



CACUBO

CACUBO Webinar Series Presentation on:
Ethics

January 19, 2022

We will begin shortly. Thanks for joining!



CACUBO

- This is the 17th monthly webinar CACUBO has hosted since the pandemic began on various topics ranging from HEERF (four on this topic) to reopening strategies to DEI to COVID testing.
- Today, we will hear from Lisa Mazure from Lansing Community College who will provide us information related to Ethics.
- This webinar is eligible for CPE. If you are interested in receiving CPE credit for this webinar, please e-mail me (Marty Mickey) at mmickey@nl.edu. During the webinar, there will be three check in prompts for you to click on. In order to receive CPE, you must click on these prompts.
- We will send out a survey afterwards to solicit thoughts and topics for future webinars.
- If you would be willing to present in a future webinar, please e-mail me at mmickey@nl.edu.

Ethics vs. Morals

Ethics

- Guidance for individuals as well as professionals for proper conduct. Professional ethics for auditors involve several components including independence, morality and illegal acts.
- Webster's defines ethics as a principle of right or good conduct, or a body of such principles. The study of the general nature of morals and of the specific moral choices to be made by the individual in his relationship with others.

Jeb Magruder, Deputy Director of Nixon's re-election committee – I know what I have done, and Your Honor knows what I have Somewhere between by ambitions and my ideals, I lost my ethical compass.

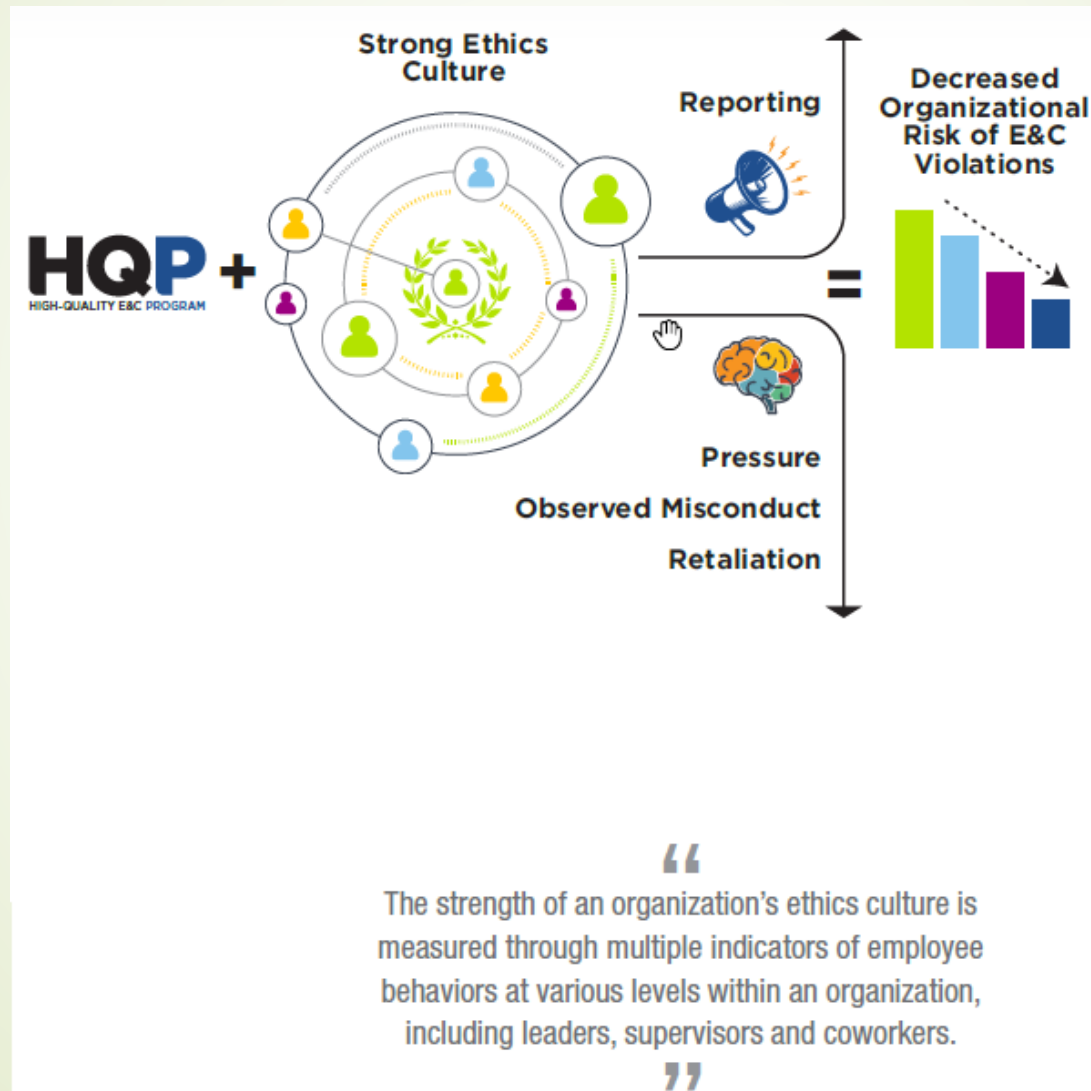
Morals

- Morals is concerned with the judgment of the goodness or badness of human action and character.
- Morals pertain to personal behavior measured by prevailing standards of rectitude, while ethics approach behavior from a philosophical standpoint; it stresses more objectivity defined but essentially idealistic, standards of right and wrong, such as those applicable to the practices of lawyers, doctors, and accountants/auditors.

Thomas Jefferson – The moral sense, or conscience, is as much a part of man as his leg or his arm.

Are today's businesses operated ethically?

Findings from GBES 2021 Survey Report

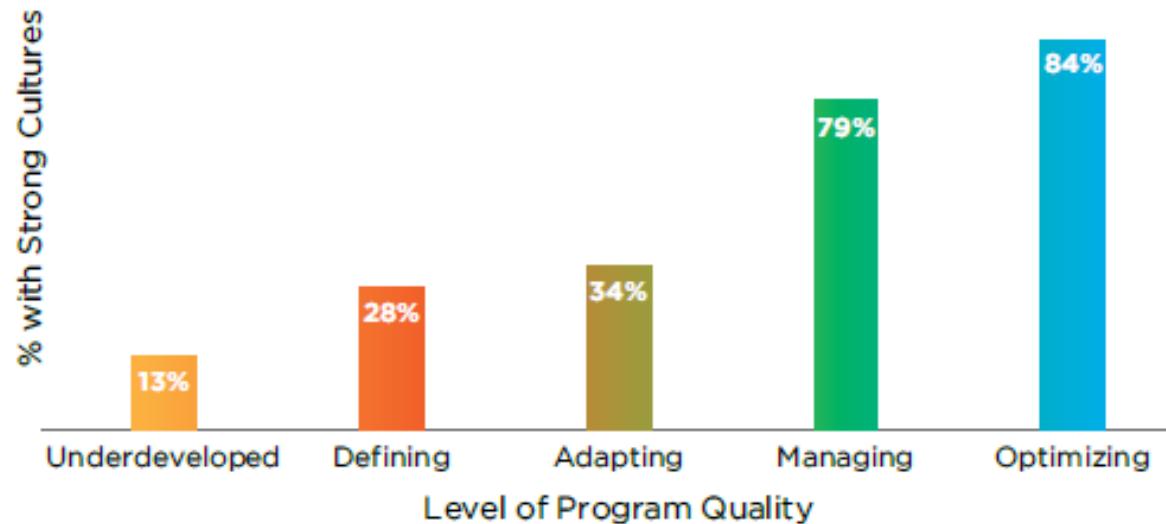


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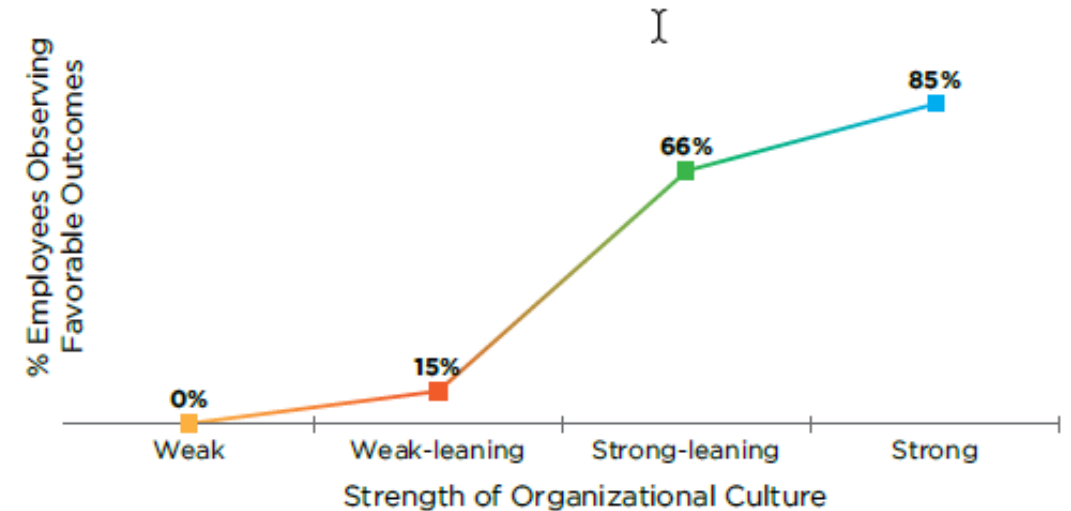
The Higher the Program Quality, the Stronger the Culture

Organizations with high-quality programs (shown here as optimizing) demonstrate a 546% increase in culture strength over organizations at the lowest level of program quality.



The Higher the Program Quality, the Stronger the Culture

As the culture strengthens, employee conduct improves. Organizations with strong cultures are 467% more likely to demonstrate a positive impact on employees than organizations with weak-leaning cultures. This impact includes employees' recognizing and adhering to organizational values, feeling prepared to handle key risks, reporting suspected wrongdoing, and reduced levels of misconduct overall.



In 2000, only 10% of U.S. employees worked in an environment with a strong ethical culture (21% in 2020). In addition, only 56% of employees reported misconduct they observed in 2000 (86% in 2020).

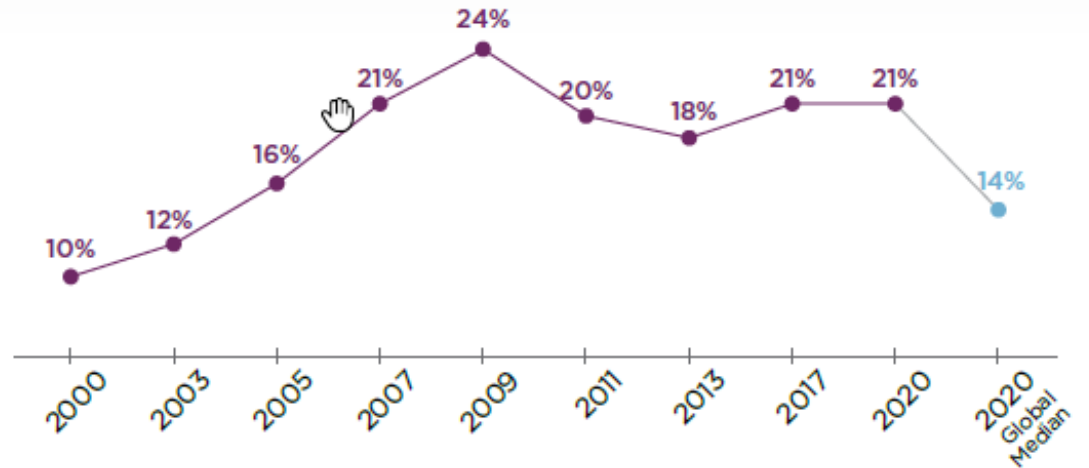
Are today's businesses operated ethically? Findings from GBES 2021 Survey Report

Higher-quality E&C programs are linked with stronger cultures. The single most significant influence on employee conduct is culture. In strong cultures, wrongdoing is significantly reduced.

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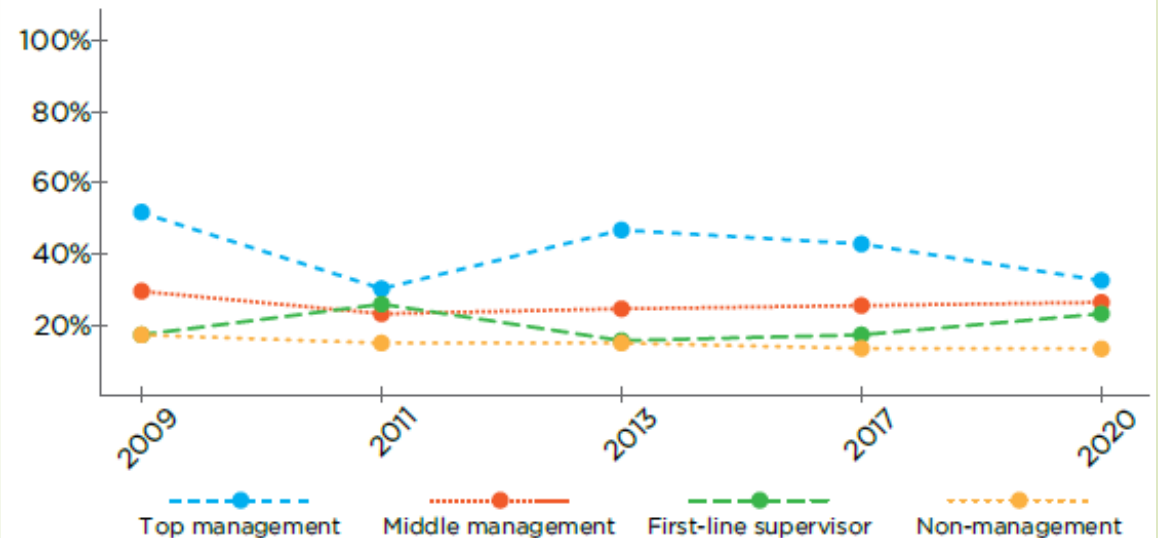
Culture Strength Index—U.S.

Percentage of Employees Experiencing Strong Ethical Cultures



Culture Strength Index—Management Level—U.S.

Percentage of Employees Experiencing Strong Ethical Cultures



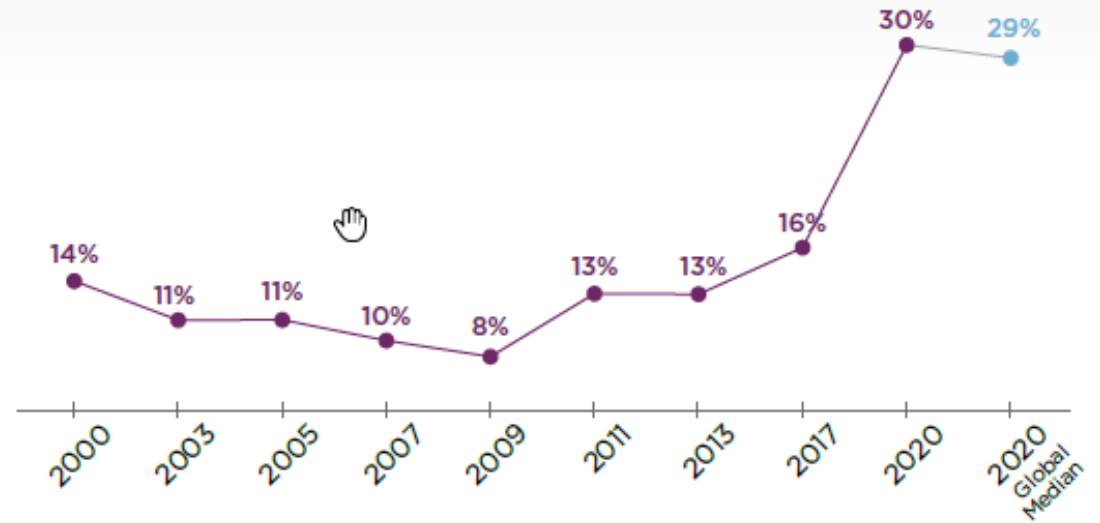
Source: The State of Ethics & Compliance in the Workplace: A Look at Global Trends (ECI, 2021)

Are today's businesses operated ethically? Findings from GBES 2021 Survey Report

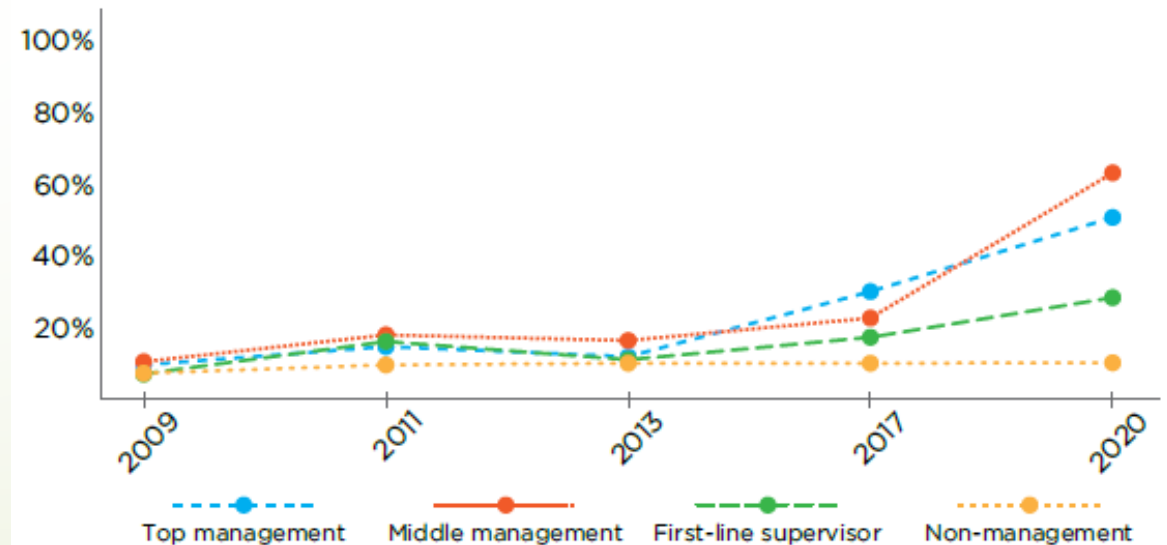
Pressure to compromise standards serves as a warning signal for both ongoing and future misconduct. Employees working in high-pressure organizations are much more likely to observe misconduct in their workplace.

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Percentage of Employees Experiencing Pressure—U.S.



Percentage of Employees Experiencing Pressure—Management Level—U.S.



Source: *The State of Ethics & Compliance in the Workplace: A Look at Global Trends (ECI, 2021)*

Are today's businesses operated ethically?

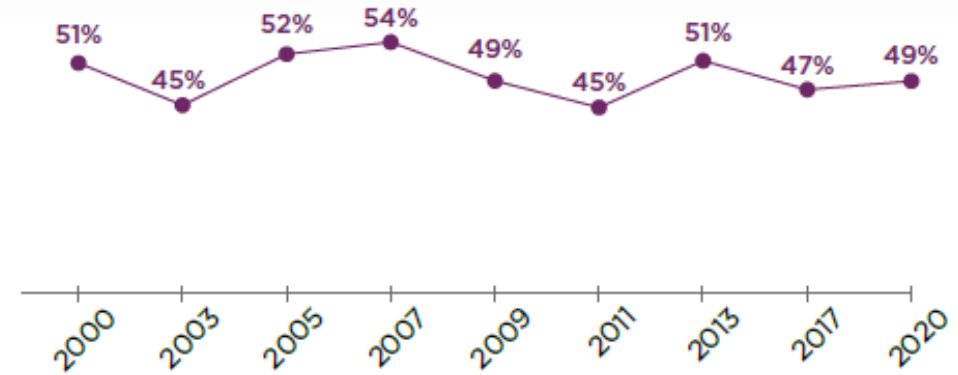
Findings from GBES 2021 Survey Report

The rate at which employees observe misconduct is a fundamental indicator of the strength of an organization's ethics culture. Organizations with high rates of misconduct are likely to have ineffective E&C programs, a lack of accountability, and senior leaders that fail to communicate the importance of ethics in the workplace.

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Percentage of Employees that Observed Misconduct

(Based on the Specific Observed Misconduct Index)



MOST COMMON TYPES OF OBSERVED MISCONDUCT—U.S.

	2017	2020	PERCENTAGE POINT CHANGE SINCE 2017
Observed favoritism toward certain employees ¹⁶	--	35%	-
Observed management lying to employees	21%	25%	+4
Observed conflicts of interest	15%	23%	+8
Observed improper hiring practices	12%	22%	+10
Observed abusive behavior	21%	22%	+1
Observed health violations	15%	22%	+7

Source: *The State of Ethics & Compliance in the Workplace: A Look at Global Trends (ECI, 2021)*

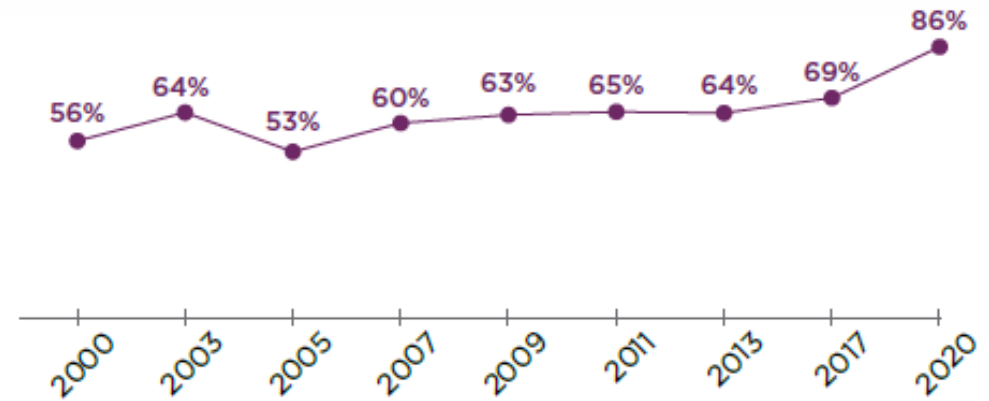
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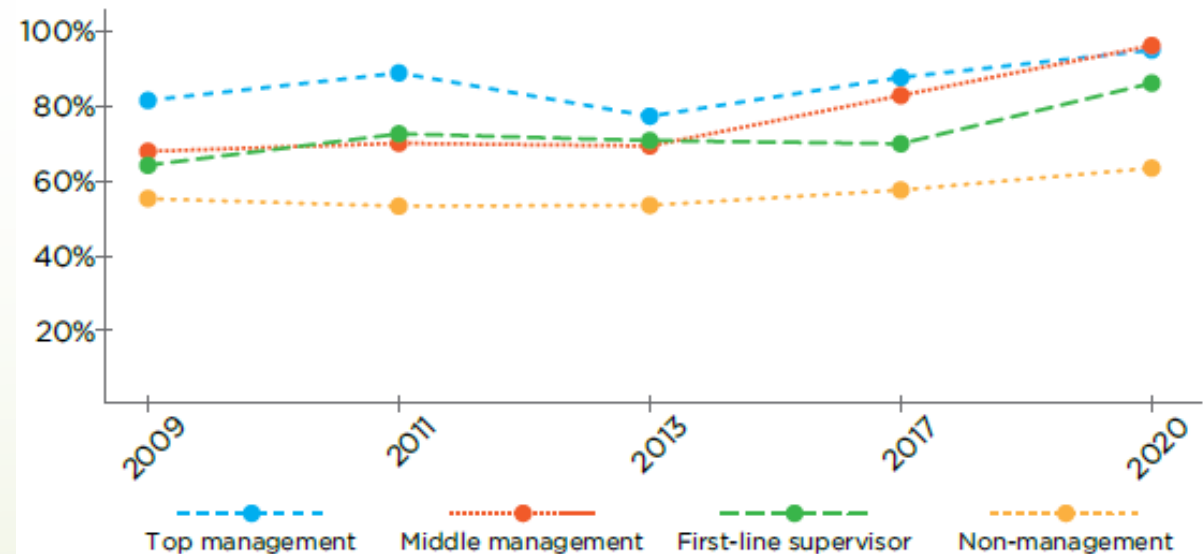
The only way to improve an ethics culture is to understand the nature of misconduct within an organization. It is imperative that employees feel comfortable reporting misconduct because without said reports, it is impossible for organizations to develop effective E&C programs and to ensure that those who commit wrongdoing are held accountable.

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Percentage of Employees that Reported Observed Misconduct—U.S.



Percentage of Employees Reporting Observed Misconduct—Management Level—U.S.



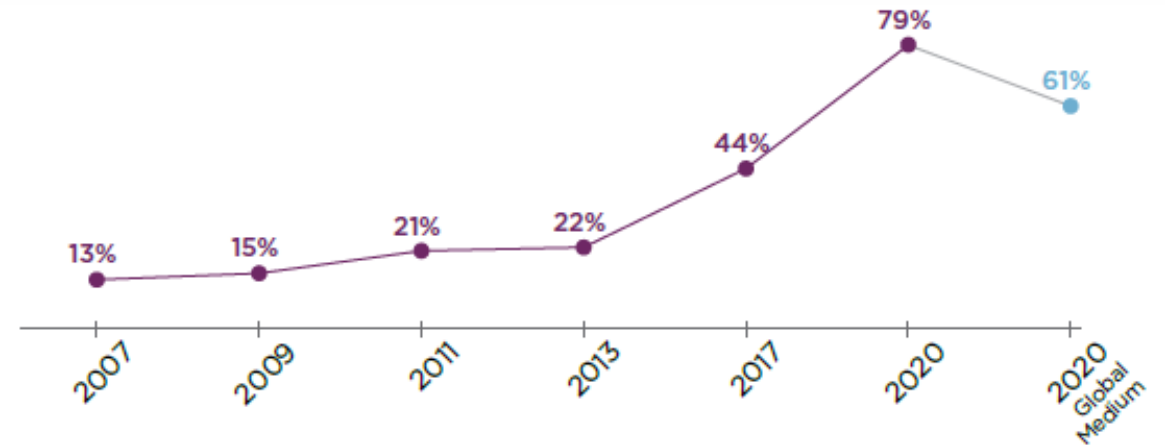
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Are today's businesses operated ethically? Findings from GBES 2021 Survey Report

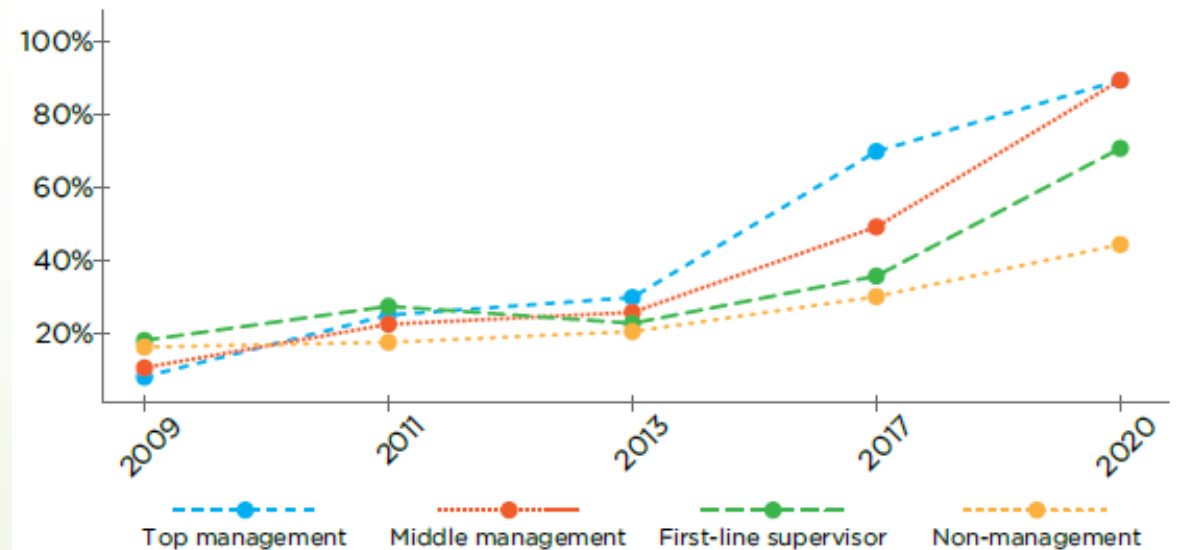
Retaliation against reporters is one of the most intractable issues that organizations must address. Retaliation can take many forms, and it is often difficult to isolate and prevent. However, it is imperative that organizations investigate retaliation and make it clear that there is no tolerance for it within their organization.

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Percentage of Employees Experiencing Retaliation After Reporting—U.S.



Percentage of Employees Experiencing Retaliation After Reporting—Management Level—U.S.



Source: *The State of Ethics & Compliance in the Workplace: A Look at Global Trends (ECI, 2021)*



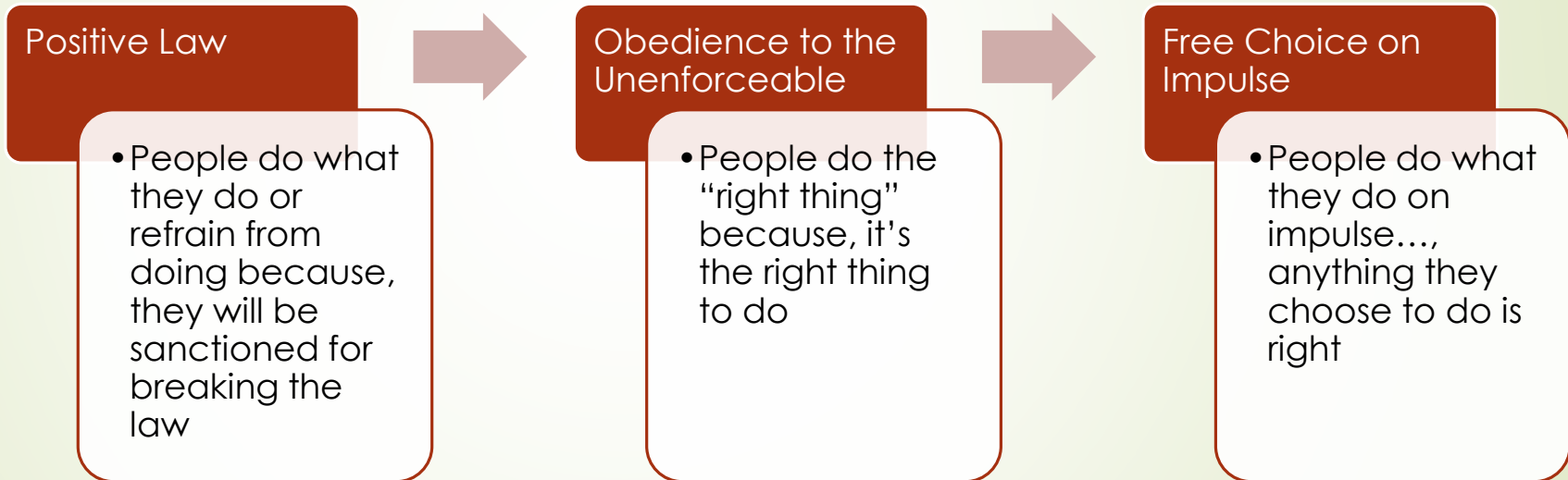
Are today's businesses operated ethically? Companies in the news 2021

- ▶ Credit Suisse – High-risk derivative transactions causing a massive stock sell off resulting in \$5.5 billion in losses
- ▶ Toyota - \$180 million civil penalty for systematically violating EPA's emission reporting from 2005 - 2015
- ▶ Robinhood – “meme Stocks” craze, amateur investors inflated the price of flat stocks like GameStop and AMC Entertainment Holdings.
- ▶ Meta Platforms (Facebook) – Whistleblower sharing documents that showed a company that prioritizes profits over people; uses its algorithms to foster social discord; negatively affects the mental health of young girls through its photo app Instagram; and enables drug cartels and human traffickers to openly conduct business on its platform.
- ▶ KPMG: Fined \$450,000 by the Public Company Accounting Oversight Board in September to resolve allegations of widespread cheating on personnel training tests at the firm.

Shirley Chisholm, Congresswoman - When morality comes up against profit, it is seldom that profit loses.

Reasons to be Ethical

- ▶ Lord John Moulton presents 3 Domains of Behavior





Reasons to be Ethical

- ▶ Take one intelligent person whose actions affect many others
- ▶ Put him or her in an environment of rapidly moving events
- ▶ Stir in an ethical lapse
- ▶ Bake briefly and you have
- ▶ A CAREER ENDING MOVE



Other Ethical Questions in Our Jobs

Questions

- ▶ Computers and E-Mail
- ▶ Training
- ▶ Teamwork
- ▶ Confidentiality of Information
- ▶ Secondary Employment
- ▶ Personal Behaviors

Precepts

- ▶ Purview – spirit of the law*
- ▶ Can you talk about it openly?
- ▶ Transactions
- ▶ Think twice
- ▶ Just a few – lots more

*Norman R. Augustine, Former CEO Lockheed Martin – I can think of no commitment more important to a corporation or its survival than its commitment to ethics. That means not only conducting our business affairs within the letter of the law, but also in the spirit of the law.




Definitions



- ▶ The only definition that counts is your own.
- ▶ Does it matter if we say ethics, morals or values?
- ▶ What matters is how you define them.




Ethics Systems

- Divine Command Theory
 - Self Interest – Egoism
 - Utilitarianism or Happiness Principle
 - Justice or Rules
 - Moral Relativists
 - Rights Based
- 



Cowboy Ethics


- ▶ Live each day with courage
 - ▶ Never go back on your word or a trust confided
 - ▶ Always tell the truth
 - ▶ Take pride in your work
 - ▶ Always finish what you start
 - ▶ Do what needs to be done
 - ▶ Be tough, but fair
 - ▶ Ride for the Brand
 - ▶ Talk less and say more
 - ▶ Remember that some things are not for sale
 - ▶ Know where to draw the line
- 



Systems Dilemma



- ▶ Most, if not all systems, prescribe absolute answers
 - ▶ Most systems are reactive and not proactive in nature
 - ▶ Never lie
 - ▶ Never put yourself first
 - ▶ Consider what others would think
-
- ▶ ETHICS IS ABOUT OUR CHOICES AND ACTIONS THAT KEEP US POINTED TO OUR TRUE NORTH REGARDLESS OF THE SITUATION





Ethics Is – Is Not

Ethics Is

- Relationships
- Struggling to develop a well-informed conscience
- Being true to who we are and what we stand for
- Having courage to explore difficult questions
- Accepting the cost
- What you do when no one is looking
- Honesty in actions

Ethics Is Not

- An after thought
- A reaction
- Different depending on where we are – work versus non-work situations
- A matter of balance


- 
- 
- ▶ Ethics – Only proactive – there is never reactive ethics
 - ▶ Focus on action not behavior
 - ▶ Justify action not behavior
 - ▶ Acknowledge the gap between “ought” and “is”
 - ▶ Must consider to make a decision:
 - ▶ The act – What happened
 - ▶ The Circumstances – Need to know what you do and don't know about the act
 - ▶ Criteria for Judgment – Need to identify – professional code, morals, laws, rules
 - ▶ Communal Wisdom – Get outside help – wisdom to help judge/decide
 - ▶ People get in trouble at work for 4 reasons
 - ▶ Abuse of power
 - ▶ Abuse of knowledge
 - ▶ Abuse of access
 - ▶ Abuse of relationships



Ethical Considerations




- ▶ On what foundation do we base our ethical decisions?
- ▶ People make decisions based on the values they hold dear.
- ▶ Ethical principles are not concerned with how things **do** operate, but how they **should** operate.
- ▶ The most difficult decisions to make are those in which there is a conflict between two or more principles of which you deeply believe in.
- ▶ It is important that we determine in advance what our priorities are, realizing that a lot will depend on the situation – This is not situational ethics
 - ▶ Legal/ethical, good for the client, consistent with shared values, willing to be held accountable – Yes Do It



What Can Give Us the Capacity to Endure?

- ▶ TRUST – Comes from:

- ▶ Experience – What's back there? We rely on what we've done, and by extension, what we can do.
- ▶ Character – What's in here  ? Encourages us to trust in who we are rather than what we've done, and giving us comfort that the values and virtues we've always expressed will be there in the future.
- ▶ Faith – What's up there? Causes us to trust that whatever we worship as an authority beyond ourselves will sustain us as we move forward.
- ▶ Feelings – What's my head saying? Need to consider feelings – have to let emotions calm down – next day theory.
- ▶ Intuition – What's gotta be? Leads us to act according to a gut feeling, with the confidence that if our instincts have been right in the past they will probably be right in the future.
- ▶ Context – What's all around? A supportive context in which moral courage is admired by our closest friends and family, and where the ethical culture of our organization is – “the way we do things around here” – condones moral courage rather than encourages its expression.



If you would like to read and review the study in more detail it is available online at <https://www.ethics.org/wp-content/uploads/2021-ECI-GBES-State-Ethics-Compliance-in-Workplace.pdf>

Thank you!