

The ABCs of Ethics: Applications for HR Professionals

Alabama SHRM State Conference
Pre-Conference

May 18, 2010, 3 p.m. to 6 p.m.

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Workshop Summary

- We will obtain a greater understanding of ethics and professionalism.
- We also will ponder the fundamental question impacting ethical behavior in the workplace:
What does it mean to be ethical?

Workshop Objectives

- Develop a greater awareness of personal and professional ethical values and beliefs.
- Understand the application of the “Golden Rule” to business ethics.
- Develop hands-on and interactive ethics education and training tools.

Sources of Information

- 13 years of experience conducting internal investigations, audits and litigation matters.
- Research concerning ethics and professionalism (resulting in one book, *The ABCs of Ethics*).
- 2009 Global Ethics Survey.

Action Ideas

Action Ideas

- Please provide the presenter with any questions that you want to be answered before the conclusion of, issues you wish to discuss during or expectations that you may have concerning the workshop.

Exercise No. 1

“The Big Bad Wolf”

Exercise No. 1: “The Big Bad Wolf”



Exercise No. 1: “The Big Bad Wolf”

- Straw and sticks.
- Stones.
- The wolf and “huffing and puffing”.
- HR responsible for building an organization of stone.

Learning Our Ethics ABCs

Ethics and Professionalism

What are Ethics?

Ethics are the rules or standards governing the conduct by which people live their lives or make decisions.

Ethical Self-Assessment

- Ethical self-assessment:
 - What do you believe in?
 - How would you react if one or all of your beliefs are confronted, challenged or tested?

What is Professionalism?

- Ethics = minimum standard
- Professionalism = higher standard

What is Professionalism?

- Professionalism:
 - No official sanctions.
 - No official reward.
 - Doing right for right's own sake.

Ethics and Professionalism: Personal History

- Can you recall an instance where being ethical and/or professional adversely affected you?

Exercise No. 2

“Models of Ethics”

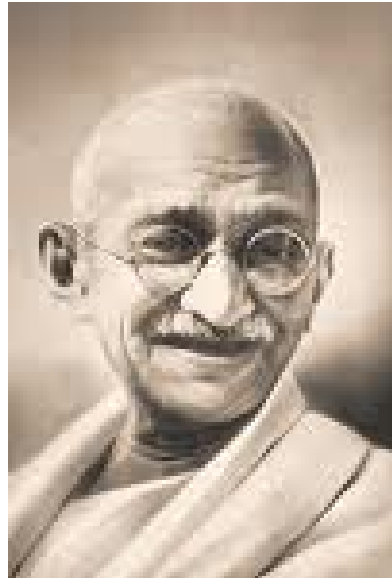
Exercise No. 2: “Models of Ethics”

- Who do you know (from personal experience or history) that you consider to be an “ethical or professional person”?

Exercise No. 2: “Models of Ethics”



Exercise No. 2: “Models of Ethics”



Exercise No. 2: “Models of Ethics”

Our idea of what “being ethical” means is based on our own experiences, values and beliefs.

The Golden Rule

The Golden Rule

A person treats all people with the same consideration as he or she expects from others.

The Golden Rule

- The application of the Golden Rule can assist decision-making and resolve conflicts in personal lives and professional careers.

Application of The Golden Rule

Personal vs. Professional Ethics

- Personal Ethics
 - Values = core beliefs.
 - Ethics = sum of a person's values.

Personal vs. Professional Ethics

- Professional Ethics
 - Code of ethics = formal rules for actions and behavior.

Personal vs. Professional Ethics

- Professional Ethics
 - Policies = guidelines for actions in particular situations.

Personal vs. Professional Ethics

Personal Values +
Professional Codes =
Organizational Actions

Personal vs. Professional Ethics

- Jon Huntsman, Sr.
 - Giving your word and seal (handshake) on a deal.

What are the Root Causes of
Unethical Behavior?

Six Reasons Employees Act Unethically

- Rationalization.
- Bad organizational role models.
- Peer pressure.
- Difficulty in defining what is ethical.
- Organizational culture.
- Pressure from superiors.

Exercise No. 3

“Company Values”

Exercise No. 3: “Company Values”

Statement 1: Our Credo

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit.

Exercise No. 3: “Company Values”

Statement 1

- Describe the owner of the values statement?
What is the basis for your description?
- Answer: Johnson & Johnson.
- Is the values statement effective?
- Why or why not?

Exercise No. 3: “Company Values”

Statement 2: Living Our Commitment

The purpose of our Code of Business Conduct is to set forth our commitment to high ethical standards and to reinforce prompt and consistent actions in the maintenance of those standards. We must apply these standards in both letter and spirit. Where the letter of the Code is not specific, the spirit must prevail. When in doubt about what to do, ask yourself this question: Would I be proud to explain my actions to my family or fellow employees — or to millions of people around the world on tonight’s news broadcast?

Exercise No. 3: “Company Values”

Statement 2

- Describe the owner of the values statement?
What is the basis for your description?
- Answer: Marathon Oil.
- Is the values statement effective?
- Why or why not?

Exercise No. 3: “Company Values”

Statement 3: Living Our Values

We are committed to doing what's right - from the way we source our coffee to the way we treat our partners, customers, shareholders, and business partners. Conducting business ethically, with integrity and transparency, is one of the hallmarks of our culture and complying with the letter and spirit of the law is something we do not take lightly. We empower our partners to uphold these values and provide them with resources to help make them ethical decisions at work.

Exercise No. 3: “Company Values”

Statement 3

- Describe the owner of the values statement?
- Answer: Starbucks.
- Is the values statement effective?
- Why or why not?

Company Success = Ethics & Professionalism

- Companies that achieve long-term success are guided by solid ethical principles.
- Corporate values pull people together.

Company Success = Ethics & Professionalism

- A company's reputation is derived from:
 - Products quality
 - Philosophy
 - Level of customer service
 - Community service involvement
 - Commitment to moral and environmental issues.

Company Success = Ethics & Professionalism

- A company's approach to moral and ethical issues are a concern with employees.

Company Success = Ethics & Professionalism

- A company's values, as expressed in value statements, annual reports and employers' daily actions, affect how employees feel about their employer and influence their desire to stay with an organization.

Break

Be Back in 5 Minutes

The Office: “Time Theft” and Financial Impact of Unethical Behavior



What is the Impact of Unethical Behavior
on the Bottom Line?



Employee Fraud

- Employee fraud costs firms \$600 billion a year, or six percent of the U.S. GDP.
- Employee fraud costs employers 20 percent of every dollar earned, according to a survey of U.S. workers.

Employee Fraud

- Employee fraud is nearly twice as common as consumer fraud.
- Employee fraud would drop if managers were better role models and leaders, according to 58 percent of workers surveyed.

Profits and Productivity

- Companies without a code of ethics:
 - Generate significantly less economic value added (EVA) and market value added (MVA) than those with a code of ethics.
 - Experience more price/earnings volatility than those with a code of ethics.

Profits and Productivity

- Companies without a code of ethics:
 - Show a decline in average return on capital employed while those with a code of ethics showed a 50 percent increase.

Profits and Productivity

- 80 percent of people say they decide to buy a firm's goods or services partly on their perception of its ethics.

Profits and Productivity

- 74 percent of people said their perception of a firm's honesty directly affected their decision about whether to buy its stock.
- Investments in unethical firms earn abnormally negative returns for prolonged periods.

Communication

- Lack of communication reduces the incidence of reporting misconduct:
 - 39 percent of employees at firms with no ethics programs reported misconduct when they observed it.

Communication

- Lack of communication reduces the incidence of reporting misconduct:
 - 52 percent of employees reported misconduct when they observed it in organizations with ethical standards alone.
 - 67 percent of employees reported misconduct when they observed it in organizations with standards and either ethics training or an advice line/office.

Communication

- Lack of communication reduces the incidence of reporting misconduct:
 - 78 percent of employees reported misconduct when they observed it in organizations with standards, training and advice line/office.

Retention and Recruitment

- 79 percent of employees said their firms' concern for ethics was a key reason they remained. Absenteeism is 17 percent higher among companies with poor or fair morale than those with good or very good morale.

Retention and Recruitment

- Low-morale firms set aside 5.3 percent of their budgets to cover the costs of absent workers, while high-morale firms set aside 3.7 percent.

Retention and Recruitment

- 41 percent of low-morale organizations feel absenteeism is a serious issue, while just 20 percent of high-morale firms feel the same.
- 34 percent of low-morale companies said their unscheduled absences increased over the past two years and 38 percent believed they would increase in the future.

Retention and Recruitment

- 15 percent of high-morale firms reported increased absenteeism and only 14 percent believed absences would rise in the future.

Retention and Recruitment

- Fifty-two percent of low-morale firms said presenteeism was a problem, compared to 38 percent of high-morale firms.
- Low-morale firms reported that 33 percent of unscheduled absences were due to personal illness, compared to 39 percent at high-morale companies.

Public Perception

- The 2008 Ethical Reputation Index survey shows that simply claiming to be ethical will not necessarily engender positive public perceptions.

Exercise No. 4

“Ethical Statements”

Exercise No. 4: “Ethical Statements”

- Sam, a sales representative for an American company abroad, is facing difficulty in closing deals since Sam’s foreign competitors use bribes to obtain business. Sam knows the Foreign Corruption Practices Act makes such behavior illegal in the United States, but it is perfectly acceptable in other countries. What is ethical?

Exercise No. 4: “Ethical Statements”

- ACME, Inc., implemented a merit-based pay system. Todd completed the year with strong financials and excelled in all job criteria. The merit-based pay system dictates that Todd should receive strong consideration for a raise. However, Todd is paid at the top of the salary range for his job grade and ACME has too many people in the job grade above him, so the company cannot promote Todd. What should happen to Todd?

Exercise No. 4: “Ethical Statements”

- The Atlantic Cement Company operated a cement plant in the Albany, New York, area. The company employed over 300 local residents and invested \$45 million in the plant. The plant emitted large amounts of pollution and caused constant vibrations and loud noise.

Exercise No. 4: “Ethical Statements”

- Residents sued Atlantic Cement: claimed the plant harmed residents’ health and property; and requested the court to issue an injunction that would close down the plant until the pollution and vibrations were eliminated by company—which was already using the best available technology. What is ethical?

[Boomer v. Atlantic Cement Co.,
257 N.E.2d 870 (N.Y. Ct. App. 1970).]

The Solution is as Easy As A-B-C!

- Embrace Ethical Leadership
- Support Ethical Management
- Cultivate Ethical Teamwork
- Conduct Ethics Education and Training

Leadership and Management Concepts

- Leadership is setting a new direction or vision for a group.
- Management controls or directs people and/or resources in a group according to principles or values that have already been established.

Ethical Leadership

Five Standards of Excellence for Ethical Leaders

- Ethical communication: Ethical leaders set the standard for truthfulness in an organization.
- Ethical quality: Ethical leaders champion the processes of quality throughout an organization.

Five Standards of Excellence for Ethical Leaders

- Ethical collaboration: Ethical leaders select the best persons to advise them and the best practices to implement in the organization.

Five Standards of Excellence for Ethical Leaders

- Ethical succession planning: Ethical leaders establish strong organizational standards and operational procedures while grooming younger persons for future leadership within and outside the organization.

Five Standards of Excellence for Ethical Leaders

- Ethical tenure: Ethical leaders step aside when the needs of the organization dictate.

Break

Be Back in 5 Minutes

The Office: The “Gray Area”



Exercise No. 5

“Gray Areas”

Exercise No. 5: “Gray Areas”

Galactic Computers, which is the leading developer of high-tech devices for business professionals, plans to sell a new personal digital assistant (PDA). The PDA’s features are light-years ahead of the competition. Galactic sets the PDA’s price at \$500. However, in six months, Galactic plans to launch the PDA’s second generation (which will make the first version of the device obsolete) and sell the first generation device for \$250 and the second generation unit for \$525. *Ethical, unethical or “gray area”?*

Exercise No. 5: “Gray Areas”

Sam, personnel director at ACME, Inc., interviewed people for an open sales position. Sam decided to hire Tom. Sam contacted Tom on his home and cell phones. Tom did not answer either phone, but Sam left voicemails messages concerning the job offer. The next day, Sam received a resume from Beth, who had better qualifications and experience than Tom. Sam’s background research revealed Beth’s current clients included organizations ACME had tried to do business with for years (but with no success). Beth could bring 7-figure business to ACME. Sam decided to rescind the offer to Tom and extend it to Beth. *Ethical, unethical or “gray area”?*

Exercise No. 5: “Gray Areas”

ACME responded to an RFP from Galactic Computers. A Galactic officer informed an ACME manager in an off-the-record conversation that ACME will be awarded the contract pending approval of the project budget by the Galactic board. Due to the tight deadline to complete the project, ACME decided to begin securing sub-contractors. ACME informed the selected sub-contractors ACME received initial notification the project would be awarded to ACME. As a result, ACME requested sub-contractors to secure the necessary personnel and resources to begin working on the project when final approval is obtained from Galactic. *Ethical, unethical or “gray area”?*

Exercise No. 5: “Gray Areas”

“Gray areas usually become the justification for what you should not be doing.”

Charles Watson, *What Smart People Do When Dumb Things Happen at Work*

Exercise No. 5: “Gray Areas”

- What rules (e.g., policies, regulations, laws) should never be broken?
- Which rules should or could be bent?
- On what occasions?

Exercise No. 5: “Gray Areas”

- Can you teach good judgment to others? If so, how?
- How often are your organization’s rules revisited or revised?

Ethical Management

Basics of Ethical Management

An ethical manager establishes and maintains an ethical office.

Basics of Ethical Management

- An ethical manager:
 - Writes extensive codes of ethics and conduct.
 - Expands guidelines in employee handbooks.

Basics of Ethical Management

- An ethical manager:
 - Schedules external ethics audits on regular basis.
 - Incorporates real-life case studies into ethics education and training programs.
 - Creates ethics hotlines for anonymous reports.

Basics of Ethical Management

- An ethical manager:
 - Hires ethics directors.
 - Establishes ethics departments or appointing a person to whom employees can approach with ethical dilemmas.

Ethical Leadership +
Ethical Management=
Ethical Workplace

Advantages of Ethical Workplaces

- Productivity: Ethical employees outperform.
- Accountability: Employees will take responsibility and feel accountable for their personal behavior.

Advantages of Ethical Workplaces

- Communication: Employees want to talk about ethical dilemmas as they arise.
- Confidentiality: The organization wins when all employees know that privacy issues will be respected.

Advantages of Ethical Workplaces

- Stability: No constant personnel turnover.
- Predictability: Not blindsided by surprises.

Exercise No. 6

“Ethical Leadership & Management
to the Rescue”

Exercise No. 6:

“Ethical Leadership & Management”

Scientist (Introverted, Task)

Director (Extroverted, Task)

Nurturer (Introverted, People)

Entertainer (Extroverted, People)

Exercise No. 6:

“Ethical Leadership & Management”

- An expensive, but conservative navy pinstripe suit.
- An imported Italian “power suit” with an expensive silk tie.
- Mid-calf length skirt, flat pumps, soft knit sweater over a white blouse with collar.
- Corduroy slacks, white shirt, sneakers and pocket-protector.

Exercise No. 6: “Ethical Leadership & Management”

- A red sports car.
- A silver sedan.
- White crossover vehicle with bumper stickers that read, “Hugging starts at home.”
- A car with the best gas mileage, highest EPA rating and excellent resale value.

Exercise No. 6: “Ethical Leadership & Management”

If asked, “Do you want to go to lunch”:

- “Okay, thanks. Is now a good time for you?”
- “Okay. Meet you at the car. Five minutes.”
- “I don’t know. When did you want to leave?
Where are we going?”
- “Great—would love to go. I know a fabulous spot.
I take everyone there and I always get the best
table.”

Exercise No. 6: “Ethical Leadership & Management”

- Employees possess primary (regular) and secondary behavior (stressful).
- Ethical leaders and managers:
 - Proactively identify each employee’s primary and secondary behavior.
 - Use to communicate, train and monitor.

Ethical Teamwork

Ethical Teamwork Elements

- Principles toward a common vision.
- All persons are valued.
- Loyalty.

Ethical Teamwork Elements

- Communication.
- Enthusiasm for all persons.
- Focused on the customer.

Ethical Teamwork Elements

- Stability.
- No discrimination.
- Honesty, integrity and fairness.

Ethical Teamwork Elements

- Leaders care for others.
- Fair and consistent policies.
- People can succeed and fail.

Ethics Education and Training

What is Education?

- Education = self-directed by the learner.
- Learner wants to:
 - Learn for their own perspective.
 - Expand their knowledge to fulfill an individually-identified need.

What is Training?

- Training = directed by an organization.

Ethics Education/Training Program Elements

- Code of ethics/conduct
- Communication of code:
 - Memoranda, e-mail
 - Annual refresher training
 - Online access

Ethics Education/Training Program Elements

- Hands-on, entertaining ethics training:
 - Role-playing
 - Small-group workshops
 - Small-group exercises
 - Discussions
 - Limited use of videos

Ethics Education/Training Program Elements

- Ethical tone of officers and managers
- On-going ethics training efforts
- International ethical scope
- Evaluation and continuous improvement



Questions & Answers



Ethics Education/Training Resources

- Michael L. Buckner, *The ABCs of Ethics* (2007).
- Marlene Caroselli, *The Business Ethics Activity Book* (2003).
- John C. Maxwell, *Ethics 101: What Every Leader Needs To Know* (2005).
- John C. Maxwell, *There's No Such Thing as "Business Ethics"* (2003).

Ethics Education/Training Resources

- Joseph L. Badaracco, Jr., *Defining Moments: When Managers Must Choose Between Right and Right* (1997).
- Marianne M. Jennings, *A Business Tale: A Story of Ethics, Choices, Success -- and a Very Large Rabbit* (2003).
- Leonard J. Brooks, *Business and Professional Ethics for Directors, Executives, and Accountants* (2006).

Ethics Education/Training Resources

- Gregory Stock, *The Book of Questions: Business, Politics, and Ethics* (1991).
- Larry Johnson and Bob Phillips, *Absolute Honesty: Building a Corporate Culture That Values Straight Talk and Rewards Integrity* (2003).
- O.C. Ferrell, John Fraedrich, Linda Ferrell, *Business Ethics: Ethical Decision Making and Cases* (2008).

Sources

- 2008 Ethical Reputation Index.
- Harris Interactive Poll (reported in *CCH Human Resources Management Ideas & Trends*, October 22, 2003).
- 2000 and 2003 National Business Ethics Survey.
- 2003 survey, Wirthlin Worldwide.
- D. Michael Long and Spuma Rao, “The Wealth Effects of Unethical Business Behavior,” *Journal of Economics and Finance*, vol. 19, no. 2, Summer 1995, pp. 65-73.

Sources

- Simon Webley and Elise More, Does Business Ethics Pay?: Ethics and Financial Performance, *Institute of Business Ethics*, London, 2003.
- Ernst & Young, The CPA Letter, October 2002.
- KPMG Fraud Survey, 2003.
- Association of Certified Fraud Examiners, 2002 Report to the Nation on Occupational Fraud and Abuse.
- Roger E. Herman, *Keeping Good People*.

More Information

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Recertification Information

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Specified Credit Hours: Strategic Business