measure ourselves in our company.

We wish you a relaxing and peaceful Christmas and New Year. Please also use this time to reflect on the above and start the New Year with the best of intentions.

The right way

Horizon, December 2003 edition

Over recent years, our efforts to improve our corporate culture have been thoroughly vindicated through our new recruitment concept, which included a workshop with students.

'Soft' factors play a key role for graduates when choosing a future employer.

We were found to have above-average performance in these soft factors.

The following positive aspects were highlighted:

- Freedom of ideas and a high degree of individuality
- Independent work with a high degree of personal responsibility
- Good working atmosphere where employees feel at home
- Relaxed personal interaction
- Friendly atmosphere

Our years of striving to create a working atmosphere that motivates employees are obviously bearing fruit.

Even though long-standing problems with catering systems are putting a strain on the Oberderdingen site, the situation is favourable overall.

'Hard' factors like machinery, buildings and products are also hugely influential, but are less important to the success of a company.

Companies with comparable hard factors can have very different results.

This is due to differences in corporate culture that affect employee motivation and engagement.

All this demonstrates that our corporate culture is an especially important factor in our success.

As such, it is all the more important that we all continue to work on improving it.

Over the Christmas holidays, it would be great if you could spend some time thinking about how you can contribute to this next year.

We wish you a lovely, peaceful break with your family and friends.
We are confident that we are more than ready to take on the challenges
of the coming year together.

Praise and criticism

Horizon, March 2005 edition

Some time ago I had a formative experience. During the last shop stewards' forum, I asked the 40 participants present whether they had received any praise at all over the last few months. Nobody raised their hand.

Only one person spoke up, to recall the last time that he had been criticised – the previous day.

I asked the same question a few days later at one of our leadership forums. The result was largely the same.

Why are people giving so little praise?

Do we have employees who don't do anything praiseworthy? Are we not aware how important praise can be, when appropriate, and how it can boost motivation? Why are we struggling to praise employees for good work? We don't have any problems offering criticism. Let's not go back to the old Swabian adage of 'not being scolded is sufficient praise'.

One of the most important factors in a company's success is having motivated employees, and that motivation is directly related to their working atmosphere. The fact that people like working in a company is a sign of a good working atmosphere.

Employees who receive praise are more motivated to put in good work. In other words, by offering regular praise where it is due, you can make a real contribution towards the success of the company.

We therefore appeal to everyone to ignore the Swabian truism and help to motivate employees through praise.

BLANCO must be known for ensuring that employees who put in good work receive the recognition and praise that they deserve. In the title of this piece – Praise and criticism – praise comes first for a reason.

And while I'm here, I'll come out and say it: you've all worked very well indeed over the last year!

The 'T' phenomenon

Horizon, June 2005 edition

Our society is increasingly dominated by egoists. The 'T' is more important than the 'we'. Among other things, this impression is heightened by the fact that individual managers of large companies seize the opportunity to enrich themselves without having merited it, allow themselves to be bribed or get involved in dodgy dealings. Such people have lost any decency or sense of what is fitting.

Some months ago, an American entrepreneur told me that his company had four priorities: firstly the customer, secondly the company, thirdly the employees and fourthly the shareholders. He was referring to himself. Anyone who violated this unwritten law would be expected to leave the company and set up on their own. That way, they would be able to live out their selfishness at their own expense and at the cost of their own reputation. Only it's doubtful how long that approach would work for them.

Once again, we have to put the emphasis on the common good if we are to remain worthy of trust even when times get tough.

The former president of Canon and co-founder of the *Caux Round Table* summed this up in the 'kyosei' principle, which means 'living and working together for the common good'.

The main reason for this phenomenon of self-centredness is the proliferation of materialistic thinking. We could do a whole lot better than this. I would therefore appeal to everyone with a sense of dignity, including major associations like the associations of entrepreneurs, Wirtschaftsrat der CDU (Economic Council), and so on, to speak out loudly and clearly against this. We must communicate to the people of Germany that they can continue to trust the free market economy and its leaders.

Fighting the technocrats

Horizon, December 2005 edition

Technology dominates our lives. Its influence is felt in every area of life, including information, communication and process design in companies. As technology grows, however, people are feeling increasingly uncomfortable with certain aspects of it. Increasingly, we are confronted by more and more devices that are unfamiliar to us and whose potential we cannot harness, but we have to pay for them nonetheless. Communication processes are being accelerated without taking account of the fact that people's communication skills have their limits. We are overwhelmed by time spent unproductively, stress and frustration.

Technocrats – bureaucrats who believe in the supremacy of technology – are bombarding us with the latest perfected and refined techniques, with little heed to the need to ensure human wellbeing in these processes. Everything has to be 100% percent optimised, structured and organised down to the last detail. For instance, the notion of considering how we can benefit our customers as people, rather than simply numbers, has gone completely out of the window. We have received some initial overtures from the technocracy, which have been marked by an extreme focus on figures as the measure of all things.

However, we should always put the requirements, wishes and sensitivities of people at the heart of our considerations. Lasting success is the sole preserve of those who keep this at the front of their mind, while using technology as a helpful tool. Of the Fortune 500 companies in the USA, i.e. the largest companies listed on the New York Stock Exchange, all of the bankruptcies that have occurred over the last 50 years were caused by technocrats managing these companies. That should give us pause.

Don't get me wrong – technology is important, but only as a means to an end, not as an end in itself, and not unnecessarily and at the expense of people inside and outside the company. That's how I'd like 'fighting the technocrats' to be understood.

We would like to wish all of our readers a peaceful and relaxing holiday season.

Getting active

Horizon, March 2007 edition

According to the German proverb, 'Moving brings blessings' – meaning that it causes things to blossom and flourish. That goes for companies and individuals alike. We are naturally programmed for movement; a lack of it makes us sick.

Discussions are raging around the explosion of healthcare costs, but there's not enough focus on the fact that more daily exercise could be the biggest contributor to solving the problem.

You might not be naturally sporty, but it's worth remembering that exercise promotes health. You can start small by taking the stairs instead of the lift or escalator, or going for walks more frequently, such as during lunch breaks or on your way to the local restaurants. Using your car less also helps to protect the environment and saves on fuel costs.

There are plenty of opportunities to stay active at work, e.g. on company tours, walking to the cafeteria or making your way to meetings outside your own office.

Similarly, you don't always have to park as close as you can get to the buildings.

There are plenty of options out there if you look for them. Generally speaking, combining lots of different options for staying active can make for a very effective fitness programme. Doing it this way means that you don't always have to head to the sports field or fitness track for your health to benefit.

It's time to silence your inner couch potato and get out into the fresh air!

That's what keeps us active.

The role of round tables in business success

Horizon, June 2008 edition

Round tables have always been immensely important for us. Since the mid 1990s, we have been a member of the ***Caux Round Table*** (CRT), an international group of entrepreneurs and business leaders committed to ethical principles in business. Since 2007, we have also been a sponsoring member of CRT Deutschland e.V.

Our mission is to ensure that our company has an ethos of treating people fairly. Unbridled materialism, boundless greed and reckless behaviour have damaged the credibility of business people and leaders, and thus our social market economy. We must do everything we can to overcome this credibility crisis.

Round table discussions can play a key role here. We need to take action by working with and for each other, not against each other, in the spirit of solidarity towards society. Determined and courageous commitment from just a few won't be enough; we can only tackle this challenge by working together. Internally, we do this through our guidelines, forums, editorials, and so on, and externally through our active membership in the ***Caux Round Table***, our involvement with the Economic Council and University Council, and lectures and active public relations.

Everyone can make their own contribution by voicing constructive criticism, clarifying and calling for countermeasures, rather than simply feeling indignant at negative news stories.

This is also the task of the press, which should ensure fairer and more balanced reporting. Our company is leading by example. We want to be a shining example.

Fear – a poor guide

Horizon, September 2013 edition

I recently visited an artist's studio in Pforzheim, where I saw a picture. It immediately brought the term 'scaredy-cat' to my mind, and I asked the artist to give it that title.

Why did I buy it for us? Scaredy-cats cannot be entrepreneurs. They shy away from risk, avoid responsibility and seek only to protect themselves.

Our corporate culture is characterised by freedom for entrepreneurship, initiative and a focus on action. There's a reason why you see a sign reading 'We do it!' on so many doors.

We're not a scaredy-cat company and we don't want to become one. There's no reason for fear here. Our fault-tolerant culture encourages willingness to make decisions, take risks and assume responsibility and make mistakes.

Successful companies need these characteristics. They form the basis for decisiveness, flexibility and speed, both in the decision-making process and in implementation.

There's nothing wrong with staying alert, but you need to show up and seize the mettle. This picture is meant to remind us of how we don't want to be.



Standing up and saying no: **Combating wrongdoing with moral courage**

Horizon, September 2015 edition

Everyone's talking about those who have the courage of their convictions right now. Newspapers report on people acting courageously and taking personal risks on behalf of others, including those who are threatened or attacked.

This kind of courage is often associated with standing up for what's right and preventing wrongdoing. Companies can also benefit hugely from this courage to stand up for what you believe in. This is especially true if supervisors expect or demand something from employees that violates the existing rules, guidelines or even laws and regulations. Such a case occurred some time ago at our company.

Employees did something they should not have done, for fear of possible reprisals from a manager. For years, we've been committed to really practising our values within the company and fostering a people-friendly corporate culture. Such values might include decency, honesty and the courage to stand up for a good or just cause. Occasionally, however, this breaks down and employees don't speak up because they fear that it will be damaging to their career.

As understandable as this is, it goes against a value-oriented, active corporate culture. Anyone who refuses to do something wrong or incorrect has right on their side. They must not face repercussions and supervisors must not discriminate against employees in such situations. We must continue to cultivate and exercise moral courage as an integral part of our corporate culture.

Pitfalls

Horizon, December 2015 edition

There are two dangerous pitfalls in corporate reality, and it's worth being aware of them. The first is the success trap. This comes when people have years of success, start to get used to it and consider it to be a matter of course. As a rule, they then tend to underestimate the competition, fail to assess market influences critically enough and, in the worst case, develop a sort of arrogance based on past success, simply assuming, "We are the greatest". We have to be vigilant about preventing this from happening.

The second trap is the culture trap. This occurs in companies with significant cultural deficits, even though they often are or appear to be successful. A current example of this is Volkswagen. VW was and remains a successful automotive company, but it fell straight into this trap due to cultural deficits. The corporate culture, originally shaped by Ferdinand Piëch, is somewhat authoritarian, with diktats handed down in a lordly manner. Unfortunately, Martin Winterkorn carried on in this vein. This led to a situation where, due to fear of reprisals, there has been a rise in yes-men, along with problems and unachievable targets, such as the scandal surrounding the manipulation of figures for diesel vehicle emissions. The Group's great results were destroyed by the avalanche of costs due to damages.

You can be successful for a relatively long time, with good products and a convincing business model, but at some point the trap will snap. This happened recently at VW, and two years ago at Schlecker, following over 20 years of success. We must not be dazzled by successes if they are accompanied by a culture of dubious values. Sooner or later, you end up paying a high price for this. Since we're aware of these pitfalls, we should know to avoid them.

The logo features a large, thick, black brushstroke forming a circle. Inside the circle, the text "CAUX ROUND TABLE" is written in a teal, sans-serif font, and "FOR MORAL CAPITALISM" is written in a black, sans-serif font below it.

CAUX ROUND TABLE FOR MORAL CAPITALISM

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Steve Young

Editor-in-chief and Publisher

Michael Hartoonian

Associate Editor

Jed Ipsen

Assistant Editor

Patrick Rhone

Layout & Design

We hope you enjoyed this issue of Pegasus. Please feel free to share it with others. They can sign up to receive it directly at: <https://www.cauxroundtable.org/pegasus/>

