

Testing Corporate Speech Against Corporate Conduct Raphael L. Vitalo, Ph.D.

All commercial enterprises listed among the Fortune 500, and just about all other corporate enterprises, publish a statement of their business intent (purpose, vision, core values) and, usually, a statement of who they recognize as their stakeholders. The last element has risen in visibility with the efforts of capitalist companies to present themselves as “inclusive” in their thinking and action taking into account issues of the environment and social welfare (e.g., Caux Round Table, 2017). In their public representations of their purpose, these companies universally assert their commitment to providing value to their customers and benefiting all their stakeholders. Most also express their commitment to values such as acting with integrity, being trustworthy, respecting all people, etc.

The problem for business consultants and those whose companies task them with implementing an internal change initiative, is that multiple United States District Courts have ruled that such promises of truthful, beneficial service are just “commercial puffery.”¹ They neither imply any genuine commitment to act as they assert nor is their failure to behave as these laudable assertions describe tortious. These court rulings constitute case law, and they are binding on all legal matters. They allow any business to claim whatever it wishes in order to get you to be its client, as long as what it claims is not spelled out in technically detailed terms that permit accountability. Thus, as the Nobel Prize winning economist Joseph Stiglitz has observed, there is often a wide gap between the reality of a company’s actions and its public assertions about its values and intent (Stiglitz, 2019). As an example of Stiglitz’s observation, consider Pfizer Corporation. It makes the following assertions about its earnest concern for others on its website:

“Our purpose ensures that patients remain at the center of all we do. ... Every decision we make and every action we take is done with the patient in mind—and to nurture an environment where breakthroughs can thrive.” (Pfizer, 2023)

Further on in its description of its commitments, it states its first core business principle as “Trust is everything,” and, as that principle’s first element of expression, “Act with integrity always” (Pfizer, 2023).

When one investigates Pfizer’s conduct as a business, one discovers that it has repeatedly behaved in an amoral manner as a serial offender of social norms and law. In 1996, it was found guilty of illegally testing an experimental drug on children in Nigeria and, in the process, killing 11 children (Stephens, 2009). In 2004, Pfizer agreed to pay \$430 million in a U.S. Department of Justice (DOJ) settlement for promoting Neurontin for unapproved uses “even when scientific studies had shown it was not effective” (Dunn, 2021). As judged by Dr. Kay Dickersin of the Johns Hopkins Bloomberg School of Public Health, Pfizer pursued “a publication strategy meant to convince physicians of Neurontin’s effectiveness and misrepresent or suppress negative findings” (Saul, 2008). In 2009, Pfizer entered into “the largest health care [sic] fraud settlement in history.” It agreed to pay “\$2.3 billion to resolve criminal and

¹ As U.S. District Court Judge Sidney S. Stein concluded, they are “mere commercial puffery” (Neumann, 2013).

civil allegations that the company illegally promoted uses of four of its drugs” (ABC News, 2009). For one of those drugs, Bextra, Pfizer promoted its sale “for several uses and dosages that the FDA specifically declined to approve due to safety concerns” (U.S. Department of Justice, 2009). For Celebrex, a second of those drugs, internal Pfizer emails revealed that “a research director for Pfizer was positively buoyant after reading that an important medical conference had just featured a study claiming that the new arthritis drug Celebrex was safer on the stomach than more established drugs.” He declared, “They swallowed our story, hook, line and sinker,” he wrote in an e-mail to a colleague” (Thomas, 2012). In 2012, “Pfizer was found to have committed still further crimes, this time, illegal foreign bribes. It entered into yet another deferred prosecution agreement” (ElBoghdady, 2012). In 2013, “Texas Attorney General Greg Abbott secured \$36 million for the State of Texas in settlements of two lawsuits against Pfizer and Endo Pharmaceuticals alleging fraud by the companies against the state of Texas” (Corporate Crime Reporter, 2021). Then, in 2018 Pfizer agreed to 23.58 million for violation of the Anti-Kickback Statute. It “used a foundation as a conduit” to pay prescribing physicians the co-pay a patient would otherwise have to pay in order to induce Medicare patients to purchase the company’s drugs (U.S. Department of Justice, 2018). Finally, in 2021, according to a report from the UK-based Bureau of Investigative Journalism (BIJ), Pfizer demanded from Latin American countries full immunity from any civil claims and a set aside of state assets as a guarantee that immunity *before it* would allow the citizens of those countries access to its Covid vaccine drug. Officials of those countries described Pfizer’s approach to negotiations as “high-level bullying” that made the governments feel like they were being “held to ransom” (RT News, 2021).

Know Who You Are Working For

The problem for a business consultant or internal change maker is to know what purpose, values, and corporate strategies (commercial and organizational) actually drive a business’s decisions. Only with this knowledge can such a person avoid implementing a change initiative that is doomed to fail because, while it may be absolutely consistent with a company’s expressed intent and business strategies, it is inconsistent with the thinking that actually guides the company’s organization and conduct. Thus, for example, we were once asked to implement a broadly-based Kaizen initiative to improve work processes in a Fortune 50 company’s manufacturing arm. On the face of it, this request made absolute sense as a preliminary assessment of their operations revealed that Kaizen would yield significant cost-savings through the elimination of waste in the company’s current processes and workplaces, and cost reduction was a key driving goal. However, given our previous work with the company, we had also observed that the company implemented a top-down management approach with managers unwilling to yield control of any decision making that might affect their personal success. If you correctly understand the Kaizen method (Vitalo, Butz, and Vitalo, 2003), it is a bottom-up implemented process that requires sustained and meaningful involvement

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from nonmanagement employees. Hence, while the methodology would greatly reduce cost and clearly benefit the business financially, it would conflict with the control needs of managers, and ultimately fail, as managers would reject it. Accepting that engagement would only create discord in the business and, ultimately, an unsustainable change initiative.

How to Know a Company's True Purpose

Four simple rules guide a person in uncovering who a business really serves and what its real purpose and values are. As to conduct, these two rules apply:

1. Behavior trumps words.
2. Whomever a business's actions benefit is the party(ies) the business serves.

As any psychologist will confirm, a person's behavior is a better predictor of someone's future actions than his or her words. This principle holds ever more firmly as the conduct one is assessing is repeated many times and across multiple contexts. As to Cicero's edict "cui bono," it rests on the assumption that, assuming a rational actor, the people served by an intentional action are the people that action was intended to serve.

As to internal operations, these two rules apply:

1. What people attend to, is what they care about.
2. For reward-oriented people, the criteria that control the issuance of rewards control people's decision making and actions.

What a business attends to is revealed by what it measures and regularly monitors. Hence, if management neither measures nor monitors its performance on some expressed commitment it makes, one can reasonably conclude that the verbal commitment is "mere puffery." On the other hand, not all monitored measures are equally important to managers. As the theory of Capitalism asserts, the people who populate a traditional enterprise act solely in their self-interest (Hosseini, 2012; Jensen, 1994; Vitalo and Bujak, 2023; Yamagishi, Li, Takagishi, Matsumoto, and Kiyonari, 2014). Hence, those measures that matter most are the subset of measures that control people's receipt of the rewards they seek (e.g., bonuses, incentive pay, awards). These are the measures that truly matter in a traditional commercial enterprises. Consequently, managers assiduously act to register success on those measures that will release to them the rewards they seek.

Uncovering What a Business Is Really About

A company's business intent and its commercial and organizational strategies express the essence of what it seeks to realize as a business and how it will conduct itself to realize it (Exhibit 1, next page). Its public statements about these matters are published on its website and communicated through its commercials. They also are stated in the company's annual report.

Gather this content, and study it to understand a company's expressed purpose, values, and who it seeks to benefit and how through its commercial activities.

Exhibit 1. Definitions of Business Intent and Business Strategy

Business Intent¹ - Refers to the purpose and vision that a company seeks to realize through its commercial activities and the core values it will never violate as it pursues these ends. Purpose defines why the business exists— what ultimate end it seeks to achieve through commerce. Vision provides an image of the future state the business seeks to create. It describes the status of the business, its relationships with the stakeholders it recognizes, what it will provide them, and how it seeks to be viewed by the public at large based on its conduct. Core values are the behavioral principles that will guide the business's conduct. It expresses a type of commercial moral code.

Commercial Strategy¹ - Describes how a business will decide where and with whom to do commerce and how it win and retain customers, realize profit, and produce the benefits the business promises to its stakeholders. It is essential a firm's business model. It answers questions like:

- How will select for whom we develop a product or service? What principles will guide decision making about what the business will provide? For example, which target customer segments will it serve? Where? What customer function will we enable? Which customer need(s) will it meet? And, what type of offering will the business supply? By what distribution approach and with what support for using it?
- How will the business win and retain customers? For example, how will it access prospects, differentiate itself as their preferred source for the product or service they seek, get initial business, and sustain repeat business?
- How does the business define "profit"—e.g., solely in monetary terms? How will the business achieve profitability sufficient to enable it to realize its ultimate business intent?

Organizational Strategy

- What resources will be critical to long-term success? How will the business acquire and apply these resources?
- How will it view its employees—e.g., as a cost that diminishes profit or as a partner in the pursuit of commercial success?
- What will be the role of employees be in producing success? How will they be involved in business decision making? What approach to managing will the business use—directive, participative, or high involvement?

See an example of a business intent and strategy in Exhibit 28, page 548.

To understand what a company is really about, gather two sets of additional information, both are publicly available.

The first set includes news articles that reveal corporate decisions and actions, private lawsuits against the company, whistleblower revelations, regulatory actions against the company, and investigative reports related to the company or its owners. Discovery findings pursuant to private lawsuits can provide extremely valuable insights as Vitalo and Bujak's (2019) study of the Toyota Motor company from 1995 through 2010 demonstrated. These findings frequently include internal communications about issues the company has also spoken about publicly.

The second set of information describes how executive compensation is determined. Executive compensation includes the salary, benefits and bonuses paid to the highest level executives in a company. The federal government requires all public companies to disclose how much their executives earn through their compensation plans, including the criteria and formulas that determine what executives will receive. This information is available in the company's annual proxy statement, Securities and Exchange Commission (SEC) Form 10-K, and

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the company's current SEC Form 8-K, among other places. While these documents are usually available on a company's website, the simplest way to access them is by using the Edgar search engine located on the SEC's website.² Enter the company's name into its search box, and it will display all the company's SEC filings. The best document to review is the company's annual proxy statement and, specifically, its section on "Executive Compensation."

Once you have gathered the above information, you must test the consistency between the business's expressed strategic direction (business intent and strategies) and the company's actual behavior as documented in publicly available information and the match between the conduct executive compensation rewards and its expressed purpose and values. If you discover inconsistencies, apply the four rules described above to decide the true purpose, who it serves, and what core values guide its conduct.

As an assist to you in conducting this effort, we offer the process described below. It tests the alignment between a business's public speech and its actual conduct. Understand that your task, as a potential change maker, is not to unmask corporate deceit. It is to correctly understand what ends your change-making efforts should advance and whether what you are being asked to do is consistent with those ends. Naturally, as a person and a professional, you should evaluate whether the company's factual purpose and approach is consistent with your personal and professional values.

Process

1. Document the company's expressed (public speech) business intent and strategies.
 - a. Gather information.

Tip: Use the guidance provided above to acquire the company's public representation of its purpose, vision, core values, and business strategies.
 - b. Profile the company's business intent and strategies.

Tip: Analyze the content you gather. Organize it according to the topic it addresses. Sometimes a company's business intent or strategies are explicitly labeled "purpose," "vision," or "core values" or "business strategies." Other times, the material will speak to one of these topics but not be so labeled. Use your understanding of business intent and strategies to detect which topic it addresses (Exhibit 1, prior page). Record what you uncover and be certain to cite each element's source. Exhibit 2, next page, presents the results of the research we completed for a medium sized manufacturing company (MNO Manufacturing).
 - c. Confirm your understanding the company's expressed business intent and strategies.

Tip: Prepare a summary of your findings in an easy to review format such as the one depicted in Exhibit 2. Meet with the head of the business to confirm your understanding of the business's purpose, vision, and core values and its commercial and organizational strategies. Correct any errors, add missing elements, and resolve variations in the company's statements that seem inconsistent.

² The web page to access is: <https://www.sec.gov/edgar/searchedgar/companysearch>

Exhibit 2. MNO Manufacturing's Business Intent and Business Strategy Statements

Purpose

To maintain a leadership position in the manufacture of XYZ products so that we provide the highest possible returns for our shareholders and the greatest possible number of opportunities for our employees.

MNO Manufacturing strives to maintain a leadership role among manufacturers of XYZ products. High quality, customer satisfaction, and a workplace that is protective to the health and safety of our employees and the environment characterize the leadership position we strive to realize. The benefits of achieving this position include the highest possible returns for our shareholders and the greatest possible number of opportunities for our employees.

Vision

Be recognized as the sustaining industry leader based on our high-quality products, exceptional customer satisfaction, and a workplace that is protective to the health and safety of our employees and the environment.

We are committed to providing total customer satisfaction by supplying the highest quality products at a competitive price—on time, every time.

- We will improve the quality of our products by eliminating sources of variation.
- We will use continuous improvement methods to increase productivity throughout our organization.
- We will use Total Productive Maintenance to optimize the maintainability, availability, safety and reliability of all machinery and equipment throughout our plants.
- We will meet all customer, local, state, and federal environmental, health, and safety requirements.
- We will continue to reduce waste, prevent pollution, and conserve energy and natural resources, thereby helping to ensure an adequate supply for future generations.
- We will provide a safe workplace for all employees and will ensure that employees are trained to apply this policy in their daily work.

Core Values

- Quality products
- Satisfied customers
- Timely delivery
- Competitive prices
- Continuous improvement
- Compliance with health, safety, and environment laws

Business Strategy

Commercial

We will use the following means to accomplish our commercial success.

- We will achieve our quality commitments by eliminating sources of variation.
- We will achieve our pricing targets by applying a continuous improvement strategy throughout our organization to increase our productivity.
- We will ensure timely production and reduce cost by applying Total Productive Maintenance to optimize the maintainability, availability, safety and reliability of all machinery and equipment throughout our plants.
- We will achieve our workplace safety and environmental commitments by ensuring that employees are trained to apply our safety and environmental policies daily.

Organizational

- Best performing, easiest to maintain, and safest to operate machinery and equipment
- A teamed workforce
- Involved employees applying themselves to continuously improving our business
- Safe and environmentally-friendly workplaces

2. Breakdown the company's public speech statements into easy to evaluate commitments.

Tip: This step deconstructs the narrative description of the company's business intent and strategies into specific commitments. Each commitment is an anchor for a success criterion that measures one's

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performance in realizing it. This specificity allows you to more easily contrast a company's expressed intent with its actual conduct.

- a. Identify the company's stakeholders and the commitments it has made to each.

Tip: Sometimes these facts are explicitly stated and the analysis is simple. For example, "We will provide a safe workplace for all employees..." clearly names the stakeholder as "employees" and the benefit the business will provide them. Other times, you need to infer who the stakeholders are or what benefit the business promises to provide. In these situations, begin by reading each purpose, vision, and core values statement you documented and asking yourself, "What is being promised?" List each promise you uncover. Next, consider each promise and ask, "Who would immediately benefit from this promise?" The answer to this question identifies a stakeholder who the business commits to benefiting. Note the stakeholder next to each statement. When done, reorganize the list. Identify each stakeholder, and place under it the promises made to that stakeholder. Finally, for each promise, create an anchor that one would assess to determine whether the promise was delivered. Try doing this task for MNO manufacturing's purpose, vision, and values statements as summarized in Exhibit 2. Check your answers against Exhibit 3, next page. There, we present the results of our analysis of the MNO manufacturing company's business intent.

- b. Identify the elements of the company's description of how it will succeed commercially.

Tip: Each element will express a behavior that the company will use to realize its commercial success. For example, Pfizer's website states that the company is in "relentless pursuit of breakthroughs" and that it "innovate[s] every day to make the world a healthier place." From this one would surmise that innovation was a key element in its strategy to realize commercial success. Exhibit 4, page F-9, records our analysis of MNO's commercial strategy.

- c. Identify the elements of the company's description of its organizational strategy.

Tip: An organizational strategy describes how a business will organize itself structurally and socially. It defines the resource it deems critical-to-success resource, how it views the role of employees and how they will be involved in business decision making, and the management approach the business will use—e.g., directive, participative, or high involvement. It also includes how people will work together and the type of culture the business will foster. For example, Pfizer's website states that the principle that "Trust is everything," and lists under it the following intent: "Create more leaders, fewer bosses." This suggests a culture wherein each employee is allowed to take the initiative in advancing the company's purpose and where top-down driven control will be minimized or eliminated. Exhibit 4, next page, records our analysis of MNO's organizational strategy.

3. Document the company's conduct and key performance indicators as each relates to its expressed business intent and strategies.

- a. Gather information.

Tip: Use the guidance provided above to learn about the company's conduct and the behaviors for which it rewards its executives.

Exhibit 3. Stakeholders and the Benefits the MNO Manufacturing Has Promised Each

Business Intent	Anchor for Measurement
<p>Analysis of Purpose Statements</p> <ul style="list-style-type: none"> ▪ Leadership position within industry - Sh¹ ▪ Highest returns for shareholders - Sh ▪ Job opportunities for employees - Em ▪ High-quality products - Cu ▪ Customer satisfaction - Cu ▪ Workplace that is protective to the health and safety of our employees and the environments - Em ▪ Greatest possible number of opportunities for our employees - Em ▪ Competitive prices - Cu ▪ On time, every times - Cu ▪ We will meet all customer, local, state, and federal environmental, health and safety requirements - Cu, Com 	<p>Shareholders</p> <ul style="list-style-type: none"> ▪ Reputation of business is as its industry leader ▪ Return on investment highest for our industry sector ▪ A business that is continuously improving its operations and results <p>Employees</p> <ul style="list-style-type: none"> ▪ Continuance of existing positions or equivalent replacement positions ▪ Growth in promotion opportunities (inferred, not explicit) ▪ Workplace that is protective to the health and safety of our employees and the environment <p>Customers</p> <ul style="list-style-type: none"> ▪ High-quality products ▪ Customer satisfaction ▪ Competitive prices ▪ Delivery on time, every time ▪ Exceptional customer satisfaction <p>Community</p> <ul style="list-style-type: none"> ▪ Meet all environmental, health and safety requirements ▪ Continuing reduction of waste, prevention of pollution and conservation of energy and natural resources so as to help ensure an adequate supply for future generations
<p>Analysis of Vision Statements</p> <p><i>Be recognized:</i></p> <ul style="list-style-type: none"> ▪ As the sustaining industry leaders - Sh ▪ For high-quality products - Cu ▪ For exceptional customer satisfactions - Cu ▪ For providing a workplace that is protective to the health and safety of our employees and the environments - Em ▪ For continuing to reduce waste, prevent pollution and conserve energy and natural resources, helping to ensure an adequate supply for future generations - Com 	
<p>Analysis of Core Values</p> <ul style="list-style-type: none"> ▪ Quality products - Cu ▪ Satisfied customers - Cu ▪ Timely deliveries - Cu ▪ Competitive prices - Cu ▪ Continuous improvements - Sh ▪ Compliance with health, safety, and environment laws - Com 	
<p>¹ Sh - shareholders, Em - employees, CU - customers, Com - community.</p>	

b. Analyze the company’s conduct to determine what benefit it generated and who received that benefit.

Tip: Review the conduct you uncover. Identify what the company did and who that action benefited. Integrate the list you develop. Record next to any item the number of times you uncovered actions similar to it. For example, the review of Pfizer’s conduct, as documented above, reveals a consistent pattern of pursuing the advancement of new products and the maximization of financial gains without regard for the well-being of the people its actions affected or its civil responsibility to act lawfully.

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Exhibit 4. MNO Manufacturing’s Commercial and Organizational Strategies and Anchors	
Commercial Strategy	Anchor for Measurement
We will achieve our quality commitments by eliminating sources of variation	<ul style="list-style-type: none"> ▪ Eliminate sources of process variation (strategy) ▪ High-quality products (expected advantage)
We will achieve our pricing targets by increasing productivity. We will do this by using a continuous improvement philosophy throughout the organization.	<ul style="list-style-type: none"> ▪ Apply a continuous improvement philosophy (strategy) ▪ Productivity increased (expected advantage) ▪ Pricing targets met (expected advantage)
We will ensure timely production and reduce cost by applying Total Productive Maintenance to optimize the maintainability, availability, safety and reliability of all machinery and equipment throughout the plant.	<ul style="list-style-type: none"> ▪ Implement Total Productive Maintenance (strategy) ▪ Machinery optimized for maintainability, availability, safety, and reliability (expected advantage) ▪ Production to schedule maintained (expected advantage) ▪ Production cost reduced (expected advantage)
We will achieve our workplace safety and environmental commitments by ensuring that employees are trained to apply our safety and environmental policies daily.	<ul style="list-style-type: none"> ▪ Train employees in our safety and environmental policies (strategy) ▪ Apply safety and environmental policies daily (strategy)
Organizational Strategy	
Best performing, easiest to maintain, and safest to operate machinery and equipment	Has machinery that is optimized for maintainability, availability, safety, and reliability
A teamed workforce	Has employees who work as a team within and across work units
Involved employees applying themselves in continuously improving our business	Has employees who apply themselves in continuously improving our business
Safe and environmentally-friendly workplaces	Has safe and environmentally-friendly workplaces

- c. Document the key performance measures that determine executive pay.

Tip: Review the company’s method for determining executive compensations. It will identify the factors it considers, the weights applies, and the computation it uses to set executive compensation. Note that a factor maybe mentioned as contributing to compensation, but the method for determining its affect may be vague and subjective. List these factors as “expressed but uncertain” since no method for applying them is recorded. Use only the certain factors in your analysis. Document what is rewarded and whom that benefits. As an example, see Pfizer’s Proxy Statement for 2023. Annual short-term incentive pay is based on three hard factors, all financial: Total Revenue (40%), Adjusted Diluted EPS (40%), and Cash Flow from Operations (20%). The actual payout may be modified 30% either up or down by the subjective judgment of perform on two other factors: Pipeline Achievement Factor³ (up to +/- 25% adjustment) and environmental, social, and governance (ESG) goals (up to +/- 5% adjustment). We would document the last two factors as “expressed but uncertain” since their affects on awards are uncertain. Do not include such factors in your analysis.

³ The Pipeline Achievement Factor relates to “the progress and delivery of the R&D pipeline in all development phases.” It appears to address whether new compounds are progressing through the development pipeline to production on time.

Exhibit 5 lists the KPIs we uncovered for MNO Manufacturing and what MNO used each to measure. Note that the meaning of some of the KPIs MNO uses is not self evident. Be sure to clarify the meaning of any obscure KPIs. For example, one of MNO’s KPIs is “output acceptability.” What does it mean? It turned out that MNO defined it as the percentage of units arriving at final testing that passed. These outputs may have been reworked along the way. In contrast, the measure “process yield,” which was also unclear to us, means “first pass yield.” It was used measure the amount of rework in the entire process. The MNO Manufacturing company used all its KPIs to determine bonuses even though many of them represented more lower level operations-type measures.

Exhibit 5. MNO’s KPIs	
Business Level KPI	What It Measures
Lost time accidents: 2	Safety
OSHA recordables: 32	Safety
Cost reduction of \$50,000.00 per month	Monthly cost savings targeted for current year
Capacity utilization: 88%	Percentage of potential output produced
Labor productivity (hrs. per ton): 13.2 hours	Labor productivity
Output acceptability: 97.7%	End-of-process defect rate
Process yield: 44%	Total process defect rate
Overall equipment effectiveness: 79%	Operating excellence of machinery and equipment
Plant overtime: 19.5%	Plant overtime cost

- d. Identify any problems that exist with the current KPIs.

Tip: A problem exists whenever the business lacks a KPI for measuring its success in fulfilling a promise to a stakeholder or its implementation of an element of its business strategy. Compare the results of your analysis with the business’s promises to its stakeholder and its business strategy. Verify that there is at least one KPI that identifies the delivery of each promised result. Note where a KPI is missing. Check the KPIs against your analysis of the firm’s business strategy. You should see a KPI that measures the implementation of each element of this strategy. Note each missing KPI. Do this activity using MNO Manufacturing’s information. Test your answer against the results reported in Exhibit 6, next page.

4. Compare the company’s public speech with its conduct and executive pay decision making.

- a. Identify conduct discrepancies, if they exist.

Tip: Compare the promises made by the company in its public speech as you have documented with its conduct and whom its conducted benefited. Note concurrences and discrepancies. For example, Pfizer’s conduct was noted to emphasize the advancement of new products and revenue maximization. Both these benefit accrue to the executives of the company because performance on financial results drives their compensation. It may also benefit the company’s shareholders, assuming that the costs of litigation do not outweigh the added profits generated. All other stakeholders and assertions about its purpose, vision, core values, and it expressed business strategies appear to be violated by its conduct. With respect to the MNO company, research uncovered no conduct inconsistent with its public speech.

- b. Summarize the discrepancies you uncovered between the company’s expressed values and goals and what it measures to determine executive compensation, if any.
- c. Document your findings.

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5. Judge alignment.

Tip: If no discrepancies exist, then the company’s public speech is confirmed. If you uncover a misalignment between public speech and actual conduct, including how it rewards its executives, apply the four rules described above to conclude what the company’s actual purpose, vision, core values, and business strategies actually are. With this understanding, assess whether the change initiative you are being ask to implement is consistent with the company’s actual purpose, vision, core values, and business strategies.

Exhibit 6. Problems Uncovered Between Intent and Strategy and MNO’s Manufacturing KPIs	
Stakeholder Benefits Promised	Status of Key Performance Indicators (KPIs)
Shareholders <ul style="list-style-type: none"> ▪ Reputation of business as industry leader ▪ Return on investment highest for our industry sector 	No KPI exists to measure promised shareholder benefits. [Problem]
Employees <ul style="list-style-type: none"> ▪ Continuance of existing positions or equivalent replacement positions ▪ Growth in promotion opportunities ▪ Workplace that is protective to the health and safety of our employees and the environment 	Two KPIs exist to measure workplace safety, but none exist to measure other promised benefits. [Problem]
Customers <ul style="list-style-type: none"> ▪ High-quality products ▪ Exceptional customer satisfaction ▪ Competitive prices ▪ Delivery on time, every time 	<ul style="list-style-type: none"> ▪ The KPI “output acceptability” measures the rate at which final outputs meet specifications and that may or may not represent the customer’s perspective. [Possible Problem] ▪ No KPIs exist to measure the remaining promised benefits. [Problem]¹
Community <ul style="list-style-type: none"> ▪ Meet all environmental, health and safety requirements 	No KPI exists to measure this promised community benefit. [Problem]
Business Strategy	Status of Key Performance Indicators (KPIs)
Eliminate sources of process variation	No KPI
Apply a continuous improvement philosophy	No KPI
Ensure timely delivery	No KPI
Implement Total Productive Maintenance	No KPI
Train employees in our safety and environmental policies	No KPI
Apply safety and environmental policies daily	No KPI
Has machinery that is optimized for maintainability, availability, safety, and reliability	Overall equipment effectiveness KPI
Has employees who work as a team within and across work units	No KPI
Has employees who apply themselves in continuously improving our business	No KPI
Has safe and environmentally-friendly workplaces	No KPI
¹ There is a cost reduction KPI, but cost reduction does not mean “competitive pricing.” Reduced operating costs can be eaten up by increased overhead costs, for example. Or, the cost can be added to margin and taken as profit.	

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