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**ETHICS ASSESSMENT EXE
FOR BELL SOUTH TELECC**

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This report is an excerpt from the values and vulnerabilities BellSouth Telecommunications by the Ethics Resource Center findings from Florida based on six individual interviews and differences in culture as well as key findings from the Flo between May 15, 1992 and June 15, 1992. Participants within the parameters of achieving a cross section of staff

FINDINGS

This section summarizes the assessment Findings according to the following categories:

- Industry Characteristics
- Corporate Culture
- Organizational Values
- Vulnerabilities to Unethical Conduct

INDUSTRY CHARACTERISTICS

Interviewees noted that industry members are under intense public scrutiny, at both the local and national level. In return for a quasi-monopoly status, the RBOCs are expected to conduct business in a manner to maintain the "public trust."

Historically, the regulation of the telecommunications industry created a monopoly environment, producing conservative, bureaucratic organizations. This environment limited competition and guaranteed the telephone companies a sufficient profit. However, interviewees noted that fast-paced changes in the regulatory and market arenas have transformed a once staid industry into one that is becoming highly competitive. At the same time, many of BellSouth's services are still regulated, making it difficult to compete in bids for lucrative corporate business. Interviewees noted with some frustration that fast-paced technological advances also make it difficult to develop a clear vision of what the industry and BellSouth will be like three to five years into the future. Some employees indicated that direct competition places pressure on the company to reduce costs, an effort often achieved through the reduction of people. This sense of uncertainty has increased feelings of anxiety and insecurity among some employees.

Divestiture and deregulation in some areas of the business have led to a new phenomenon for some employees, namely the advent of real competition with other RBOCs and independent communications companies. Interviewees noted that this has led to some frustrations: the

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This can put employees in a difficult situation. Do they risk disappointing a customer or do they use company resources to fix a competitor's problem? Some employees also recognized that the industry is expanding while BellSouth's segment is shrinking. Pressures on the company's culture, people, and response systems will increase as today's advanced technologies become commodities and as customers' requirements change, creating an even more competitive environment.

ERC asked a number of the interviewees and focus group participants to rate BellSouth's commitment to ethics in terms of its actual practice and operations. On a ten point scale, with ten being high and one being low, ratings varied between two and ten. In our noncomprehensive tally, senior management interviewees rated the demonstrated commitment to ethics on average at eight, whereas focus group participants rated it on average at four.

CORPORATE CULTURE

BellSouth has a 100-year history and there are still some remnants of the bureaucratic, monopolistic, measurement-driven, pre-divestiture AT&T culture. Overall the company has been perceived as a hard working, ethical company with good compensation and benefits. However, when employees joined the company they thought they had contracted for a job for life. Many employees now feel that the company has violated that pact. "We're in a constant state of reorganization and change and downsizing." Others recognize that the company's actions are necessary for survival in the marketplace, but acknowledge that people are frightened by the potential for downsizing and loss of the historical "family" relationship.

Differences

Perceived fundamental cultural differences between the two former telephone subsidiaries, Southern Bell and South Central Bell, can sometimes cause friction. For example:

- People from South Central are perceived as conservative and non-innovative in a market that is declining or stagnant. They draw a clean line between right and wrong, and are said to have better procedures and a more centralized structure. Their philosophy is said to be "let me ask first."
- People from Southern Bell, on the other hand, are described as innovative and futuristic. Their markets are growing and they face more challenges because of the fast pace of the market. Their philosophy is said to be "wing it," or shoot from the hip.
- BellSouth Corporation is seen as different altogether. As one interviewee said, "They're just not phone people."

Interviewees also indicated that different cultures existed among the various states. Some of the differences were attributed to the corporate customer environment within the individual states. There was a perception that Florida was more aggressive than other states within the company because of the technological innovations and intense competition facing its markets.

Employees

Managers say they want to treat employees with dignity and respect, but are perceived to fall in their efforts due to ignorance or insensitivity ("this is the way we've always done it"), pressure to get results, and poor communications. One interviewee said, "They've become very insensitive, you're just a number." On the other hand, managers and employees alike noted the existence of a civil service mentality, particularly at the lower levels, where they perceive that it is tough to be fired or to fire someone for poor performance.

There was a perception that most of the executives and employees have worked within the Bell system nearly all of their working lives with little or no exposure to other companies or industries. Therefore, interviewees fear there may be a certain amount of naivete and resistance to change. This could put the company at a disadvantage both from a business and an ethical perspective since new challenges from increased competition and from emerging market areas may not be fully anticipated.

Most interviewees believed that the company has done a good job of identifying high potential employees. However, some interviewees noted the impact of cultural changes and increased pressure on these employees as the company reorganizes, creating wider spans of control and moving people into different functions.

Decision-making and Communications

There was a consensus among interviewees that the regulatory environment encouraged committee decision-making rather than individual accountability, as might have been found in an unregulated company.

Employees believe that a "shoot-the messenger" environment, a cultural artifact inherited from AT&T, still exists. Employees are not encouraged to report problems. Some managers are reluctant to tell bad news to superiors and subordinates because they perceive they will be labeled "difficult" or risk getting demoted or fired.

The company has historically placed strong emphasis on measurements. This emphasis began as a method of facilitating internal competition in an industry where external competition did not exist. Consequently, the mindset has become one of managing to measurements rather than to competitive market factors.

There is some cynicism about catchy phrases or "programs of the month" used as rallying points to motivate employees. Employees perceive that upper management does not take such programs seriously or follow through well with implementation. A concern was expressed that ethics would be such a program.

Conflicts among departments and tendencies of "turf protection" were noted wherein departments compete with each other and do not always share useful information, sometimes to the detriment of the total organization. "Departments are constantly at each other's throats." "You can't get two different departments to talk because they have two different indices."

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OPERATING VALUES

Establishing consistency between stated and operating values is a critical element in creating, maintaining and strengthening an ethical operating environment. Values provide the foundation that can guide subsequent action. Employees look to the values as touchstones, especially when they are confronted with new, complex or "gray" issues and need guidance to make the right choice.

<i>Stated</i>	<i>Operating</i>
Customer First	Customer Service
Respect for the Individual	Conformity
Pursuit of Excellence	Making Measurements
Positive Response to Change	Bottom Line
Community Mindedness	

Most said that the company paid lip service to customer service, but when forced to choose between service and the bottom line or internal measurements, the customer loses out. The attempt to take away beepers as well as an absolute policy of no overtime were cited as examples. People also perceive that "customer first" means the customer who threatens to go to the PSC. Some interviewees indicated that the company let the focus on customer service slip after divestiture, focusing instead on productivity and financial measurements. Increased competition has re-focused the company on customer service. However, some interviewees indicated that the company cannot provide the level of service that it once did without sacrificing revenues and earnings.

Changes in the culture have led to new pressures.

This pressure was translated as a lack of concern for the individual, particularly the employee.

In addition, there is a perception by some employees that some legitimate business activities are unethical. This may indicate a reluctance to embrace change in a way that will allow the company to compete in the industry. For example, some interviewees indicated that any selling activity is unethical, particularly if it involves giving lower income customers a choice to purchase features that they clearly cannot afford or may not need.

Interviewees stated that conformity was valued in two ways. Some interviewees felt that it was important not to draw attention to oneself either by exceeding performance norms or by suggesting changes that varied from the way things had always been done. Other interviewees defined conformity as risk aversion. They stated a reluctance to make management decisions and a need to "never be wrong."

Employees acknowledged that the company values its image in the community, but most thought this reflected concerns for public relations rather than for the communities themselves. Some felt that the company goes too far in its zealotness for community programs such as United Way.

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Some employees believed that the company's efforts to embrace quality were genuine while others had mixed reactions about the company's commitment to quality as a long-term value.

VULNERABILITIES TO UNETHICAL CONDUCT

Like most large companies in the United States, BellSouth has had its fair share of what could be considered "common" ethical vulnerabilities: expense-report abuse, unauthorized use of tools and supplies, drugs and alcohol, and petty theft. Highlighted in this section are: 1) systemic features that could create an environment where such activities are inadvertently encouraged or tolerated and 2) potential vulnerabilities where the ethical choices are unclear or not well-defined. These concerns are divided into the following categories:

- Management Issues
- Measurements, Goal-Setting and Performance Evaluations
- Competition
- Communication
- Ethics Effort

Management Issues

Supervisory Issues

- There were concerns that future downsizing could overload supervisors' spans of control and increase their responsibilities. Consequently, limited supervision could potentially lead to an increase in safety problems.
- Interviewees were concerned that supervisors didn't know enough to give adequate guidance or detect misconduct. Supervisors used to come up through the ranks, but now they come straight out of school.
- There were perceptions that technical resources were allocated across states without regard to differences in the workload. Employees raised the issue of what managers can reasonably demand from employees, especially when resources are stretched. Employees did not "think [the company had] a support structure in place to help managers make these decisions."

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Leadership

- Some interviewees believe that top management's actions speak louder than their words and in some instances may contradict those words. For example, some interviewees perceived that management endorsed the quality effort, but wasn't really involved in it. "We're waiting to see some action that whoever tries it won't be killed."
- Interviewees perceived risk aversion in management decision making, resulting in a level of frustration for employees when managers refuse to make decisions. "After a while you quit squirming and give up and say, 'Just tell me what to do.'"

Disciplinary Practices

- There is a perception that supervisors either overlook questionable behavior from top performers or discipline them less harshly, if at all. Interviewees viewed some disciplinary actions as inconsistent with the severity of the behavior. Some things, like pressuring employees to buy bonds, elicited a turned head while others, such as putting down an extra dollar on an expense account, were treated much more harshly.
- Interviewees state that sometimes there is pressure to find a job for an employee's relative or friends of upper management, even when the individuals have flunked job tests.
- Interviewees believe that top executives are not held to the same standards as the rest of employees. They feel double standards exist with regard to both standards and discipline.

Policies and Procedures

- Interviewees stated that even though policies were in place, if things were going well, no one checked to see if they were being enforced. Several factors such as the reluctance to escalate problems, the focus on making measurements, the lack of accountability and ownership, and the passive acceptance of ethical expectations led to processes that would not be detected unless something went wrong.
- Employees noted a discrepancy between the company value of respect for the individual and the practice of sponsoring company activities at private clubs which discriminate based on race or gender.

*Measurements, Goal Setting and Performance Evaluations**Measurements*

- There was a perception among some employees that revenues were sometimes recognized in advance of service installation. Employees perceived that customers were asked to sign a statement indicating that services had been installed when they had not been.
- Interviewees indicated that because those who meet measurements do well, people manage to budgets instead of managing from budgets. "You can't do it unless it's in the budget, so if you think it's good and need to do it, you find a way to do it within the budget." Other employees indicated that although union contracts do not allow comp time to be substituted for overtime pay, if managers do not have overtime in their budgets, they will use comp time.
- There was a perception that employees who manipulated measurements to make the index may not have realized the impact of their actions on customer rebates or commission compensation.
- Because most past measurements were internal, some interviewees perceived that goals were not set that couldn't be met.
- Other interviewees perceived that since there was so much emphasis on a few goals, people would do whatever it took to meet them and make sure there were no mistakes. "If you have ridiculous measures, people will cheat on them." Although employees perceived that the focus on measurements was changing to reflect customer satisfaction, some interviewees also thought that the pressure to make measurements would only increase as competition increased.

Reward Systems

- Although there were pockets of management looking at the means to the end, in general, management is perceived as having consistently rewarded the achievement of results without consideration for the means employed. Some interviewees stated that measurements used as a basis for compensation and evaluation are particularly vulnerable.

(i.e. long-term relationship with customer
should have more emphasis than numeric results.)

- Interviewees perceived that the company was vulnerable in any area where measurements determined compensation. As quotas and competition increase and the workforce remains constant or decreases, vulnerability will increase.

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Performance Appraisals

- There is a perception that there has not been a good appraisal system for evaluating employee performance based on merit. Some perceived an expectation for appraisal outcomes to conform to a bell-shaped curve, causing concern among supervisors who didn't believe their employees belonged in the bottom range. Others perceived that everyone is a "major contributor," making it very difficult for managers to break out of the mold and give other ratings that may more accurately reflect the employee's performance. "There's never really any honest feedback." Some interviewees did indicate that the company is trying to change by focusing on customer evaluations as a measure of performance.
- Employees indicated that managers were not rated on how they evaluate or develop people.
- Some interviewees perceived that the company does not have a consistent way of setting objectives that considers the differences in business potential for various markets.
- Employees noted that much of the focus on measurements pressures them to do whatever it takes to get the job done. "It takes a lot of time to evaluate how." Interviewees suspect that managers only ask "how" of the employees that don't achieve results. The company needs to "communicate that the reason [they] are not asking is because [they] assume people are doing it right."
- Some interviewees weren't sure the company knew how to drive behavior to achieve measurements ethically. While some employees thought that performance goals were not always realistic, others thought that objectives should challenge employees to achieve outstanding results, saying "that people can usually do better than they think they can."
- There was a perception that the "potential evaluation", which influences promotability, may perpetuate the glass ceiling for women and minorities, especially if their skills are not noticed or translated into potential abilities. You "may have potential, but do we want you to move? If no, then you don't have the potential."
- Employees perceive that the pressure to give to United Way is unfair. Managers and craft believe their appraisal and their job can be affected by their enrollment, so they are encouraged to sign up, even if they intend to cancel.

Competition

- Most employees believed that the company wants to compete, but really doesn't know how. Some interviewees also perceived that people may

not "realize the consequences of not doing it right." Others aren't convinced that competition will happen and don't understand that the company "will lose market share even with good service."

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- Employees familiar with the competitive factors suggested that the company could run into competition before it is ready in certain areas within large commercial customers. For example, competitors for the local telephone service are emerging. The company needs to clearly communicate how employees should deal with these providers.
- Marketing groups selling to large customers or involved in partnerships with potential competitors seem to have specific policies in place to direct employee behavior. However, the company may not have thought about expected behavior from employees when dealing with new entrants to the marketplace. For example, if a new entrant announces a competitive offering, what activities can be used to maintain market share that are also permissible within company policy?
- Some employees perceived that the focus on revenues generated by large corporate business neglected the interests of smaller customers. For example, service employees may forward requests for information from small customers in remote areas to the appropriate marketing groups, only to learn that marketing chooses not to devote resources to such a small volume of business. Some employees perceived this as a breakdown in corporate values since a commitment was made to the customer that may not be honored.
- One of the most important competitive pressures will be response time. Some employees indicated that the company is not geared to move quickly on anything. However, the companies that are quick and flexible will win the business.

Communications

Proprietary Information

- BellSouth increasingly finds itself in situations where its business partners are also customers, competitors and vendors (e.g., AT&T). Some interviewees desire more guidance on reasonable business practices for dealing with these relationships, on the boundaries that should be set, and on the protection of the sensitive and proprietary information of BellSouth, its customers, and its partners.
- Some employees stated that the company does not do a good job of identifying sensitive material. "We stamp everything and then employees don't believe anything is sensitive."

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- Interviewees are concerned that the guidelines and training for protection of customer, vendor and internal proprietary information are inadequate and may result in inadvertent and inappropriate disclosure to other customers, vendors, other RBOCS and affiliates.

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Internal Communications

- Some feel that information passed to upper management is filtered and tinted, reflecting the "shoot-the-messenger" mentality and resulting in a softened message that doesn't give a clear understanding of the problem. "You have to say what they want to hear." Even employees who did not believe that everyone "shoots-the-messenger" indicated a need to "create an environment where people will listen."
- Employees would like to hear about problems and issues before they appear in the local newspaper. The fact that they don't fuels the feelings that management does not care or trust the employees.

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Some interviewees stressed the importance of communicating clearly to employees if downsizing actions are taken in the future.

Ethics Effort

Company's Commitment

- Many interviewees perceived that some employees view some normal business practices such as selling as unethical and therefore contradictory to company values. Interviewees stated a need for a better understanding of what the company means by "ethics."

Ethics Office

- While the new Ethics Office was known to only about 20% of the interviewees in the preliminary assessment, internal communications have increased awareness of the office. However, those employees who knew of the office still felt that its purpose and function needed to be communicated more clearly and periodically reinforced.
- Employees wanted to know what the policies and procedures for investigations of misconduct would be for the new office. Fear of

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retribution and breach of confidentiality were particular concerns stemming from past Security investigations. Some interviewees said,

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Some were skeptical about the Ethics Office's ability to ensure confidentiality. Employees felt that retribution from supervisors was a real concern.

- The number of contacts to the office has been extremely low [most large corporations receive contacts from over 5% of the employee population annually]. Although the office has been publicized in internal communications, some employees said that they would not feel comfortable contacting the office. The high-level of the office holder and the prominent location of the office were given as two possible reasons.
- Some employees believe that "[the company is] creating an environment where everybody is telling on everybody [about] everything."
- Employees perceived that a request to attend ethics training would not be well received unless it was presented as an area that had not been well-communicated in the past, but would be supported in the future.

Code of Conduct and Ethics Policies

- People sign *Personal Responsibilities*, but don't always read it.
- Several employees expressed a desire to see consensus from management on the "grey areas" pertaining to *real* daily situations. "Simple areas are easily handled. It's the grey areas that get us in trouble." They also indicated that examples on how to handle such issues should be included in *Personal Responsibilities*.

CONCLUSIONS & RECOMMENDATIONS

The interviews conducted by the Ethics Resource Center indicate that employees feel that BellSouth is an ethical company. However, as with most companies, there are several vulnerabilities to unethical conduct, especially given increasing competition and the company's emphasis on measurements.

While the findings from this assessment will provide valuable input into planned ethics awareness training for BellSouth Telecommunications, changes in the corporate culture, as well as the applicability of issues for the entire organization, make it extremely important that: 1) the ethics awareness effort be expanded across the entire organization and 2) support for such an effort be led by the senior executives of the company. The importance of implementing a company-wide program with the support of top officers and key project personnel cannot be overstated. This recommendation is based on the following rationales:

- The success of the ethics program depends upon the visible commitment of executives, managers, and other supervisory personnel to high ethical standards. Corporate ethics programs are rarely successful when approached as a grass-roots effort.
- It is important that the ethics effort communicate values throughout the entire corporation, not only in selected areas. Otherwise, employees may perceive the effort merely as a response to recent problems in Florida.
- Commitment of executives and senior management to address major issues identified in this assessment and issues that will be identified in future ethics awareness training exercises is crucial. The lack of such a commitment would lead to cynicism and would foster a misperception among employees that the ethics effort is a only a "program of the month."
- Many of the areas identified in this assessment deal with cultural changes and organizational issues. It is important for officers and other key personnel involved in the ethics effort to address these issues before implementing wide-spread training.

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BELLSOUTH LEADERSHIP INSTITUTE

Scott Boston
Program Director-Management Education

Post-It™ brand fax transmittal memo 7671		# of pages
To	CALLA MAJOR	From
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Dept.		Phone #
Fax #	504/528-8454	Fax #

Sample Memo to ERC Focus Group Participants

As part of BellSouth's commitment to high standards of corporate conduct, the company has recently undertaken several initiatives to reinforce the values and standards of our organization.

In order to enhance the effectiveness of this project, BellSouth has asked the Ethics Resource Center (ERC), a highly respected nonprofit organization based in Washington, DC, to assist in assessing the Company's corporate culture, key operating values, and potential ethics issues and risks we face on the job. ERC has extensive experience in the design, implementation and evaluation of corporate ethics programs, especially in the telecommunications industry.

A vital aspect of ERC's assessment will be focus group interviews of BellSouth managers and employees. You have been asked to take part in these focus groups. The only factor influencing your selection is our desire to survey a true cross section of the corporation across functional departments and among those of varying tenure with the company.

The focus group interviews will last approximately an hour and a half. Please consult the attached schedule for details. There is no need for special preparation prior to the interview.

We encourage you to be candid. One of the reasons for using outside expertise in this area is to ensure confidentiality. ERC personnel may take notes during the focus groups in order to prepare a report on general findings to BellSouth management, but no interview comments will be attributed to particular individuals. BellSouth personnel will not have access to ERC's notes (to the extent allowable by law), and ERC's notes will be destroyed following its engagement with BellSouth.

We are very excited about this program and encourage your full cooperation. We greatly appreciate your participation in this process. Please call to confirm your attendance at _____. If you have any questions or concerns, please contact _____ at _____.

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I. Assessment of Current Program Results

Objectives

Rationale

ERC Approach

Determine employee knowledge of company's policies and practices in ethics area

Need to reduce chances of unethical behavior arising from ignorance

Conduct survey among cross sections of management and employees asking specific questions in key ethics policy areas. Sample should be large enough to allow for cross tabulations among key functional, geographic and managerial groups

Determine employee attitudes about the company and its people

Low levels of trust, respect or communication heighten chances for ethical vulnerabilities and inhibit employee actions to address potential ethics issues and problems

Include questions covering overall perceptions of company, upper management, immediate peers and subordinate supervisors in survey. Conduct focus groups to enhance qualitative data

Determine whether company values are known, communicated and shared among employee groups

Employees' perceptions of corporate values will drive their responses to critical situations. Sharing company values bond the employee to the organization

Include value identification questions in survey. Conduct interviews with top management to determine corporate values. Conduct employee focus group for further understanding of perceived values

Determine level of skill in identifying and addressing potential ethics issues

Awareness of policies are often not enough. Employees must be able to identify potential ethics/legal issues in their area of responsibility, understand the application of the policies, and determine an appropriate course of action

Include hypothetical ethics/legal situations in survey with several possible resolutions for resolution and action

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II. Assessment of Ethics Training Program

<u>Objectives</u>	<u>Rationale</u>	<u>ERC Approach</u>
Determine program's objectives	The program objectives should be consistently understood by senior management, trainers and participants. Need to know the "criteria for success" in order to judge effectiveness	Interview top management, training department and representative sample of participants to determine intended and perceived program objectives and consistency
Assess adequacy of program's objectives	Ensure objectives of program are adequate to deliver the maximum benefits of an ethics program consistent with management's intentions. Also ensure objectives are adequate to achieve appropriate levels of knowledge and skills and to reinforce desired values and attitudes	Compare and contrast company's training objectives for consistency with management's intentions and adequacy to achieve appropriate levels of knowledge and skills and to reinforce desired values and attitudes. Compare and contrast company's training objectives with others in the industry and within ERC experience to determine whether they are likely to deliver a successful program
Assess adequacy of current training material and recommend improvements	Need to ensure current materials adequately and effectively communicate necessary information and values	Review and analyze current materials against company needs and training objectives. Recommend changes to strengthen areas where needed
Determine adequacy of training methodology and recommend improvements	Pedagogical approach must be appropriate to the learning objectives. Improving training methods can increase program efficiencies and reduce or simplify the amount of follow-on training required	Interview trainers and review existing employee evaluations of training sessions. Attend selected training sessions and make recommendations for improvement. Recommend changes in training methodology as necessary. Recommend type of training needed and optimal implementation

III. Assessment of Current Program Support Mechanisms

<u>Objectives</u>	<u>Rationale</u>	<u>ERC Approach</u>
Determine employees' awareness of ombudsman and hotline programs	Basic information, such as awareness of ombudsman position, its purpose, its current officeholder and how to contact, is necessary for employees to make use of the mechanisms	Include survey questions to ascertain knowledge
Determine effectiveness of ombudsman and hotline programs	The effectiveness of the programs will depend largely on employee perceptions (of both users and nonusers) of the mechanisms. Mere availability is not enough. The program must be and be seen as an effective means of obtaining advice, communicating sensitive information and effecting change	Interview ombudsman to gain his perspective on his role. Include survey questions to identify employees' perceptions pertaining to ombudsman and hotline. Determine employees' first-hand or second-hand knowledge of mechanisms. Identify reasons for not seeking advice/help (fear of retribution, lack of confidence in effectiveness). Review existing data on frequency, subject areas (e.g., gratuities, timecharging) and nature (whistleblowing vs. advice seeking) of calls/visits. Compare with data from other firms in the industry
Determine adequacy of policies and operating procedures for ombudsman office and hotline	Formal policies and procedures must be specific, clearly articulated and consistently followed for employees to utilize effectively	Compare and contrast with other firms in the industry and regulatory agencies to ensure scope and approach are adequate
Recommend improvements of policies, reporting procedures and internal support mechanisms	Maximizing effectiveness and efficiency of the support systems is critical to long-term success of the program. In some areas, additional mechanisms may also be needed to further strengthen and support all aspects of the program	Analyze data and compare, where possible, with other firms in the industry. Make recommendations based on data and ERC experience in this area

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IV. Recommendation for Internal Periodic Ethics Program Assessment

Objectives

Develop plan for internal periodic assessment of effectiveness of ethics program

Rationale

Need to continually monitor new issues and vulnerabilities that can result from a changing regulatory environment, cyclical business conditions and varying management approaches

ERC Approach

Design questionnaire for internal administration to periodically measure performance against the specific objectives of the revised ethics program. Recommend framework for reporting, analyzing and implementing results

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Fax Memo 202/737-2227

To: Lori Tansey, Gary Edwards
 From: Scott Boston, 404/249-2427
 Date: May 19, 1992
 Re: Focus Groups

Here is the information regarding the focus groups. I am still waiting to hear back on specific locations on some of them.

Florida - June 15 <ul style="list-style-type: none"> Lori Tansey 11:00 a.m. and 2:00 p.m. 	<ul style="list-style-type: none"> BellSouth Business Systems - direct sales 1st/2nd level management from line and staff organizations 	<ul style="list-style-type: none"> Contact: Terry Heaps 305/263-2138 Location forthcoming
Atlanta - June 1 <ul style="list-style-type: none"> Gary Edwards 3:00 p.m. 	<ul style="list-style-type: none"> 1st/2nd level management BellSouth Corporate HQ 	<ul style="list-style-type: none"> Contact: Ron Laird, 404/249-2121 1155 Peachtree Street, NE Room 1722 (Conference Room)
Birmingham - June 3 <ul style="list-style-type: none"> Gary Edwards 1:00 p.m. & 3:00 p.m. 	<ul style="list-style-type: none"> Craft - Network/Customer Services Mid level management including comptrollers and treasury 	<ul style="list-style-type: none"> Contact: Marilyn Brooks 205/972-3583 Meeting location: Alabama Operations Ctr, Hwy 280, Room 353. Call for directions
Louisiana - June 17th <ul style="list-style-type: none"> Lori Tansey 10:00 a.m. 	<ul style="list-style-type: none"> 1st/2nd level management line and staff organizations 	<ul style="list-style-type: none"> Contact: Carla Major 504/528-2217 Location forthcoming

Please call me if you have any questions.

*Room 1820
 365 Canal Place
 New Orleans*

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Corporate Ethics Assessment

Objectives

Rationale

Approach

Determine employee knowledge of company policies and practices in ethics area

Need to reduce chances of unethical behavior arising from ignorance.

- ◆ Survey - a cross section of management and craft asking specific questions in key ethics policy areas.
- ◆ Focus Groups / Interviews - determine employee knowledge and perception and company practices and procedures.

Determine employee attitudes about the company and its people

Low levels of trust, respect or communication heighten chances for ethical vulnerabilities and inhibit employee actions to address potential ethics issues and problems.

- ◆ Survey - would include questions covering overall perceptions of company, upper management, immediate supervisors, peers and subordinates.
- ◆ Focus groups / Interviews are being used to collect qualitative data.

Determine whether company values are known, communicated and shared among employee groups

Employees perceptions of corporate values will drive their responses to critical situations. Sharing company values bond the employee to the organization.

- ◆ Survey - include values identification questions and perceived values.
- ◆ Focus groups / Interviews - clarify perceived understanding between stated and operational values.

Determine level of skill in identifying potential ethical issues

Awareness of policies are often not enough. Employees must be able to identify potential ethics/legal issues in their area of responsibility, understand the application of the policies and determine an appropriate course of action.

- ◆ Survey - Includes hypothetical ethics/legal situations with several possible responses for resolution or action.

Determine employee's awareness of ombudsman and hotline programs

Basic information, such as awareness of ombudsman position, its purpose, its current office holder and how to contact, is necessary for employees to make use of these mechanisms.

- ◆ Survey - includes questions to ascertain current knowledge.
- ◆ Focus Groups/Interviews - discuss awareness and willingness to use.

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ETHICS ASSESSMENT EXECUTIVE REPORT FOR BELL SOUTH TELECOMMUNICATIONS

This report is a summary of the values and vulnerabilities assessment conducted for BellSouth Telecommunications by the Ethics Resource Center, Inc. (ERC). The report is organized into four sections:

- Objective
- Approach
- Findings
- Conclusions & Recommendations

OBJECTIVE

The objective of the assessment was to determine the appropriate approach and methodology for ethics training development. The assessment was designed to elicit employee perceptions of BellSouth values, culture, ethical issues and potential areas of vulnerability. The findings from this assessment have been combined with the findings from the preliminary ethics assessment and will be used to inform the ethics awareness and training effort at BellSouth Telecommunications.

APPROACH

The Center combined the data gathered from interviews and focus groups conducted between January 10th and 21st, 1992 with data gathered from 22 individual interviews and conference calls and 6 focus groups, encompassing approximately 50 employees, conducted between May 11, 1992 and June 19, 1992.

The focus groups conducted between May 11, 1992 and June 19, 1992 were located in Atlanta, GA, Birmingham, AL, Miami, FL, and New Orleans, LA. Participants were randomly selected within the parameters of achieving a cross section of staff functions and line management. Groups ranged in size from six to ten, with the average being eight participants.

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states. There was a perception that Florida was more aggressive than other states within the company because of the technological innovations and intense competition facing its markets.

Employees

Managers say they want to treat employees with dignity and respect, but are perceived to fail in their efforts due to ignorance or insensitivity ("this is the way we've always done it"), pressure to get results, and poor communications. One interviewee said, "They've become very insensitive, you're just a number." On the other hand, managers and employees alike noted the existence of a civil service mentality, particularly at the lower levels, where they perceive that it is tough to be fired or to fire someone for poor performance.

There was a perception that most of the executives and employees have worked within the Bell system nearly all of their working lives with little or no exposure to other companies or industries. Therefore, interviewees fear there may be a certain amount of naivete and resistance to change. This could put the company at a disadvantage both from a business and an ethical perspective since new challenges from increased competition and from emerging market areas may not be fully anticipated.

Most interviewees believed that the company has done a good job of identifying high potential employees. However, some interviewees noted the impact of cultural changes and increased pressure on these employees as the company reorganizes, creating wider spans of control and moving people into different functions.

Decision-making and Communications

There was a consensus among interviewees that the regulatory environment encouraged committee decision-making rather than individual accountability, as might have been found in an unregulated company.

Employees believe that a "shoot-the-messenger" environment, a cultural artifact inherited from AT&T, still exists. Employees are not encouraged to report problems. Some managers are reluctant to tell bad news to superiors and subordinates because they perceive they will be labeled "difficult" or risk getting demoted or fired.

The company has historically placed strong emphasis on measurements. This emphasis began as a method of facilitating internal competition in an industry where external competition did not exist. Consequently, the mindset has become one of managing to measurements rather than to competitive market factors.

There is some cynicism about catchy phrases or "programs of the month" used as rallying points to motivate employees. Employees perceive that upper management does not take such programs seriously or follow through well with implementation. A concern was expressed that ethics would be such a program.

commodities and as customers' requirements change, creating an even more competitive environment.

ERC asked a number of the interviewees and focus group participants to rate BellSouth's commitment to ethics in terms of its actual practice and operations. On a ten point scale, with ten being high and one being low, ratings varied between two and ten. In our noncomprehensive tally, senior management interviewees rated the demonstrated commitment to ethics on average at eight, whereas focus group participants rated it on average at four.

CORPORATE CULTURE

BellSouth has a 100-year history and there are still some remnants of the bureaucratic, monopolistic, measurement-driven, pre-divestiture AT&T culture. Overall the company has been perceived as a hard working, ethical company with good compensation and benefits. However, when employees joined the company they thought they had contracted for a job for life. Many employees now feel that the company has violated that pact. "We're in a constant state of reorganization and change and downsizing." Others recognize that the company's actions are necessary for survival in the marketplace, but acknowledge that people are frightened by the potential for downsizing and loss of the historical "family" relationship.

Differences

Perceived fundamental cultural differences between the two former telephone subsidiaries, Southern Bell and South Central Bell, can sometimes cause friction. For example:

- People from South Central are perceived as conservative and non-innovative in a market that is declining or stagnant. They draw a clean line between right and wrong, and are said to have better procedures and a more centralized structure. Their philosophy is said to be "let me ask first."
- People from Southern Bell, on the other hand, are described as innovative and futuristic. Their markets are growing and they face more challenges because of the fast pace of the market. Their philosophy is said to be "wing it," or shoot from the hip.
- BellSouth Corporation is seen as different altogether. As one interviewee said, "They're just not phone people."

Interviewees also indicated that different cultures existed among the various states. Some of the differences were attributed to the corporate customer environment within the individual

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5 Conflicts among departments and tendencies of "turf protection" were noted wherein departments compete with each other and do not always share useful information, sometimes to the detriment of the total organization. "Departments are constantly at each other's throats." "You can't get two different departments to talk because they have two different indices."

OPERATING VALUES

Establishing consistency between stated and operating values is a critical element in creating, maintaining and strengthening an ethical operating environment. Values provide the foundation that can guide subsequent action. Employees look to the values as touchstones, especially when they are confronted with new, complex or "gray" issues and need guidance to make the right choice.

<i>Stated</i>	<i>Operating</i>
Customer First	Customer Service
Respect for the Individual	Conformity
Pursuit of Excellence	Making Measurements
Positive Response to Change	Bottom Line
Community Mindedness	

Most said that the company paid lip service to customer service, but when forced to choose between service and the bottom line or internal measurements, the customer loses out. The attempt to take away beepers as well as an absolute policy of no overtime were cited as examples. People also perceive that "customer first" means the customer who threatens to go to the PSC. Some interviewees indicated that the company let the focus on customer service slip after divestiture, focusing instead on productivity and financial measurements. Increased competition has re-focused the company on customer service. However, some interviewees indicated that the company cannot provide the level of service that it once did without sacrificing revenues and earnings.

27 Changes in the culture have led to new pressures.

28 This pressure was translated as a lack of concern for the individual,

29 particularly the employee.

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In addition, there is a perception by some employees that some legitimate business activities are unethical. This may indicate a reluctance to embrace change in a way that will allow the company to compete in the industry. For example, some interviewees indicated that any selling activity is unethical, particularly if it involves giving lower income customers a choice to purchase features that they clearly cannot afford or may not need.

Interviewees stated that conformity was valued in two ways. Some interviewees felt that it was important not to draw attention to oneself either by exceeding performance norms or by suggesting changes that varied from the way things had always been done. Other interviewees defined conformity as risk aversion. They stated a reluctance to make management decisions and a need to "never be wrong."

Employees acknowledged that the company values its image in the community, but most thought this reflected concerns for public relations rather than for the communities themselves. Some felt that the company goes too far in its zealotry for community programs such as United Way.

Some employees believed that the company's efforts to embrace quality were genuine while others had mixed reactions about the company's commitment to quality as a long-term value.

VULNERABILITIES TO UNETHICAL CONDUCT

Like most large companies in the United States, BellSouth has had its fair share of what could be considered "common" ethical vulnerabilities: expense-report abuse, unauthorized use of tools and supplies, drugs and alcohol, and petty theft. Highlighted in this section are: 1) systemic features that could create an environment where such activities are inadvertently encouraged or tolerated and 2) potential vulnerabilities where the ethical choices are unclear or not well-defined. These concerns are divided into the following categories:

- Management Issues
- Measurements, Goal-Setting and Performance Evaluations
- Competition
- Communication
- Ethics Effort

Management Issues

Supervisory Issues

- There were concerns that future downsizing could overload supervisors' spans of control and increase their responsibilities. Consequently, limited supervision could potentially lead to an increase in safety problems.
- People don't have as much contact with the management as they feel is necessary. "[We] used to have a program to get supervisors into the field, but that has been discontinued." Several at the craft level did not know the name of their second [or] third level manager. This inability to get out in the field has resulted in the perception of a certain myopia on the part of management. "They never get out and see the hill with bodies strewn all over it, all they see is the report that says the hill was taken." "Only time we see our managers is in a figurehead role."
- This inability to get out into the field is perceived as a cause of poor decision making by some employees

- Interviewees were concerned that supervisors didn't know enough to give adequate guidance or detect misconduct. Supervisors used to come up through the ranks, but now they come straight out of school.

- There was concern that training for supervisors was inadequate. "Supervisor 101 is on-the-job training. The course for it doesn't reflect reality." "The schools are excellent, but once you leave, forget what you learned because it doesn't apply. Need to have more control over the environment."
- There were perceptions that technical resources were allocated across states without regard to differences in the workload. Employees raised the issue of what managers can reasonably demand from employees, especially when resources are stretched. Employees did not "think [the company had] a support structure in place to help managers make these decisions."

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- Employees feel that BellSouth over-supervises them and overdefines their job. The system could force them to fudge or bend rules to get the job done. Interviewees cited the example of how to write memos, including specifying the print size for a view graph.

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Leadership

- Some interviewees believe that top management's actions speak louder than their words and in some instances may contradict those words. For example, some interviewees perceived that management endorsed the quality effort, but wasn't really involved in it. "We're waiting to see some action that whoever tries it won't be killed."
- Interviewees perceived risk aversion in management decision making, resulting in a level of frustration for employees when managers refuse to make decisions. "After a while you quit squirming and give up and say, 'Just tell me what to do.'"
- There was concern about the direction of company leadership, particularly with respect to ethics issues.

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They have our best interests at heart, but they don't know what to do."

- There is concern that the company depends too much on after-the-fact detection and controls, rather than on prevention.

Disciplinary Practices

- There is a perception that supervisors either overlook questionable behavior from top performers or discipline them less harshly, if at all. Interviewees viewed some disciplinary actions as inconsistent with the severity of the behavior. Some things, like pressuring employees to buy bonds, elicited a turned head while others, such as putting down an extra dollar on an expense account, were treated much more harshly.
- Interviewees perceive that minorities are given more room when reprimanded and that double standards exist at every level.

- Interviewees state that sometimes there is pressure to find a job for an employee's relative or friends of upper management, even when the individuals have flunked job tests.
- Interviewees believe that top executives are not held to the same standards as the rest of employees. They feel double standards exist with regard to both standards and discipline. "Management has a higher degree of forgiveness for violations than does craft." "When discipline is not consistently applied, it becomes the stuff of folklore."

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- There is a perception that sexual harassment is not taken as seriously as it should be. In one high level case,

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Policies and Procedures

- Interviewees stated that even though policies were in place, if things were going well, no one checked to see if they were being enforced. Several factors such as the reluctance to escalate problems, the focus on making measurements, the lack of accountability and ownership, and the passive acceptance of ethical expectations led to processes that would not be detected unless something went wrong.

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- Many objected to the philosophy of

me interviewees believed that there could be potential for similar behavior in commercial markets if marketers promise features that they know they cannot deliver, but assume they can negotiate later.

- Employees felt that some problems were unintentional and resulted from the bureaucracy.

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- Employees noted a discrepancy between the company value of respect for the individual and the practice of sponsoring company activities at private clubs which discriminate based on race or gender.

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- Participants noted that there was a lot of discussion of cost savings and curtailing expenditures, but that the company would then turn around and seemingly waste money. "They'll have a meeting at the last minute and fly people in. There's not enough planning. Why not do more teleconferencing?"

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- There appears to be a number of managers exerting pressure on employees to engage in unethical conduct, such as violating approval levels by splitting up expense items. Also, [redacted]

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Measurements, Goal Setting and Performance Evaluations

Measurements

- Employees perceived that supervisors condoned activity to circumvent measurements in the past. Interviewees believe this is probably still the culture today and that it signals to employees that BellSouth condones such activity. Interviewees perceived that their supervisors do not always take action against employees who falsify trouble reports and that management takes no action because bonuses depend on the erroneous figures.
- There was a perception among some employees that revenues were sometimes recognized in advance of service installation. Employees perceived that customers were asked to sign a statement indicating that services had been installed when they had not been.
- Interviewees indicated that because those who meet measurements do well, people manage to budgets instead of managing from budgets. "You can't do it unless it's in the budget, so if you think it's good and need to do it, you find a way to do it within the budget." Other employees indicated that although union contracts do not allow comp time to be substituted for overtime pay, if managers do not have overtime in their budgets, they will use comp time.
- The recent mechanization of measurement reporting has not stopped all of the abuse. Employees have just found new ways

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to get around the system. Additionally, the emphasis on achievement of measurements has created an environment where employees sometimes circumvent the systems and procedures to reach the target, without actually fixing the problem or addressing the issues.

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- Unrealistic indices force people to manipulate reports or to lie to customers. It was noted in one case that three-fourths of employees did not meet the "number of required tasks," but that management still upped the requirement. Interviewees noted that there is no consideration of different levels of difficulty in performing different tasks.
- There was a perception that employees who manipulated measurements to make the index may not have realized the impact of their actions on customer rebates or commission compensation.
- Employees perceived a conflict between JMOS tasks, which influence performance evaluation and salary, and customer service, which does not directly influence performance measurements. For example, plant replacement jobs, which account for approximately 80% of the work, have priority over customer related jobs. If a customer service problem arises outside of the JMOS list, then the plant manager is faced with choosing between the JMOS tasks and the customer request.
- Because most past measurements were internal, some interviewees perceived that goals were not set that couldn't be met.
- Other interviewees perceived that since there was so much emphasis on a few goals, people would do whatever it took to meet them and make sure there were no mistakes. "If you have ridiculous measures, people will cheat on them." Although employees perceived that the focus on measurements was changing to reflect customer satisfaction, some interviewees also thought that the pressure to make measurements would only increase as competition increased.

Reward Systems

- Interviewees perceive a significant gap between what management says they value and what they reward. "We

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- Although there were pockets of management looking at the means to the end, in general, management is perceived as having consistently rewarded the achievement of results without consideration for the means employed. Some interviewees stated that measurements used as a basis for compensation and evaluation are particularly vulnerable.

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(i.e. long-term relationship with customer should have more emphasis than numeric results.)

- In order to deliver service and to get a good rating they must improvise to meet expectations.

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- Incentive systems have resulted in a tendency to "load people up" with things they don't understand or need. A confirmation letter now goes out to all customers to help circumvent these practices. In one case, a Rep went back repeatedly to a customer who wasn't satisfied with a repair.

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- Management Team Incentive Awards are perceived to be manipulated.

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- Interviewees perceived that the company was vulnerable in any area where measurements determined compensation. As quotas and competition increase and the workforce remains constant or decreases, vulnerability will increase.

Performance Appraisals

- There is a perception that there has not been a good appraisal system for evaluating employee performance based on merit. Some perceived an expectation for appraisal outcomes to conform to a bell-shaped curve, causing concern among supervisors who didn't believe their

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employees belonged in the bottom range. Others perceived that everyone is a "major contributor," making it very difficult for managers to break out of the mold and give other ratings that may more accurately reflect the employee's performance. "There's never really any honest feedback." Some interviewees did indicate that the company is trying to change by focusing on customer evaluations as a measure of performance.

- There was a perception that when managers' development and feedback skills were weak, the process allowed them to fall back on the numbers. "We've been promoting on ends, not on means."
- There is not a set process for reviewing managers.

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indicated that managers were not rated on how they evaluate or develop people.

- Some interviewees perceived that the company does not have a consistent way of setting objectives that considers the differences in business potential for various markets.
- Employees noted that much of the focus on measurements pressures them to do whatever it takes to get the job done. "It takes a lot of time to evaluate how." Interviewees suspect that managers only ask "how" of the employees that don't achieve results. The company needs to "communicate that the reason [they] are not asking is because [they] assume people are doing it right."
- Some interviewees weren't sure the company knew how to drive behavior to achieve measurements ethically. While some employees thought that performance goals were not always realistic, others thought that objectives should challenge employees to achieve outstanding results, saying "that people can usually do better than they think they can."
- There was a perception that the "potential evaluation", which influences promotability, may perpetuate the glass ceiling for women and minorities, especially if their skills are not noticed or translated into potential abilities. You "may have potential, but do we want you to move? If no, then you don't have the potential."
- Employees perceive that the pressure to give to United Way is unfair. Managers and craft believe their appraisal and their job

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can be affected by their enrollment, so they are encouraged to sign up, even if they intend to cancel.

Competition

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- Most employees believed that the company wants to compete, but really doesn't know how. Some interviewees also perceived that people may not "realize the consequences of not doing it right." Others aren't convinced that competition will happen and don't understand that the company "will lose market share even with good service."
- Employees familiar with the competitive factors suggested that the company could run into competition before it is ready in certain areas within large commercial customers. For example, competitors for the local telephone service are emerging. The company needs to clearly communicate how employees should deal with these providers.
- Marketing groups selling to large customers or involved in partnerships with potential competitors seem to have specific policies in place to direct employee behavior. However, the company may not have thought about expected behavior from employees when dealing with new entrants to the marketplace. For example, if a new entrant announces a competitive offering, what activities can be used to maintain market share that are also permissible within company policy?
- Some employees perceived that the focus on revenues generated by large corporate business neglected the interests of smaller customers. For example, service employees may forward requests for information from small customers in remote areas to the appropriate marketing groups, only to learn that marketing chooses not to devote resources to such a small volume of business. Some employees perceived this as a breakdown in corporate values since a commitment was made to the customer that may not be honored.
- One of the most important competitive pressures will be response time. Some employees indicated that the company is not geared to move quickly on anything. However, the companies that are quick and flexible will win the business.

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Communications

Proprietary Information

- BellSouth increasingly finds itself in situations where its business partners are also customers, competitors and vendors (e.g., AT&T). Some interviewees desire more guidance on reasonable business practices for dealing with these relationships, on the boundaries that should be set, and on the protection of the sensitive and proprietary information of BellSouth, its customers, and its partners.
- Some employees stated that the company does not do a good job of identifying sensitive material. "We stamp everything and then employees don't believe anything is sensitive."
- Interviewees are concerned that the guidelines and training for protection of customer, vendor and internal proprietary information are inadequate and may result in inadvertent and inappropriate disclosure to other customers, vendors, other RBOCS and affiliates.

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Internal Communications

- Management efforts to promote two-way communication have been inadequate.
- Some feel that information passed to upper management is filtered and tinted, reflecting the "shoot-the-messenger" mentality and resulting in a softened message that doesn't give a clear understanding of the problem. "You have to say what they want to hear." Even employees who did not believe that everyone "shoots-the-messenger" indicated a need to "create an environment where people will listen."

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- Many employees have tried to go through channels to report concerns, but found management to be unresponsive. "It depends on politics whether you report it. If it makes the measurements go down, they don't want to know." "Management's mindset was to shut off the information valves because we were being flooded." "You'd have to tell as a group. You need to tell as high as possible, otherwise they don't want to know." While the practice of having employees surface concerns to their immediate manager is recommended, some employees have may misunderstand the intentions behind such requests. For example, they perceive that "paygrades 7 and 8 don't want to know because then the burden is on them. They'll stop you and make you talk to your supervisor first or they won't talk to you."

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- Some interviewees noted that they repeatedly get calls from the unregulated side asking for information that they aren't supposed to have.

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- Employees would like to hear about problems and issues before they appear in the local newspaper. The fact that they don't fuels the feelings that management does not care or trust the employees.

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- Some interviewees stressed the importance of communicating clearly to employees if downsizing actions are taken in the future.

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- Current information sources, even those that relate directly to the job functions, are deemed inadequate.

- Employees are frustrated by the fact that they have been saying these things for years, but that nothing ever changes.

Ethics Effort

Company's Commitment

- Some feel that the company is only taking these actions due to publicity and regulatory scrutiny. It is believed that ethics is just

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another "program of the month." Employees perceive that although the words change over the years people interpret what's really important from the actions they see. Some feel that the concern about ethics is just rhetoric and that the current efforts will be unheeded. "The only time we hear about ethics is when we get caught." Communication needs to come from the top and needs to be passed down."

- Many interviewees perceived that some employees view some normal business practices such as selling as unethical and therefore contradictory to company values. Interviewees stated a need for a better understanding of what the company means by "ethics."

Ethics Office

- While the new Ethics Office was known to only about 20% of the interviewees in the preliminary assessment, internal communications have increased awareness of the office. However, those employees who knew of the office still felt that its purpose and function needed to be communicated more clearly and periodically reinforced.
 - Employees wanted to know what the policies and procedures for investigations of misconduct would be for the new office. Fear of retribution and breach of confidentiality were particular concerns stemming from past Security investigations. Some interviewees said,
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- Some were skeptical about the Ethics Office's ability to ensure confidentiality. Employees felt that retribution from supervisors was a real concern.
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- The number of contacts to the office has been extremely low [most large corporations receive contacts from over 5% of the employee population annually]. Although the office has been publicized in internal communications, some employees said that they would not feel comfortable contacting the office. The high-level of the office holder and the prominent location of the office were given as two possible reasons.

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- Some employees believe that "[the company is] creating an environment where everybody is telling on everybody [about] everything."
- Employees perceived that a request to attend ethics training would not be well received unless it was presented as an area that had not been well-communicated in the past, but would be supported in the future.

Code of Conduct and Ethics Policies

- People sign *Personal Responsibilities*, but don't always read it. "It's not a living document." Many at craft level have been told, "You will sign it," but according to the union, they are not required to do so.
- Several employees expressed a desire to see consensus from management on the "grey areas" pertaining to *real* daily situations. "Simple areas are easily handled. It's the grey areas that get us in trouble." They also indicated that examples on how to handle such issues should be included in *Personal Responsibilities*.
- Managers have difficulty explaining and enforcing policies that are perceived to have double standards. An interviewee said that it's hard to articulate the

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- Interviewees were displeased about restrictive policies on gifts and entertainment for purchasing employees, a standard that conflicts with what the company is willing to do for other companies' employees.

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- A number of areas were cited where the current policies may not be adequate or may not be effectively communicated and enforced. Specifically, they noted:
 - Intellectual property policies: This has become increasingly important given that a greater number of employees are leaving at mid-career and going to work with other firms in telecommunications.

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- Vendor favoritism: Downsizing has also resulted in a number of recent colleagues/friends selling back to the company. One interviewee noted,
 - International business practices: Although employees directly involved in international business were not interviewed, some employees who were interviewed were concerned about competing in the international marketplace. They perceived that different ways of doing business could expose the company to risks that had not yet been identified.
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CONCLUSIONS & RECOMMENDATIONS

The interviews conducted by the Ethics Resource Center indicate that employees feel that BellSouth is an ethical company. However, as with most companies, there are several vulnerabilities to unethical conduct, especially given increasing competition and the company's emphasis on measurements.

While the findings from this assessment will provide valuable input into planned ethics awareness training for BellSouth Telecommunications, changes in the corporate culture, as well as the applicability of issues for the entire organization, make it extremely important that: 1) the ethics awareness effort be expanded across the entire organization and 2) support for such an effort be led by the senior executives of the company. The importance of implementing a company-wide program with the support of top officers and key project personnel cannot be overstated. This recommendation is based on the following rationales:

- The success of the ethics program depends upon the visible commitment of executives, managers, and other supervisory personnel to high ethical standards. Corporate ethics programs are rarely successful when approached as a grass-roots effort.
- It is important that the ethics effort communicate values throughout the entire corporation, not only in selected areas. Otherwise, employees may perceive the effort merely as a response to recent problems in Florida.
- Commitment of executives and senior management to address major issues identified in this assessment and issues that will be identified in future ethics awareness training exercises is crucial. The lack of such a commitment would lead to cynicism and would foster a misperception among employees that the ethics effort is a only a "program of the month."

- Many of the areas identified in this assessment deal with cultural changes and organizational issues. It is important for officers and other key personnel involved in the ethics effort to address these issues before implementing wide-spread training.

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THE PRELIMINARY ETHICS ASSESSMENT FOR BELLSOUTH CORPORATION

This report is a summary of the preliminary values and vulnerabilities assessment conducted for BellSouth by the Ethics Resource Center, Inc. (ERC). The report is organized into four sections

- Objectives
- Approach
- Conclusions and Recommendations
- Findings

OBJECTIVES

The objectives of the assessment was to determine the appropriate approach and methodology for ethics training development. The assessment was designed to elicit employee perceptions of BellSouth values, culture, ethical issues and potential areas of vulnerability. The findings from this assessment will be used to inform the ethics awareness and training effort and guide future assessments which would encompass a broader cross-section of the organization.

APPROACH

The Center gathered data from interviews including John Gunter, Vice President-Corporate Responsibility and Compliance, individuals participating in the Florida investigations, and six focus groups, conducted between January 10th and 21st, 1992.

The total number of employees interviewed during the assessment was 52. Three of the focus groups were conducted in Atlanta, Georgia, and three in Charlotte, North Carolina. Participants were randomly selected within the parameters of achieving a cross section of staff functions and line management. Groups ranged in size from six to ten, with the average being eight participants. At each location the sessions were divided as follows:

- Session 1: Craft from line organizations
- Session 2: First/Second level staff and line managers
- Session 3: Mid-Level staff and line managers (paygrades 6s and 7s)

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CONCLUSIONS AND RECOMMENDATIONS

- 1) The full assessment should continue through the rest of the organization. Several serious issues were raised in the groups which are noted in the findings section. Yet, the assessment covered only a small portion of just Southern Bell. Several high risk areas have received no coverage at all. These include: international operations, purchasing and the unregulated enterprises.

If the training program is intended for broad application throughout the entire BellSouth organization, then it will be necessary to understand differences between Southern and South Central Bell, the regulated versus the unregulated operations. This would allow for greater tailoring of the program to address the relevant areas of concern for employees.

- 2) An ethics program will be necessary to address issues raised in this report and improve the perception of employees and managers with respect to the company's practice of high ethical standards. Several issue areas need to be dealt with immediately, such as the perceived practice of misreporting time allocations in the marketing function. Others will require a longer-term approach, such as the overcoming of the "shoot-the-messenger" environment discussed below.

Importantly, the company needs to improve its perceived commitment to ethics rating with its employees. On average, participants rated the company's demonstration of high standards as 5.5, on a scale of 1 to 10 with 10 being the ideal. In the Center's experience, this is slightly lower than the average score for a corporation.

- 3) The ethics program should key on two primary areas: aligning the operating values with the stated values, and improving employee and managers skills in dealing with ethics issues. There was a great disconnect between the five stated values of the corporation and what employees perceive to be the actual operating values. Many of the vulnerabilities to misconduct uncovered by the assessment can be traced to misplaced emphasis on short term results instead of focus on the organizational values.

Employees and managers demonstrated a fairly good understanding of key standards and policies, they did not possess an adequate level of skill in dealing with ethics issues either proactively or reactively. Managers stated that they had never really thought through the specific elements for promoting an ethical workplace environment. Similarly, employees at lower levels' overall reaction to dealing with an ethical issue would be to ignore it.

FINDINGS

This section summarizes the finding according to the following categories:

- Industry Characteristics
- Corporate Culture
- Organizational Values
- Vulnerabilities to Unethical Conduct

INDUSTRY CHARACTERISTICS

Interviewees noted that industry members are under intense public scrutiny, at both the local and national level. In return for a quasi-monopoly status, the baby bells are expected to conduct business in a manner to maintain the "public trust."

Historically, the regulation of the telecommunications industry created a monopoly environment, producing conservative, bureaucratic organizations. However, interviewees noted that fast-paced changes in the regulatory and market arenas have transformed a once staid industry into one that seems at times, to be wildly out-of-control. They noted with some frustration that it is difficult to develop a clear vision of what the industry and BellSouth will be like three-to-five years into the future. This sense of uncertainty has increased feelings of anxiety and insecurity among some employees.

Divestiture and deregulation in some areas of the business has led to a new phenomena for some employees, namely the advent of real competition, with other baby bells, and independent communications companies. Interviewees noted with frustration that the "public was never really educated about divestiture, if they have problems, they don't understand when we say its not our fault or our responsibility."

CORPORATE CULTURE

BellSouth has a 100-year history and there are still some remnants of the bureaucratic, monopolistic, measurement-driven, pre-divestiture AT&T culture. The Overall the company has been perceived as a hardworking, ethical company with good compensation and benefits. However, when employees joined the company they thought they had contracted for a job for life. Many employees now feel the company has violated that pact. "We're in a constant state of reorganization and change and downsizing."

There are perceived to be fundamental cultural differences between the two major telephone subsidiaries, Southern Bell and South Central Bell, which can sometimes cause friction:

- It was noted that South Central is conservative, non-innovative with a market that is declining or stagnant. They were perceived as drawing a real line between right and wrong, and their procedures were said to be better. Their philosophy was said to be "let me ask first."
- Southern Bell, on the other hand was said to be innovative and futuristic. Their market is growing and they were said to face more challenges because of the fast-pace of the market. Their philosophy was said to be "wing it."
- BellSouth was seen as different altogether. As one interviewee said, "They're just not phone people".

Managers say they want to treat employees with dignity and respect, but are perceived to fail in their efforts due to ignorance or insensitivity ("this is the way we've always done it"), pressure to get results, and poor communications. "They've become very insensitive, you're just a number." On the other hand, managers and employees alike noted the existence of a civil service mentality, particularly at the lower levels and craft, where they perceive it is tough to be fired or to fire someone for poor performance.

There was a perception that most of the executives and employees have worked within the bell system nearly all of their working lives with little or no exposure to other companies or industries. Employees fear there may be a certain amount of naivete, as the company gears up for a competitive marketplace, that could put the company at a disadvantage both in from a business and an ethical perspective.

A "shoot-the-messenger" environment exists which some interpret as a cultural artifact inherited from AT&T. Employees are not encouraged to report problems. Some manager have trouble telling bad news to superiors and subordinates due to perceived pressure to avoid being labeled "difficult", getting demoted or fired. It was noted that one employee went to the PSC as a customer, and then later got suspended.

There is some cynicism about catchy phrases or "programs of the month," used as rallying points to motivate employees. Employees perceive that upper management does not take such programs seriously or follow through well with implementation. A concern was expressed that ethics would be such a program.

Conflicts among departments exist were also noted with tendencies for "turf protection" have been noted wherein departments compete with each other and do not always share useful information, sometimes to the detriment of the total organization. "Departments are constantly at each other's throats." "You can't get two different departments to talk because they have two different indices."

OPERATING VALUES

Establishing consistency between stated and operating values is a critical element in creating, maintaining and strengthening an ethical operating environment. Values provide the foundation that can guide subsequent action. Employees look to the values as touchstones, especially when they are confronted with new, complex and/or "gray" issues and need guidance to make the right choice.

<i>Stated</i>	<i>Operating</i>
Customer First	Making Measurements
Respect for the Individual	Bottom Line
Pursuit of Excellence	Conformity
Positive Response to Change	
Community Mindedness	

While about half of the interviewees could name the stated values, there was a large disconnect between these and the actual operating values. Most said the company paid lip service to customer service, but when forced to chose between service and the bottom line or internal measurements, the customer lost out. The attempt to take away beepers was one example people cited of the disconnect as well as an absolute policy of no overtime. In any case, people perceive customer first means the customer who threatens to go to the PSC.

While it was acknowledged that the company does value it's image in the community, most thought this reflected concerns for public relations and not for the actual communities themselves. Some felt the company goes too far in its zealousness for community programs, such as United Way, as is discussed later in the findings section.

Changes in culture has lead to grey areas and pressure.

This pressure was perceived to result in a lack of concern for the individual, particularly the employee.

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VULNERABILITIES TO UNETHICAL CONDUCT

Like most large companies in the United States, BellSouth has had its fair share of what could be considered "common" ethical vulnerabilities: expense-report abuse, unauthorized use of tools and supplies, drugs and alcohol and petty theft. Highlighted in this section are: 1) systemic features that could or already have created and sustained an environment where such activities are inadvertently encouraged or tolerated, and 2) potential vulnerabilities where the ethical choices are unclear or not well-defined. These concerns are divided into the following categories:

- Management Issues
- Measurements, Goal-Setting and Performance Evaluations
- Communication
- Ethics Effort

Management Issues

- Supervisors used to come up through the ranks, now they come straight out of school and often don't understand how to do the job they are supervising. "I have a second level who can't read a service order and then they say its not their job."
- There was concern that training for supervisors was inadequate. "Supervisor 101 is on the job training. The course for it doesn't reflect reality." "The schools are excellent, but once you leave, forget what you learned because it doesn't apply. Need to have more control over the environment."
- People don't have as much contact with the management as they feel is necessary. "Used to program to get Supervisors into the field, but that has been discontinued." Several at craft level did not know the name of their second/third level manager. This inability to get out in the field has resulted in a certain myopia on the part of management. "They never get out and see the hill with bodies strewn all over it, all they is the report that says the hill was taken." "Only time we see our managers is in a figure head role."

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- This inability to get out into the field has led to poor decision making in some employees' views.

- There is concern that the company depends too much on after-the-fact detection and controls, rather than on prevention

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- There was concern about the direction of the leadership, particularly with respect to ethics issues.

"They have our best interest at heart, but they don't know what do."

- Interviewees state that sometimes a lot of real and perceived pressure is brought to bear to find a job for an employee relative or friend of upper management, even when the individuals have flunked job tests.

- Employees feel that BellSouth over-supervises them and overdefines their job. The system can force them to fudge or bend rules to get the job done. Interviewees cited the example of how to write memos, including specifying what size print for a view graph.

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- Participants noted there was a lot of discussion of cost savings and curtailing expenditure then the company would turn around and seemingly waste money. "They'll have meeting at the last minute and fly people in. There's not enough planning. Why not do more teleconferencing?"

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- There appears to be a number of managers exerting pressure on employees to engage in unethical conduct, such as splitting up expense items. Also

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- Some disciplinary actions are also perceived as inconsistent with the values of quality and customer service.
- Interviewees perceive that minorities are given more room when reprimanded and that double standards exist at every level. "Management has higher degree of forgiveness for violations than does craft". "When discipline is not consistently applied, it becomes the stuff of folklore."
- Interviewees noted that top executives are not held to the same standards as the rest of employees. Double standards exist with regard to both standards and discipline.
- Sexual harassment not taken as seriously as it should. In one high level case,
- Employees felt some problems were unintentional and resulted from the bureaucracy.
- Many objected to the philosophy of unless the customer said no."

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Measurements, Goal Setting and Performance Evaluations

- Employees perceive that supervisors condone activity to circumvent measurements. Interviewees believe this is probably still the culture today and that it signals to employees that BellSouth thinks it is okay (interviewees have observed that their supervisors do not always take action against employees who falsify trouble reports; they perceive that management takes no action because bonuses depend on the erroneous figures)

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- The emphasis on achievement of measurements has created an environment where employees sometimes circumvent the systems and procedures to reach the target, without actually fixing the problem or addressing the issues.

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- The recent mechanization of measurement reporting has not stopped all of the abuse. Employees have just found new ways to get around the system.

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- Interviewees perceive a significant gap between what management says they value and what they reward.

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- Unrealistic indexes force people to manipulate the reports or to lie to customers. It was noted in one case, 78% of the employees did not meet the "number of required tasks", but then management upped the requirement. Interviewees noted there is no consideration of different levels of difficulty in performing different tasks.

- In order to deliver service and to get a good rating they must improvise in order to meet expectations.

- Incentive systems have resulted with a tendency to "lad people up" with things they don't understand or need. A confirmation letter now goes our to all customers to help circumvent these practices. In another case, because sales are on commission, a Rep went back repeatedly to

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a customer who wasn't satisfied with a repair.

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- Others think that the fact that appraisal outcomes have to conform to a bell shaped curve is also unfair: some supervisors don't believe they have employees that belong in the bottom range.
- Management is perceived as having consistently rewarded the achievement of results, without consideration for the means employed.
- There is not a set process for reviewing managers.
- Management Team Incentive Awards are perceived to be manipulated.
- Employees perceive that the pressure to give to United Way is unfair. Managers and craft believe their appraisal and their job can be affected by their ability to sign up.

Communications

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- BellSouth increasingly finds itself in situations where its business partners are also customers, competitors and vendors, (e.g. AT&T). Some interviewees desire more guidance on reasonable business practices for dealing with these relationships, on the boundaries that should be set and on the protection of the sensitive and proprietary information of BellSouth.
- Interviewees are concerned that the guidelines and training for protection of customer, vendor and internal proprietary information are inadequate and may result in inadvertent and inappropriate disclosure to other customers, vendors, other RBOCS and affiliates.

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- Some Interviewees noted that they repeatedly get calls from the unregulated side asking for information (for free or in advance of publication date) that they aren't supposed to have.
- Management efforts to promote two-way communication have been inadequate.
- Some feel that information passed to upper management is filtered and tinted, reflecting the "shoot-the-messenger" mentality. "You have to say what they want to hear."
- Many employees have tried to go through channels to report concerns, but found management to be unresponsive. "It depends on politics whether you report it. If it makes the measurements go down, they don't want to know." "Management's mindset was to shut off the information valves because we were being flooded." "You'd have to tell as a group. Need to tell as high as possible otherwise they don't want to know. Paygrades 7 and 8 don't want to know because then the burden is on them. They'll stop you and make you talk to your supervisor first or they won't talk to you."
- Employees would like to hear about problems and issues before they appear in the paper. The fact that they don't fuels the feelings that management does not care or trust the employees.
- Current information sources, even those that relate directly to the job functions, are deemed inadequate.
- Employees are frustrated by the fact that they have been

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saying these things for years, but that nothing ever changes.

Ethics Effort

- The new Ethics Office was known to only about 20% of the employees. Even those who knew of the office felt the purpose and function needed to be communicated more clearly and periodically reinforced. "I know of real problems, but I don't feel I have anyone to go to."
- Employees wanted to know what the policies and procedures would be for the new office. They noted that security did interviews and investigations in North Carolina.
- Some feel that the company is only taking these actions due to the publicity and the regulatory scrutiny. It is believed that ethics is just another "program of the month." Employees perceive that the words change over the years but people interpret what's really important from the actions they see. Some feel that the concern about ethics is just rhetoric and that the current efforts by the Ethics Resource Center will be unheeded. "Only time we hear about ethics is when we get caught."
- Some were skeptical about the Ethics Office's ability to ensure confidentiality. Employees felt retribution from supervisors is a real concern.
- People sign the ^{Personal Responsibility} code of conduct but don't read it. Many at craft level have been told "you will sign it," but according the union, they are not required to do so. "It's not a living document."
- Interviewee were displeased about conflicting policies on gifts and entertainment for purchasing employees, a standard that conflicts with what the company is willing to do for other company's employees.

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- Managers have difficulty explaining and enforcing these conflicting policies. Further, an interviewee noted its hard to articulate the

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- A number of areas were cited where the current policies may not be adequate, communicated and enforced. Specifically, they noted intellectual property policies and recent colleagues/friends selling back to the company. Additionally, there was concern that

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- One interviewee stated

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BELLSOUTH TELECOMMUNICATIONS VALUES & VULNERABILITIES ASSESSMENT

PERCEIVED RISK AREAS

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BELLSOUTH TELECOMMUNICATIONS SCOPE OF ASSESSMENT

	<u>NUMBER</u>
Individual Interviews	32
Focus Groups	12

KEY POINTS

- Focused on potential ethical risks
- Ethical operating environment
- Few overarching ethical problems
- Maintaining an ethical environment is an ongoing process

INDUSTRY CHARACTERISTICS

- Historically regulated monopoly with conservative, bureaucratic organization
- Increasing competition in deregulated areas
- Public expectation of higher standards

CORPORATE CULTURE

Perceptions

- **Retains monopoly characteristics:**
 - Measurement driven
 - Bureaucratic
- **Increasing competition**
- **Uncertainty and resistance to change**
- **Cultural differences within BST:**
 - South Central more conservative and centralized with a stagnant market
 - Southern Bell more innovative with growing markets
 - Some state cultures more aggressive

ORGANIZATIONAL VALUES AND CHARACTERISTICS

Stated

Customer First

Respect for the
Individual

Pursuit of
Excellence

Positive Response
to Change

Community Mindedness

Perceived

Customer Service

Conformity

Making Measurements

Bottom Line

Areas of Perceived Risk

- Management Issues
- Measurements, Goal-Setting and Performance Evaluations
- Competition
- Communication
- Ethics Effort

Perceived Risk Areas Management Issues

- **Supervisory Issues**
 - Increased pressure due to downsizing and increase in spans of control
 - Less management contact with field resulting in poor decision making
 - Inadequate supervisor training
- **Leadership**
 - Risk aversion in decision-making
 - Actions speak louder than words
- **Disciplinary Practices**
 - Double standards

Perceived Risk Areas

Management Issues (Continued)

- Policies and Procedures
 - Lack of monitoring
 - Sales pressures to oversell or promise features that cannot be delivered
 - Managing to budget

Perceived Risk Areas

Measurements, Goal-Setting & Evaluation

- **Measurements**
 - Unrealistic indices
 - Pressure to circumvent
 - Revenue recognition
 - Manage to budgets
 - Impact on customer service
- **Reward Systems**
- **Performance Appraisals**
 - Bell-shaped curve
 - Weak management development, resulting in poor feedback to employees
 - Career potential

Perceived Risk Areas
Competition

- **Competitors who are customers or suppliers**
- **Gathering and using competitive information**
- **Protection of Proprietary Information**

Perceived Risk Areas
Communication

- Upward communications filtered
- "Shoot the messenger" mentality

Perceived Risk Areas
Ethics and Code of Conduct

- **Ethics program seen as response to regulatory scrutiny**
- **Sceptism and uncertainty about role of ethics office**
- ***Personal Responsibilities* of limited value**
- **Inadequate ethics policies:**
 - **Intellectual property**
 - **Gathering competitors' intelligence**
 - **Vendor favoritism**
 - **International business practices**

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APPENDIX A

VALUES AND VULNERABILITIES ASSESSMENT:

Consultant will conduct a full ethics values and vulnerabilities assessment for Company which will consist of:

1. Conduct face to face interviews with 23 Company officers and/or key managers.
2. Mailing and scoring of 3,500 Ethics Questionnaires sent to Company employees.
3. Deliver a finalized, written report and oral presentation of their findings and recommendations presented to Company.
4. Conduct six focus groups consisting of craft, lower and middle level management.

13 Fee for above services will be with material costs included.

Retention for Services

1. Company has agreed to retain Consultant to perform ethics advisory services ("Services") for Company pursuant to the terms and provisions set forth in this Agreement, together with attachments.
2. The Services consist of evaluation and assessment of potential or existing ethical concerns in Company's workplace, and measures to be taken to address the ethical concerns. The scope of the Services is described fully under Executive and Middle Management Education to this Agreement.

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DESCRIPTION OF SERVICES.Executive Education:

Consultant will provide a moderator to present a one day program, "Ethics Training" for officers and Tier I managers with direct reports in Florida in September and training for middle management in Florida (Pay Grades 6 - 7) in November and December of 1992.

- 8
- A) All sessions will be moderated by Gary Edwards.
 - B) The fee for the officer and Tier I session is _____ The fee includes conducting sessions and a written case study of current and/or future ethics issues specific to BellSouth Corporation.
 - C) Travel, food, lodging and related expenses incurred in connection with consulting services are billed at cost. Air travel is at appropriate business class (other than first), lodging is in first class (not luxury) hotel, and food allowances and ground transportation are appropriate to the location.
 - D) Program materials for participants (i.e., handouts, etc.) will be selected by the Consultant and provided by the Company.
 - E) Presentation materials will be designed by the Consultant or Consultant's staff (i.e., visuals) and reproduced by the Company.
 - F) Food and facilities for the program will be provided by the Company.
 - G) The fee is based on 20 - 35 participants per session.
 - H) Consultant agrees to deliver the program to officers and Tier I managers with direct reports in Florida in September, and training for middle management (Pay Grades 6 - 7) in November and December 1992. Dates to be agreed upon by Consultant and Company.

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- I) An additional Officer workshop conducted by Gary Edwards will be
 - J) Material costs for executive workshops is included in the workshop charge.
 - K) This agreement is effective on the last date of signature and expires December 31, 1993.

MIDDLE MANAGEMENT EDUCATION

- 10
- 1. Consultant will conduct four, one-day workshops for Florida middle managers (25-35) per workshop. Professional fees for this service are and material costs are included in the fee. The workshops will be delivered by Gary Edwards.

FIRST LINE MANAGEMENT AND CRAFT EDUCATION

- 19
- 1. Consultant will develop a cascade instruction kit to be given to middle managers during the workshop, including a videotape and a leader's guide. This will prepare them to "roll-down" this training to their Subordinates.
 - 2. Company will develop a "Ethics Guide" booklet for employees to assist them as a job aid in making ethical decisions.
 - 21 3. Professional fees for this service are (Company will handle material reproduction fees and video production and reproduce fees).
 - 4. Maximum payments under this contract will not exceed

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Consultant will provide a moderator to present a one day program, "Ethics Training" for officers and Tier I managers with direct reports in Florida in September and training for middle management in Florida (Pay Grades 6 - 7) in November and December of 1992.

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- 193. Professional fees for this service are (Company will handle material reproduction fees and video production and reproduce fees).
- 21 4. Maximum payments under this contract will not exceed

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AGREEMENT FOR SERVICES

For and in consideration of the mutual promises herein, BellSouth Corporation, a Georgia corporation ("Company") and Ethics Resource Center, Inc. ("Consultant") hereby agree as follows:

1. Description of Services. Consultant will perform certain services for Company upon the terms and conditions hereof and as such services are more particularly described in Appendix A, which is attached hereto and incorporated by reference herein.

2. Payment. Company shall pay Consultant the amount set forth in Appendix A within thirty (30) days of Company's acceptance of Consultant's services or Company's receipt of an invoice, whichever occurs later. Any expenses to be reimbursed to Consultant under the terms of Appendix A shall be reasonable and shall be supported by such documentation as is reasonably required by Company prior to reimbursement of same. Invoices for professional services shall be supported by appropriate documentation. Consultant agrees that Company's authorized representatives shall, until the expiration of three (3) years after final payments under this Agreement, have access to and the right to examine all books, documents, papers and records of Consultant which are associated with any charges billed or expenses paid or reimbursed hereunder.

3. Relationship. Consultant shall be and act as an independent contractor hereunder, and neither Consultant nor any agent or employee of Consultant shall be deemed to be employees for the Company for any purpose whatsoever. Consultant

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shall comply, at its own expense, with the provisions of all applicable state and municipal requirements and with all state and federal laws applicable to Consultant as an employer or otherwise. The services shall be performed in accordance with generally accepted professional standards.

4. Assignment by Consultant. Any assignment or delegation of the services to be performed, in whole or in part, or of any right, interest, or obligation hereunder without Company's written consent, except an assignment confined solely to monies due or to become due shall be void. It is expressly agreed that any such assignment of monies shall be void if Consultant shall not have given Company at least ten (10) days prior written notice of such assignment, or such assignment attempts to impose upon Company obligations to the assignee additional to the payment of such monies, or to preclude Company from dealing solely and directly with Consultant in all matters pertaining hereto, including the negotiation of amendments or settlements of amounts due.

5. Liability. Consultant assumes full responsibility for all damages, claims, losses or expenses, including damages, claims, losses, court costs, attorney's fees and expenses of the Company, which may arise directly out of or result from the performance of the services as Consultant hereunder and caused by or resulting from any error, omission or act of Consultant or any person employed by or under contract with Consultant and to defend and save the Company harmless from all such claims, damages and expenses, in an amount not to exceed

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6. Confidentiality. The Consultant and Company agree that the following documents shall remain confidential to Company and shall not be disclosed or otherwise made accessible to third parties unless the parties are ordered to do so by court of competent jurisdiction ("Confidential Information"):

- (i) The Consultant's Report on the values and vulnerability assessment to Company, and all drafts of The Report.
- (ii) All handwritten or typewritten notes taken by Consultant's employees during interviews, focus groups, workshops and findings presentations to management. Such notes shall be handled in accordance with subparagraph c of this section.
- (iii) All summaries, outlines and workshop aids, including but not limited to slides or scripts, created by the Consultant.
- (iv) The survey responses as well as any compilation or analysis of those responses prepared by the Consultant, except that the Consultant may retain a qualified and professional outside company to compile and quantify the individual responses.
- (v) The Consultant's written analysis of findings and recommendations for future action to be taken by Company, and all drafts of the written analysis.
- (vi) The follow-up assessment and survey conducted by the Consultant several months after completion of its Services. The Consultant may retain a qualified and professional outside company to compile and quantify the individual responses to the survey.

In the event that the Consultant is requested pursuant to subpoena or other legal process to disclose any of the Confidential Information, the Consultant shall

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provide Company with prompt notice so that Company may seek a protective order or other appropriate remedy. The confidentiality of the Confidential Information is to be preserved during the performance of this Agreement, and with the exception of the notes covered in 6. c., all documents, originals, copies and drafts should be returned to the Company.

Company and Consultant shall maintain the confidentiality of any and all Services performed by the Consultant on behalf of Company. The parties recognize that confidentiality is required in order to encourage candor among the participants, and that candor is essential to the effectiveness of the services provided. The parties agree to take, at a minimum, the following steps to maintain confidentiality:

- a) Company agrees that any notes (recorded in any form whatsoever) taken by Consultant employees during the interviews, focus groups and workshops shall not be provided to Company in the course of reporting findings from the ethics awareness program to Company ("The Report");
- b) The Consultant shall report its findings and assessments to the individual or committee so designated by an appropriate authority of Company without identifying the interviewees and focus group or workshop participants as the sources for particular ethical problems, issues or concerns;
- c) Any notes (recorded in any form whatsoever) taken by Consultant employees during the interviews, focus groups and workshops will be destroyed when The Report is provided to Company.

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7. Ownership of Materials. In connection with the services to be rendered by Consultant hereunder, certain materials, including but not limited to market surveys, financial analyses, reports or studies (hereinafter "Material") may be prepared for Company. Such Material shall be treated in accordance with the paragraph entitled "Nondisclosure". Ownership of, and all rights in the Material, including trademark rights and copyrights applicable to same shall belong exclusively to the Company and the Material shall constitute a "work made for hire" under the Copyright Act of 1976. To the extent that the Material is determined not to be a "work made for hire" or where necessary for any other reason, Consultant shall provide Company with all such assignments of rights, covenants and other assistance which may be required for Company, through trademark or copyright applications and otherwise, to obtain the full benefit of the rights provided for herein. If such Material includes materials previously copyrighted by Consultant or others, Consultant grants and agrees to grant to or procure for Company an unrestricted royalty-free license to copy such material with the right to sublicense same to BellSouth Corporation or any direct or indirect subsidiary of BellSouth Corporation.

8. Inventions. (a) Consultant agrees that if any inventions, discoveries or improvements are conceived, first reduced to practice, made or developed in anticipation of, or in the course of, work performed under this Agreement, by Consultant or by one or more of its employees, representatives or agents (hereinafter "Associates"), Consultant assigns and agrees to assign to Company, Consultants and its Associates entire right, title and improvements, and any patents that may be granted thereon in any country of the world.

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(b) Consultant further agrees that, without charge to Company, it will and will have its Associates sign all papers and do all acts which may be necessary, desirable or convenient to enable Company at its expense to file and prosecute applications for patents on such inventions, discoveries and improvements, and to maintain patents granted thereon. Consultant also agrees to acquire from its Associates who perform the work specified in Paragraph (a) of this INVENTIONS clause, such assignments, rights and covenants as to assure that Company shall receive the rights provided for in this clause.

(c) If the use, sale or manufacture of said inventions requires the use of inventions previously made by Consultant and not originated or developed hereunder, Consultant grants and agrees to grant to Company an unrestricted, royalty-free license to make, use, sell and have made said inventions. The license so granted to Company includes the right to grant an unrestricted, royalty-free license to make, use, sell and have made said inventions to any subsidiary, directly or indirectly, owned by Company.

9. Warranty. Consultant warrants that the services performed under this Agreement will proceed with promptness and diligence and shall be executed in a first class professional manner, in accordance with the highest professional standards in the field and to Company's satisfaction.

10. Publicity. Consultant shall not advertise, market or otherwise disclose to others any information relating to this Agreement, nor commercially use Company's trade name or trademarks or those of any of its affiliated companies without Company's express written consent.

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11. Non-Discrimination. To the extent applicable, Consultant agrees to abide by the conditions of the attached Non-Discrimination Compliance Agreement, attached hereto as Appendix B and made a part hereof by reference.

12. Conflict of Interest. Consultant agrees to comply with the provisions of the Conflict of Interest Policy, attached hereto as Appendix C and made a part hereof by reference.

13. Choice of Law. This Agreement shall be construed in accordance with the laws of the State of Georgia.

14. Term. This Agreement shall be effective on the date of the latest signature to this Agreement and may be canceled, at any time, by either party, upon one (1) week's prior written notice to the non-terminating party, or immediately upon mutual agreement.

15. Entire Agreement. This Agreement, together with its Appendices A - C, constitutes the entire agreement between the parties and shall not be changed except by written agreement signed by authorized representatives of both parties. The terms and conditions of this Agreement supersede all prior agreements and understanding between the parties, whether express or implied, with respect to the subject matter of this Agreement.

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IN WITNESS WHEREOF, the Company and Consultant have executed this Agreement in duplicate.

BELLSOUTH CORPORATION

ETHICS RESOURCE CENTER, INC.

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1/28/92

BY: *Roy B. Howard*
(Signature)

BY: *Lori Tansey*
(Signature)

BY: Mr. Roy B. Howard
(Printed Name)

BY: Ms. Lori Tansey
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TITLE: Senior Vice President

TITLE: Director of Advisory Services

Date: 7-28-92

Date: 5-10-92

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Item
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**ETHICS RESOURCE CENTER
Advisory Services Group**

MEMORANDUM

TO: Scott Boston

FROM: Lori Tansey

SUBJECT: Revised Professional Fee Estimates

Outlined below are revised professional fee estimates for the Ethics Resource Center (ERC) with respect to the design, development and implementation of the ethics initiatives at BellSouth Corporation.

Phase II - Values and Vulnerabilities Assessment

- 1) Individual interviews with 35 officers, senior managers and selected functional heads
- 2) Six focus groups of craft, lower and middle management
- 3) Development, execution and analysis of an employee survey (representative sample with an expected base size of 1500 employees)
- 4) Executive briefing on assessment findings with recommendations
- 5) Written report and analysis of findings

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Professional Fees:

Material Costs: Included in Professional Fees

Phase III - Executive Education

- 1) Two one-day ethics awareness workshops for officers/senior executives (20-35 participants per workshop)
- 2) Written case study of current and/or future ethics issues specific to BellSouth Corporation

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Professional Fees: _____ if only one workshop is conducted then the fees would be _____

Material Costs: Included in Professional Fees

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Phase IV - Middle Management Education

1) **Florida:**

- A) Four one-day ethics awareness workshops for middle managers (25-35 participants per workshop)

5 Professional Fees: [redacted]

Material Costs: Included in Professional Fees

2) **Rest of BST:**

- A) One two-day train-the-trainer workshop for selected personnel (10 to 20 participants) who would then train the middle management.

10 Professional Fees: [redacted]

Material Costs: Included in Professional Fees

Or,

- B) Twenty-eight one-day ethics awareness workshops conducted by ERC for approximately 1,000 middle managers (25-35 participants per workshop)

16 Professional Fees: [redacted] also reduces the cost of the Florida workshops
by [redacted]

17 Material Costs: Included in Professional Fees

Phase V - First-line Management and Craft Education

- 1) Preparation of cascade instruction kit to be given to middle managers during the workshop, including videotape and leader's guide
- 2) Preparation of a "Ethics Guide" booklet for employees

23 Professional Fees: [redacted]

Material Costs: Awaiting estimate from former client

25 • BellSouth may also wish to budget an additional [redacted] to cover miscellaneous expenses such as could be incurred from ERC's participation in pilot testing, unanticipated meetings or additional briefings. Separately, as noted in previous proposals, BellSouth is also responsible for all travel related expenses incurred during the course of this engagement.

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