

Ethics 101 From Theory to Application

17th Annual Society of Corporate Compliance and Ethics

COMPLIANCE & ETHICS INSTITUTE

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What Would Kant Think About Tarnatino Flix?

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Agenda

- Introduction to Ethical Theory
- Utility, Rights, Justice, Stakeholder
- Legal v. Ethical Duties
- The Parable of the Sadhu
- Applied Ethics
- Grey Areas, Reputation, Stewardship

The Federal Sentencing Guidelines



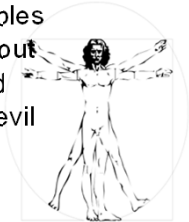
Sentencing Guidelines

7 Minimum Requirements of an Effective
Ethics & Compliance Program

... organization shall "promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law." USSG § 8B2.1(a)(2) (November 1, 2004)

INTRODUCTION TO ETHICAL THEORY

MORAL - principles
or standards about
what is right and
wrong, good v. evil
behavior



APPROACHES TO MORAL REASONING

- UTILITARIANISM - look at the net welfare produced for all stakeholders
- RIGHTS - Emphasize rights and duties of stakeholders
- VIRTUE - Strive to moral excellence
- JUSTICE - Focuses on fair processes and an equitable distribution of the benefits and burdens imposed by an action or policy on stakeholders

Utilitarianism

RIGHTS CRITERIA - Immanuel Kant



- Act as if you were a member of a moral community governed by moral principles of universality and respect for persons

Kant - Never Lie

Virtue

- Aristotle advanced the theory
- Habits of virtue
 - Ethical Muscle memory
- What is the “culture” of an organization
- Aaron Feuerstein - Malden Mills

STAKEHOLDERS



JUSTICE CRITERIA - John Rawls

DISTRIBUTIVE JUSTICE

- Equal distribution of benefits and burdens of society to everyone except when there are relevant differences in people.
- What is “Nepotism” and what would Rawls think about it?
- (not to dismiss the difficulty of succession planning in family businesses)

VEIL OF

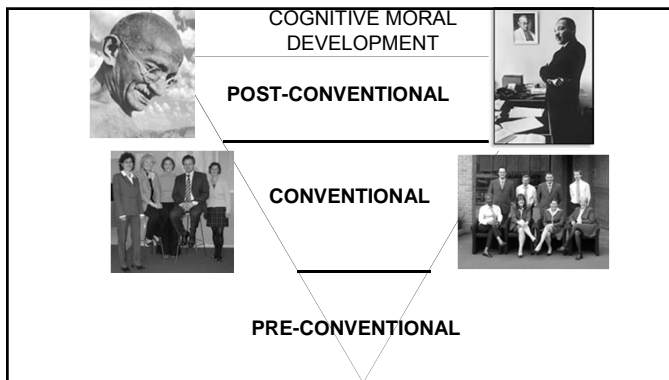
IGNORANCE

-How would you deal with people if you did not know what your bargaining power, or characteristics were?

JUSTICE CRITERIA -



usurps



PARABLE OF THE SADHU

HOW COULD BUZZ MCCOY EVEN CONSIDER LEAVING THE SADHU? IS HE INHERENTLY EVIL?

WHAT ARE SOME OF THE FACTORS GOING THROUGH BUZZ'S MIND WHEN HE'S MAKING A DECISION WHETHER TO SAVE THE SADHU?

HOW WAS THE SADHU DRESSED? DID HE ACCEPT RESPONSIBILITY FOR HIS OWN ACTS?

HOW OFTEN WILL YOU GET A 6 MONTH SABBATICAL?

PARABLE OF THE SADHU

IS THERE A LEGAL DUTY TO RESCUE ?

WHAT ABOUT AN ETHICAL DUTY?

WHAT'S THE DIFFERENCE

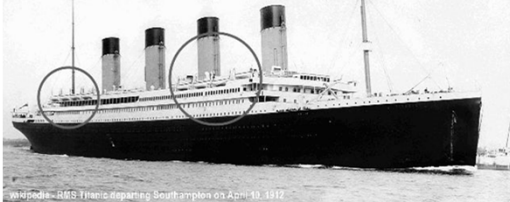
LAW & ETHICS

COMPLIANCE *ACTION*
VIOLATION

LAW & ETHICS

The Titanic was designed and built to carry 64 wooden lifeboats.
It was equipped by its operator with only 16, plus four small collapsible boats.

There should have been 4 boats provided for each of its 16 davits instead of just one.
The lack of lifeboats was not a design failure, but the operator's decision or intention!



LAW & ETHICS

"Laws are made to instruct the good, and in the hope that there may be no need of them; also to control the bad, whose hardness of heart will not be



Rod Hills
Former Chair
SEC

hindered from crime." [Laws, Book IX]
"Its an old adage of a FASB (Financial Accounting Standards Board) rule. It takes four years to write. It takes four minutes for an astute investment banker to get around it."

LAW & ETHICS

"Our schools of business must be principled teachers of right and not surrender to moral confusion and relativism."

George Bush - Remarks on Corporate Responsibility
July 9, 2002 (3 weeks before Sarbanes-Oxley passed).

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LAW & ETHICS

- JUST SKIMMING THE SURFACE OF LEGAL COMPLIANCE DOESN'T LEAVE ROOM FOR ERROR
- IF LAWS ARE WHAT WE MUST DO, THEN ETHICS ARE WHAT WE OUGHT TO DO

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PARABLE OF THE SADHU

WHO WAS THE "LEADER" OF THE GROUP?

WHAT ARE THE CHARACTERISTICS OF A "LEADER"?

"Leadership is a potent combination of strategy and character. But if you must be without one, be without the strategy." - Norman Schwarzkopf.

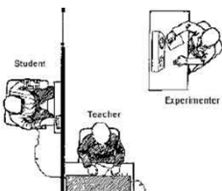
PARABLE OF THE SADHU

STANFORD PRISON EXPERIMENT

Groups can get us to do things we ordinarily might not do on our own, but their influence is often indirect, simply modeling the normative behavior that the group wants us to imitate and practice. (The Lucifer Effect: Understanding How Good People Turn Evil," by Phillip Zimbardo)

GROUPTHINK/AUTHORITY

MILGRAM EXPERIMENT



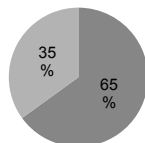
Prod 1: Please continue.

Prod 2: The experiment requires you to continue.

Prod 3: It is absolutely essential that you continue.

Prod 4: You have no other choice but to continue.

65% willing to shock up to 450 volts



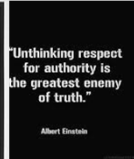
PRE-TEST MILGRAM SURVEYED 14 YALE SENIOR PSYCHOLOGY MAJORS THEY PREDICTED 0-3% WOULD SHOCK

AUTHORITY

- RESPECTFULLY QUESTION AUTHORITY
- ASK FOR AN EXPLANATION
- "THAT'S HOW WE DO IT HERE", OR "THAT'S HOW WE'VE ALWAYS DONE IT" ISN'T GOOD ENOUGH



SHEPARD FAIREY





How tough is it to challenge group norms?

Room

"If everyone has a sense of long-term stewardship over our assets every day, then people will also start to speak up more if they have concerns. I want us to sharpen our everyday attitude to operational and technical risk, to ensure it is the norm for people on the frontline to speak about risk, and for managers to listen."



Bob Dudley, CEO of BP
Replaced former CEO, Tony Haywood
July 27, 2010

"I don't assume that I always know the answer to something. I can draw on years of experience and intuition, but we need to be constantly enquiring and learning and listening to everyone – including the quietest voice in the room. We have to keep thinking the unthinkable – be it operational, financial or compliance risk. Nobody has all the answers. Only by working together and making the most of everyone's capabilities will we begin to move the company forward."

ALL THAT IS NECESSARY
FOR EVIL TO TRIUMPH IS
FOR GOOD MEN (AND
WOMEN) TO DO NOTHING.

EDMUND BURKE

Definition of value in English:

VALUES

(values) Principles or standards of behaviour; one's judgement of what is important in life

THE VALUE OF VALUES

DO THEY HIRE FOR
MISSION?
PROMOTE FOR MISSION?
DISCIPLINE FOR MISSION
VIOLATIONS?
CAN THEY SPELL THE
WORD M-I-S-S-I-O-N?
IF THE CEO TAPPED AN
EMPLOYEE ON THE
SHOULDER, COULD THEY
EXPLAIN THE MISSION?

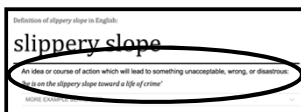
ETHICAL ISLANDS

RAISE YOUR HAND IF YOU CONSIDER YOURSELF ETHICAL
DO YOU THINK YOU ARE "MORE ETHICAL" THAN YOUR CO-
WORKERS?
DISCUSSING ETHICS IS DIFFICULT, BUT TALKING ABOUT IT
ALLOWS YOU TO SEE YOUR COLLEAGUES ARE ALSO
CONCERNED ABOUT ETHICS
THIS CAN EMPOWER PEOPLE TO "PUSH" BACK, WHEN
ASKED TO DO SOMETHING YOU BELIEVE IS IMPROPER

Lynn Brewer -
Confessions of
An Enron
Executive: A
Whistleblower's
Story



<http://www.theintegrityinstitute.org/>



Relevant Facts



Ethical Issues

Alternatives

Plan of action

ANALYZE

- RELEVANT FACTS?
- ETHICAL ISSUES
- ALTERNATIVES?
- PLAN?

FRAMEWORK FOR ETHICAL DECISIONMAKING

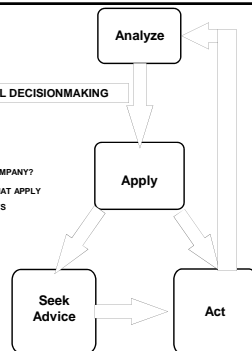
APPLY

- QUESTIONS TO ASK?
- IS MY ACTION RIGHT?
 - IS IT LEGAL?
 - DOES IT FOLLOW COMPANY POLICY?
 - HOW WOULD IT LOOK TO THOSE OUTSIDE THE COMPANY?
- REMEMBER THESE RULES
- KNOW THE LEGAL AND COMPANY STANDARDS THAT APPLY TO YOUR JOB
 - FOLLOW THESE RULES AND STANDARDS - ALWAYS

ACT OR SEEK ADVICE

- Act
- Or
- SEEK ADVICE IF YOU ARE UNSURE
 - HR, LEGAL COMPLIANCE, IA, HOTLINE
 - KEEP ASKING UNTIL YOU GET THE ANSWER - THEN ACT

ANALYZE YOUR ACTIONS



REPUTATION

YOU:

The beliefs or opinions that are generally held about someone or something.

REPUTATION

Warren Buffett: It takes 20 years to build a reputation and five minutes to ruin it.

We can afford to lose money, but not our reputation.
How would you feel about your actions, if your family read about them on the front page of the newspaper?

If you lose money for the firm
I will be understanding. If you lose a shred of reputation for the firm, I will be ruthless.

VW Emission Scandal 18% Stock Drop: The Tip of the (Reputation Risk) Iceberg | Andrea Bonime-Blanc | LinkedIn

By muazfaruddin on September 23, 2015

<http://lnk.to/18DxHd>

linkedin.com

Volkswagen's shares drop




Definition of grey area in English:


GREY AREAS

NOUN

An ill-defined situation or area of activity not readily conforming to a category or set of rules.

ILLEGAL	LEGAL
BLACK	WHITE
WRONG	RIGHT
EVIL	GOOD


GE 2000 Annual Report



Leadership

And it's about the four "types" that represent the way we evaluate and deal with our existing leaders. Type I: shares our values; makes the numbers—sky's the limit! Type II: doesn't share the values; doesn't make the numbers—gone. Type III: shares the values; misses the numbers—typically, another chance, or two.

None of these three are tough calls, but Type IV is the toughest call of all: the manager who doesn't share the values, but delivers the numbers; the "go-to" manager, the hammer, who delivers the bacon but does it on the backs of people, often "kissing up and kicking down" during the process. This type is the toughest to part with because organizations always want to deliver—it's in the blood—and to let someone go who gets the job done is yet another unnatural act. But we have to remove these Type IVs because they have the power, by themselves, to destroy the open, informal, trust-based culture we need to win today and tomorrow.

Shares Values	<div>Type III Values No Numbers</div>	<div>Type I Values Numbers</div>	
Does Not Share Values	<div>Type II No Values No Numbers</div>	<div>Type IV No Values Makes Numbers</div>	
Does not make the Numbers		Makes the Numbers	

Definition of integrity in English:


INTEGRITY

NOUN

(mass noun)

The quality of being honest and having strong moral principles

INTEGRITY



Ethics is knowing the difference between what you have a right to do and what is right to do.

(Potter Stewart)

ixquotes.com

Definition of stewardship in English:

STEWARDSHIP

NOUN

(mass noun)

The job of supervising or taking care of something, such as an organization or property

STEWARDSHIP



MILITARY
GOD, COUNTRY, CORPS
DUTY & HONOR
LONG TERM
HOW DO I SERVE OTHERS

MERCENARIES
SELL SERVICES TO THE
HIGHEST BIDDER
SHORT TERM VIEW
WHAT'S IN IT FOR ME?

Rakesh Khurana, Professor Harvard Business School, 1079 Harvard Edition, 2/14/09
