

Ethics Management for Supervisors

Professionalism in the Workplace



PRESENTED BY: COMPLIANCE TRAINING GROUP
(800) 591-9741

Learning Objectives

- ❖ Define *Ethics in the Workplace*
- ❖ Identify why an Organization needs Ethics Training
- ❖ Assess Common Workplace Ethics Codes of Conduct
- ❖ Weigh Social Responsibility Factors that Influence Business Ethics
- ❖ Compare Examples of Ethical & Unethical Actions
- ❖ Review Reporting Procedures & Determine When to Report
- ❖ Analyze the Characteristics of an Ethical Organization
- ❖ Evaluate the Causes of Ethical Dilemmas
- ❖ Establish Best Practices

Section 1: Defining Business Ethics

Question: What is Ethics?

From Merriam Webster's Dictionary:

Ethics is the discipline of dealing with what is good and bad, with moral duty and obligation in mind

- Moral principles of right and wrong
- A guiding philosophy

Morals describe one's particular values concerning what is right and what is wrong

- Often used as a synonym for ethics
- Morals are subjective; Ethics are objective

Why Do I Need Ethics Training?

- ❖ To Recognize and Promote Ethical Decisions at work
- ❖ To create an Ethical Workplace Behavior Model
- ❖ To Educate ourselves
- ❖ To protect ourselves and the organization from potential liability and reputational damage

Why Be Concerned with Ethics?

- ❖ Impact on Public Image
- ❖ Ensure best use of resources
- ❖ Maintain Quality and Productivity
- ❖ Assists in Legal Compliance
- ❖ Protects Sensitive Information
- ❖ Boosts overall Morale



What are Ethics in the Workplace?

- *Rules of behavior based on what is morally good or bad in the workplace*
- *Standards and values that define how a business manages itself*
- *How the business responds to difficult situations*



Business Ethics Defined

- A set of formal & informal standards
- Guides behavior at work through policies and basic morals
- Core values = Honesty, Respect, Trust
- Workplace culture

What Are Business Ethics?



- The principals and standards that define acceptable conduct in business
- Policies and practices regarding potentially controversial issues
- Usually guided by the law, or a code of conduct
- Standards of behavior that are socially acceptable
- Confidentiality, Honesty, and Transparency

Common Workplace Ethics - E-T-H-I-C-S

Ethical culture, values, and decision making

Transparency

Harassment-free workplace

Integrity and honesty in professional and business relationships

Confidentiality

Safety and equality for all employees

Section 2: Factors that Influence Ethical Behavior

Three Characteristics of Ethical Behavior

- Consistently acting with good values
- Demonstrating respect through dignity, diversity, and equality
- Guiding actions with principles of Confidentiality, Honesty, and Transparency



Confidentiality

- Treatment of personal information that has been disclosed to another person (one's doctor, lawyer, financial advisor) or organization (one's employer or a hospital)
- An agreement to not share or make public certain information
- Includes treatment of proprietary information received from another business party
- Governed by local, state, and federal laws



Examples of Confidentiality in Business

- ❖ Keep sensitive information secured
 - ❖ Shred old documents
- ❖ Identify security risks
 - ❖ Weak Passwords
 - ❖ Outdated firewall
 - ❖ Disgruntled employees
- ❖ Categorize your confidential data
 - ❖ Customer lists
 - ❖ Contracts
- ❖ Control access to sensitive information



Honesty

- Reflects the organization's commitment to truthfulness and fairness
- Requires an avoidance of conflicts of interest and the use of bribery
 - *Conflicts of interest* arise when those involved in a situation or decision have differing interests in the outcome
 - *Bribery* is the exchange of something valuable to gain influence or preference with a person, organization, or governmental body



Examples of Conflicts of Interest

- Purchasing goods or services from a business owned by a friend or relative
- Accepting gifts from a vendor
- Dating an employee who reports to you
- Failing to disclose you are related to an applicant
- Supplying products to the government while sitting on the board that sets the criteria for awarding contracts



Examples of Bribery

- 2012: Walmart was accused of bribing Mexican officials to quickly obtain permits to open stores
- 2014: TSA baggage screener at LAX sentenced to six years in prison for taking bribes to let cocaine pass through security
- 2019: Dozens of wealthy parents, including actresses Felicity Huffman and Lori Loughlin charged in multimillion-dollar scheme to cheat college admissions standards



Transparency

- Supports trust in relationships with stakeholders
- Commits an ethical organization to disclosing details about dealings, transactions, or processes to those who have a vested interest
- Provides assurance that your organization and its employees comply with laws, regulations, and policies



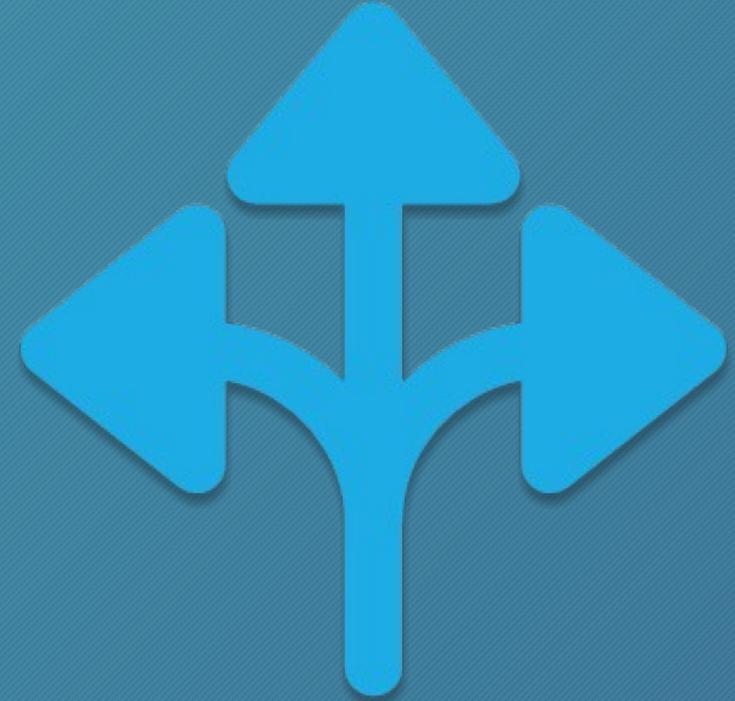
Examples of Transparency in Business

- ❖ A business partner can expect transparency about the terms of a working agreement. If an organization signs a contract and specifies that it will not subcontract the work to another entity without the approval of the other party, ethically it must inform its business partner and seek their approval.
- ❖ A governmental agency expects that the safety records an employer keeps are accurate and discloses all information about accidents and injuries.
- ❖ Documentation on hiring, promotions, and performance reviews should comply with employment laws and organizational policies and procedures.



Organizations Can Be Driven Ethically in 3 Ways

1. Moral Management of Ethics: Conforms to high ethical standards
2. Immoral Management of Ethics: Lacks ethical principles and actively opposes what is ethical
3. Amoral Management of Ethics:
 - a) Intentional (does not consider ethical factors); or
 - b) Unintentional (casual or careless about ethical considerations in business)



Section 3: Ethical & Unethical Practices

Unethical Practices - Enron

- Engaged in systematic accounting fraud at the direction of CEO
- Falsified multiple financial statements and filings for investors
- Intentionally hid losses by moving them to shell companies
- On October 16, 2001, posted a \$618m loss
- On December 2, 2001, filed for bankruptcy, the biggest in US history
- One month later, the Department of Justice opened a criminal investigation of Enron



Unethical Practices - Bear Stearns

- CEO Jimmy Cayne ignored risk management best practices
- Employees worked solely to maximize their personal revenue
- January 2007: Bear Stearns stock selling for \$179/share
- March 2008 - funds on hand are almost depleted, receive taxpayer bailout
- March 16, 2008: sold for \$2/share to JP Morgan



Unethical Practices - Volkswagen

- Volkswagen intentionally violated Clean Air Act by programming diesel engines to only activate emissions controls during testing
- When not in “testing mode” the engines emitted up to 40 times the level of nitrogen dioxide
- Volkswagen deployed this software in about eleven million cars worldwide, including 500,000 in the United States
- January 11, 2017: Volkswagen pled guilty to conspiracy to defraud the U.S. government, agreed to pay a \$2.8 billion criminal fine and \$1.5 billion in civil penalties. Six Volkswagen executives were criminally charged.



Unethical Practices - Wells Fargo “8 is Great!”

- Wells Fargo employees secretly created millions of unauthorized bank and credit card accounts
- Initial reports blamed individual Wells Fargo branch workers and managers
- Employees revealed they often faced abuse and “unbearable” pressure to achieve sales targets
- Employees were ignored or retaliated against when reporting fraudulent behavior
- Wells Fargo agreed to settle with consumers for \$142 million
- End Result: CEO was forced to resign, Wells Fargo fined \$185 million



Causes of Ethical Dilemmas

- Pressure to meet unrealistic objectives and deadlines
- Increase in market competition worldwide
- Economic greed
- The Media
- Pressure to earn profits from stakeholders
- Lack of management support
- Poor leadership



Examples of Unethical Conduct

- ❖ Misleading Stakeholders
- ❖ Dishonesty
- ❖ Data Manipulation
- ❖ Abusive Conduct
- ❖ Denial
- ❖ Unfair Hiring Practices
- ❖ Cut Corners on Security or Compliance



Commitment to an Ethical Workplace

- Company Policy

The company maintains a zero-tolerance policy towards any form of discrimination, harassment, bullying, or sexual harassment in the workplace. These behaviors, including unwanted sexual advances, inappropriate comments, or any conduct that creates an intimidating, hostile, or offensive work environment, are not aligned with our core ethical values of integrity, honesty, and respect.

- Inclusive Culture

The company fosters an inclusive environment where all employees are treated with respect and fairness, and where differences are valued.

- Take Action

If you encounter or witness a situation, it is important to speak up promptly through the company's confidential reporting channels.

- Protection Against Retaliation

Employees who report unethical behaviors, including sexual harassment, are protected against retaliation.

- Ethical Leadership

Leaders within the organization are expected to model professionalism and ethical behavior.

Section 4: Recognizing Unethical Behavior

Why is this Difficult? Welcome to the Grey Area



- Most people have a general idea of “Right” and “Wrong”
- Some situations are ill-defined and do not conform to existing rules
- May require clarification and analysis
- Often only a subtle difference between what is ethical and what is unethical

Dealing with Ethical Quandaries

- Situation requires a choice, none of the options resolve it
- Can be difficult to recognize
- Often go unreported
- If reported, ignored



Why Employees do not Report Unethical Behavior

1. Do not believe corrective action will be taken
2. Fear of retribution or retaliation from supervisors or coworkers
3. Wish to remain anonymous
4. Assume someone else will report (Bystander Effect)
5. Do not know reporting process
6. Behavior involves a senior employee



Am I Displaying Ethical Values?

Trustworthy (Honest / Loyal / Integrity)

Respect (Dignified / Courteous / Tolerant / Accepting)

Responsibility (Accountability / Excellence)

Caring (Compassionate / Considerate / Giving)

Justice and Fairness (Impartial / Consistent / Equality)

Civic Virtue and Citizenship (Law Abiding / Community Service)

When Facing Ethical Issues: *Self Talk*



1. Is my decision truthful?
2. Is my decision fair to everyone involved?
3. Will my decision build goodwill for my company?
4. Is the decision beneficial to all parties who have a vested interest in the outcome?

Navigating Unethical Situations



1. Ask questions to get information (do not assume)
2. Ask experts (legal department, HR, compliance officer, accounting department)
3. Ask outside experts (advocacy groups, lawyers, government agencies, industry associations)
4. Have checklist to follow and document answers/results

Section 5: Ethical Decision Making

Ethical Dilemma Decision Making Model

1. Study & understand the situation
2. Ask questions
3. Identify the ethical dilemma (Right vs. Wrong) and discuss openly
4. Identify values involved on all sides
5. Identify values that influence your position
6. Effectively and respectfully communicate your decision that applies facts and identifies ethical values to support your position

Ethical Tests

Is this action legal? Against ethical code / employee code?

Benefit Cost Test: Do the benefits exceed the cost to whomever they accrue?

Categorical Imperative: Are you willing to allow everyone to practice the proposed action or do you want to be a special case?

-Immanuel Kant's *Duty-Based Ethics*

Ethical Tests

- *Light of Day Test:* Would you be comfortable having your family read about your choice in the newspaper? What if your choice was brought into the open for public scrutiny?
- *Do Unto Others Test:* Treat others as you would wish to be treated
- *Ventilation Test:* Seek additional points of view
- *Customary in Industry Test:* What does your Industry require?

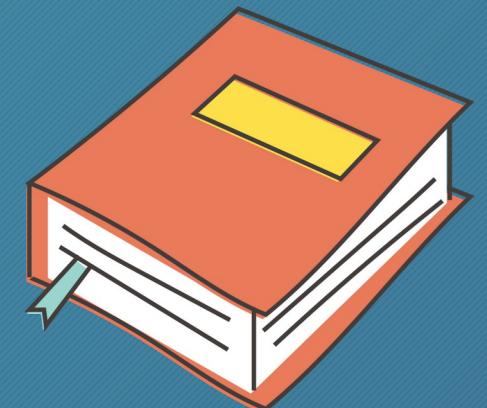
If Asked to Do Something Illegal...

- Say NO and be firm
- Document Everything
- File a formal Internal Complaint
- Refer your complaint to Compliance/Human Resources
- Watch for Retaliation
- Document Your Own Good & Bad Work Performance
- File claim, if needed, with Government Agency



What is an Employee Manual / Handbook?

- Rules outlining the responsibilities and proper practices for employees and the organization
- Contains information about the organization's culture, policies, and procedures
- Follows Best Practices (a standard way of complying with legal/ ethical requirements)



What is a Code of Ethics / Code of Conduct?



Does your organization have a code of conduct?

Formal rules and standards that describe what an organization expects of its employees

Why Have a Code of Conduct or Employee Handbook?



- Reference guide for day-to-day decisions and behavior
- Clarifies the company's mission, values, and principles in conjunction with standards of professionalism
- References policies, documents, and resources
- Open disclosure of how the organization operates and how to report a problem
- Disciplinary actions are defined
- Ensures adherence with state and federal laws

Section 6: Ethical Best Practices

Best Practices

1. Lead by example / support ethics and code of conduct / ethics committee
2. Make complaints if needed & respond promptly to complaints
3. Have and know policies / procedures / codes of conduct
4. Comply with review / audits / investigations
5. Be transparent
6. Meet obligations

Best Practices Strategy

A *Best Practices* strategy can help your business:

- Become more competitive
- Increase sales and develop new markets
- Reduce costs
- Increase efficiency
- Effectively use technology
- Reduce waste
- Improve quality
- Respond quickly to innovations



Emphasize

- Respect amongst everyone!
- Ethical and appropriate behavior both at work and on your own time



Remember - you represent the organization!

Managers & Ethics

- You are the organization's 1st line of defense - be an advocate of ethical behavior
- Managers set the ethical tone (what is acceptable and what is not)
- Encourage discussion
- Reward ethical conduct
- Avoid lawsuits and criminal conduct
- Undergo Annual Ethics training
- Establish and participate in creating Ethical Code of Conduct or an Ethics Board



Establishing an Anti-Corruption Program

- Identify specific risk areas where payments are made (promotional expenses, travel and entertainment, facilitating payments, charitable donations, lobbying)
- Institute effective controls concerning the method and location of all payments
- Provide culturally appropriate training and communication programs on what is acceptable behavior
- Embed disciplinary mechanisms within the business model to help minimize areas of risk

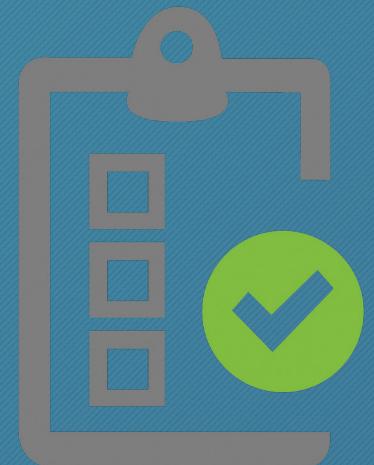


Sarbanes-Oxley Act (SOX)

- Enacted in 2002 to decrease Corporate Fraud and protect investors
- Created in response to the Enron scandal
- **Contains provisions that also apply to privately held companies**

Major elements of SOX:

- Added criminal penalties for certain misconduct
- Strengthened Whistle-blower protections
- Closed accounting “loopholes”
- Increased requirements for corporate transparency in reporting
- Strengthened Compliance Monitoring



Consult with your employment law attorney to ensure compliance

The Benefits of Ethical Behavior

- Avoid costly lawsuits
- Avoid social boycott/reputational damage
- Create goodwill for the business
- Improve company's bottom line / productivity / teamwork / profits
- Increases trust in marketplace and within company
- Clear conscience
- Prevents harm to society / improves society
- Protects employees / supports employee growth
- Builds trust with employees / shareholders / customers /stakeholders

Guidelines for Managing Ethical Behavior

- Ethics management is a process.
- Avoid ethical dilemmas.
- Make ethical decisions alone, in groups, and publicly.
- Think of your community.
- Value forgiveness.
- Ethics management with mistakes is better than no management at all!



Training Critique

How Did We Do? Let Us Know!



Thank You



www.ComplianceTrainingGroup.com

800-591-9741