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1.

The Role of the CEO in
Creating an Effective Ethical
Work Culture

Deborah Severs

2.

The CEO ...

- Sets the tone
- Creates the vision
- Enrolls the employees
- Shapes the culture

3.

Eaton's Ethical Tradition

- A reputation for integrity
- A source of great strength
- Established a code of ethics in 1970

Text

Introduction

Steve asked me to share my perspective of the role of the CEO in creating an effective ethical work culture, and specifically what impact our CEO has had on our ethics program at Eaton.

I think employees look to the CEO for what's important to the company. For what has priority.

The CEO sets the tone. Creates the vision. Enrolls the employees and ultimately shapes the culture.

Eaton is very proud of its reputation for integrity.

We speak of our tradition and our values as a source of great strength.

In the 70's we established a code of ethics as part of the defense initiative. There was next to no distribution outside the US.

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4.



Alexander M. Cutler

5.

CEO Drives Success

- Made a personal and public commitment to ethical behavior

6.

- Shared his vision: "To be the most admired company in our markets."

7.

"It's not just about getting great results: it's how we get those results."

Sandy Cutler

Text

A few years ago Sandy Cutler, our CEO, decided that that we must focus more attention on our ethics and values. I think there was some sense that we could no longer take our reputation for granted; we wanted to make sure all of our employees understand our commitment to high ethical standards-no matter where they work for Eaton.

Sandy made our new ethics program a key initiative and threw his heart and soul into its success.

I think some of the steps he took in driving this initiative are playing a key role in its success.

The first thing he did was make a very personal and public commitment to employees that maintaining an ethical work culture is a priority for the company.

He shared his vision that Eaton be the most admired company in its markets, and he tied our commitment to high ethical standards to that vision.

While he strives to achieve strong results, he isn't willing to do it at any costs. He frequently tells audiences "It's not just about getting great results: it's how we get those results.'"

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8. Enrolled the Leadership
 - To be effective and meaningful, ethics message had to be delivered by leaders
 - Company leaders expected communicate about ethics, and serve as role models

9. Enroll all employees
"Ethics is everyone's responsibility"

Text

Next he enrolled the leadership

Sandy decided that for our program to be effective and meaningful to employees it had to be delivered by leaders, and not ethics officers or human resources.

He announced to the leadership team that they would lead the training efforts on an ongoing basis.

Leadership would mobilize the enterprise toward our vision through regular and visible communication and by being role models for ethical decision making.

Next Sandy set about to enroll all employees. He made ethics everyone's responsibility, and declared that for our program to succeed we must have everyone's involvement and commitment-no matter where they work for Eaton.

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10.



11. Ethics Communications

Text

That idea was captured in the title our recent ethics-related communications:

One Company. One Commitment.

Sandy is a great communicator and he regularly and consistently speaks about his commitment to ethics across the enterprise.

He takes advantage of every opportunity to publicly demonstrate that maintaining an ethical work culture is a priority.

Let me talk about just a few ways that Sandy communicates his messages to employees

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12. "We measure our growth and profitability by our financial results. But we also measure our performance by how we get results. That's where our philosophy, values commitment and ethics come into play."

October 14, 2003

Third-quarter earnings announcement

13. "Our commitment to the highest standards of corporate governance and ethical business practices makes Eaton a company we can be proud of for all the right reasons."

December 18, 2003

Holiday message to employees

14. "Your annual reaffirmation of your commitment to these foundation elements of our culture represents an important act in modeling the right behavior throughout our enterprise."

Annual Affirmation of Ethical Commitment

Text

He makes public statements in our earnings statements

In our third-quarter 2003 earnings announcement, he said "We measure our growth and profitability by our financial results. But we also measure our performance by how we get results. That's where our philosophy, values commitment and ethics come into play."

In his holiday message to employees last year, he said "...Our commitment to the highest standards of corporate governance and ethical business practices makes Eaton a company we can be proud of for all the right reasons."

He uses symbolism.

The top 200 members of the leadership team are asked to sign an Annual Affirmation of Ethical Commitment. In the email accompanying that document, Sandy said "Your annual reaffirmation of your commitment to these foundation elements of our culture represent an important act in modeling the right behavior throughout our enterprise." He looks for symbolism. Speaks to analysts, too.

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15.



16. "If you've done everything we've asked you to do and are not getting the help you need, contact me."



17.

Text

He tells stories.

Sandy understands the power of stories, retelling actual events about how the company has been tested, and the costs of living up to our principles.

One of the places he does this in his regular One to One column in our employee newsletter.

The bottom line is that employees know that Sandy values integrity. They know that he expects them to speak up if they aren't sure what to do about a proposed course of action.

They know that if they've done everything we ask them to do and they still need help, they can call him.

In fact, he's asked them to do just that in his personal letter in our Ethics Guide.

That sends a clear message that it's something very important to him and to the company. Employees get the idea that they had better make it an important part of the way they act as employees of Eaton.

Integrity is valued.

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Text

18.

Conclusion

Most organizations can count on their CEO to help chart their ethical path. But knowing the path you want to take really doesn't mean much until you actually put one foot in front of the other and start walking down that path.

- 19.
- Charting our ethical path
 - Walking the path himself, leading by words and deeds

Our chairman has helped us chart a clear path, the path that he expects every employee to follow.

But he's not just standing at the side of that path pointing the way and encouraging us on. He is walking the path himself, leading our entire organization by words and deeds.

There's no question in the minds of our employees and our leadership team that our leader, our CEO, is committed to always doing the right thing.

20.

Eaton is fortunate to have a CEO who is willing and eager to be engaged in our ethics program. There's no question in our employees' minds about where he stands, or how they are expected to deal with ethical issues.

That, I believe, adds to our company's character, its strength, and in the long run, its performance.