Learning Objectives

• Understand the impact to an organization’s ethical culture with an effective governance process in place that includes an ethics program, code of business conduct, supportive tone at the top, management controls and consequences for non-compliance

• Identify and share the challenges that ethical dilemmas pose when people try to do the “right thing”

Learning Objectives

• Identify and share how critical thinking can be used to enable better ethical decisions

• Provide/discuss a list of tips and lessons learned that promote optimum success of your ethics program

• Share resources/reference materials for future development
My Goals Today

- Discuss Governance
- What is Ethical
- Stimulate Discussion
- Propose Questions
- CT & Ethics – How to Use?
- Share/Discuss Lessons Learned & Tips
- Impact of an Ethical Culture
- Review Some Dilemmas
- Share Ideas
- Highlight Opportunities
- CT Techniques
- Get you to Smile or Laugh

Does This Picture Represent Doing the Right Thing - Sometimes?

Risk Treatments

- Accept
- Avoid
- Reduce
- Transfer
Group Exercise #1

Exercise Objective: To identify the aspects of the ethics program that cause the greatest impact to your organization based on the significance of one specific ethical issue and/or the volume of other ethical issues.

- Spend 1-3 minute(s) identifying 2 - 3 ethical items that negatively effect your current organization and/or other organizations that you have worked within the last 10 years. Share the items identified with your neighbors and/or the group.

Words Associated With

- Good
- Team Oriented
- Sharing
- Fair
- Thoughtful
- Caring
- Responsible
- Long Term
- Honest
- Giver
- Generous
- Understanding
- Confident
Words Associated With Unethical

- Bad
- Jealous
- Taker
- Not Accountable
- Dishonest
- Unsure
- WIIFM
- Selfish
- Loner
- Short Cuts
- Short Term
- Greedy

Why Be Ethical?

- Demonstrate responsibility
- Do the right thing – show leadership
- Attract & retain talented employees
- Promote high standards resulting in motivated employees
- Appeal to new customers searching for an ethical company that focuses on doing business the right way
- Develop/maintain a positive reputation

Definitions

- Corporate Governance: The system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders in a company - these include its shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Source: Investopedia – www.investopedia.com
Governance

Source: Institute of Internal Auditors (IIA)

Successful Governance Characteristics

Ethics – Simple Definition

Ethics is knowing the difference between right & wrong and doing the right thing for the right reason(s)!
Business Ethics - Definition

Business ethics is the study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities.


Definitions

- Ethics - rules of behavior based on ideas about what is morally good and bad. Ethics: an area of study that deals with ideas about what is good and bad behavior.
- Culture - the beliefs, customs, arts, etc., of a particular society, group, place, or time: a particular society that has its own beliefs, ways of life, art, etc.; a way of thinking, behaving, or working that exists in a place or organization (such as a business)

Source: Merriam-Webster - [www.merriam-webster.com](http://www.merriam-webster.com)
Definitions

- Bias - a tendency to believe that some people, ideas, etc., are better than others that usually results in treating some people unfairly.
- Greed - a selfish and excessive desire for more of something (as money) than is needed.
- Success - the fact of getting or achieving wealth, respect, or fame; the correct or desired result of an attempt; favorable or desired outcome.

Source: Merriam-Webster - www.merriam-webster.com

Why Unethical?

- Greed
- Power
- Weak values
- Short-term view
- Instant gratification
- Rules don’t apply to me.
**Why Unethical?**

- Worked in the past
- Don’t consider the impact/others
- Want to reach performance goals (money)
- Ends justify the means

**Other**

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**Integrity Quote/Saying**

“No one can take your integrity away, you have to give it away!”

---- My Mother & Father

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**Hospitality Financial and Technology Professionals (HFTP)**

**CODE OF ETHICS**
HFTP Certifications Ethics Policy - Principles

1) Credibility – Is the believability of a designee’s statements, actions, or sources, and the ability of the observer to believe that statement.

2) Confidentiality – Respect the confidentiality of information acquired during the course of performing professional services and do not disclose or use any such information without proper and specific authority or unless there is legal or professional right or duty to disclose.

Source: www.hftp.org

HFTP Certifications Ethics Policy - Principles

3) Integrity – Be straightforward and honest in performing professional services.

4) Objectivity – Be fair and do not allow prejudice or bias, conflict of interest or influence of others to override objectivity.

5) Professional Competence – Perform professional services with due care, competence & diligence. Recognize the continuing duty to maintain professional knowledge & skill at a level required to ensure that an employer or client or client receives the advantage of competent professionals services based on up-to-date developments in practice, legislation & techniques.

Source: www.hftp.org

HFTP Certifications Ethics Policy - Principles

6) Professional Behavior – Act in a manner consistent with the good reputation of the designation & refrain from any conduct that might bring discredit to the designation.

7) Technical Standards – Carry out professional services in accordance with the relevant technical & professional standards. Recognize the duty to carry out with care & skill, the instructions of the employer or client insofar as they are compatible with the requirements of integrity, objectivity & where applicable, independence.

Source: www.hftp.org
Character

- The Six Pillars of Character
  - Trustworthiness
  - Respect
  - Responsibility
  - Fairness
  - Caring
  - Citizenship

Source: Josephson Institute of Ethics – Making Ethical Decisions –

Ethics & Government Quote

"Sure there are dishonest men in local government. But there are dishonest men in national government too."

---- Richard M. Nixon
37th President of US (1913-1994)
Seven-Step Path To Better Decisions

1. Stop & Think
2. Clarify Goals
3. Determine Facts
4. Develop Options
5. Consider Consequences
6. Choose
7. Monitor & Modify

Source: Josephson Institute – www.CharacterCounts.org

Simple Ethics Test for Business Decisions

- Transparency
  Do I mind others knowing what I have decided?
- Effect
  Who does my decision affect or hurt?
- Fairness
  Would my decision be considered fair by those affected?

Source: Institute of Business Ethics – http://www.ibe.org.uk/

The Seven Signs of Ethical Collapse

1) Pressure to maintain the numbers
2) Fear & silence in the culture
3) A star CEO surrounded by young sycophants incapable of dissent
4) Weak board
5) Failure to recognize & root out conflicts of interest
6) Innovation like no other
7) Goodness in one area atones for evil in another

Source: Marianne M. Jennings, J.D. – Book - St. Martin’s Press, 2006
Potential Cure for a Difficult Situation

Sometimes a Smile & Kind Word!

Organizational Core Values

CORE VALUES

INTEGRITY

ETHICS

PRINCIPLES

ACCOUNTABILITY

Brand Quote

“Your premium brand had better be delivering something special, or it's not going to get the business.”

--- Warren Buffett
What Are They? Why Important?

Consider Your Actions Carefully

Your Organization’s Code of Conduct
Code of Business Conduct

Value Based
or
Rules Based

Character Quote

“When they call the roll in the Senate, the Senators do not know whether to answer 'Present' or 'Not Guilty'.

-----Theodore Roosevelt

Critical Thinking

How would you define Critical Thinking?
Critical Thinking Definition
An Auditor’s Perspective

- Critical Thinking is thinking about thinking
- A process that auditor’s can follow to lessen the risk of bias impacting their approach and/or decision
- Provides an organized approach to gather information or solve a problem(s)
- Serves as a technique to facilitate performance of audit activities efficiently & effectively

Critical Thinking Definition
An Auditor’s Perspective
(Continued)

- An experienced auditor that effectively uses critical thinking should be able use bits of information/different facts from more than one place/source to develop an issue, findings and/or conclusion that probably wouldn’t be evident to other auditors.

Critical Thinking helps you use all the information gathered and apply that evidence to focus on what is most important to accomplish your audit objective!

Critical Thinking

Helps us maintain objectivity!

&

Improve the quality of our decision-making!
Critical Thinking Techniques (7)

Examples of CT that can Help in Making Ethical Decisions
1) Brainstorming
2) Mind Mapping
3) Socratic Questioning – 5 Whys
4) Reflective Thinking
5) Lateral Thinking
6) Root Cause Analysis
7) Cost vs Benefit Analysis

Are You Spending Your Time Wisely?

How to do a Cost Benefit Analysis:
A 3-Minute Crash Course
* https://www.youtube.com/watch?v=QxSHJNNWIVc

Four Steps
1) Identify your costs
2) Identify the benefits
3) Identify the alternatives
4) Compare the 3 items above & Make a decision/recommendation/take action

Critical Thinking Steps

Identify, Understand, Gather, Analyze, Coordinate, Evaluate, Decide
Critical Thinking Steps

1) Identify the problem or challenge (topic, issue, main points)
2) Understand it and be able to put it in your own words
3) Gather relevant information to assist in the analysis

Critical Thinking Steps (Continued)

4) Analyze the information gathered
5) Coordinate & test with the team
6) Evaluate possible decisions and the impact
7) Decide on the best action/approach

Critical Thinking – HTFP’s

- Why
- Where
- What
- How
- When
Group Exercise #1
Critical Thinking – Exercise/Practice

What do you see in this picture?

Why Should You Use Critical Thinking

- Focuses on defining the problem/challenge/objective and understanding what it means as part of the process
- Organized approach to answer questions/solve problems/evaluate the quality of evidence
- Considers the information gathered & helps remove personal bias to ensure objectivity

Why Critical Thinking (Continued)

- Helps through receiving input/comments from others to confirm conclusions or identify other considerations
- Provides for open-mindedness
- Requires considering the other side of the issue
- Strengthens the value of the evidence gathered/accepted
Goal of Critical Thinking

The goal is not group consensus! It is the most informed and best decision based on the evidence from an independent and objective person.

Important Quote
“Facts are stubborn things.”

Knowledge, Skills & Abilities to Facilitate Critical Thinking

- Business Acumen
- Objectivity
- Comprehension
- Evaluation
- Risk-Based Auditing
- Creativity
- Standards & Guidance
- Communication
- Analysis
- Info Gathering
- Collaboration
- Process
- Problem Solving
- Persistence

Lateral Thinking

Horizontal vs. Vertical Approach
**Technique to Strengthen Audit Findings/Issues**

**Devil’s Advocate Definition**

A person who expresses a contentious opinion in order to provoke debate or test the strength of the opposing arguments.

Do you currently use this technique or would you see value in using this approach?

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**Five Person Rule**

Devil’s Advocate role?

Consider other options/alternatives?

Look at the decision/issue from another perspective?

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**Socratic Questioning**

Why?

Why?

Why?

Why?

Why?

Use of the Five Whys?

Why & How Should Auditors Use this Approach?
Short Course in Human Relations

The six most important words:
1) "I admit I make a mistake"
2) "You did a good job"
3) "What is your opinion?"
4) "If you please"
5) "Thank you!"
6) "WE"
The least most important word: "I"

Brainstorming

How do You Use It in the Audit Process?

Brainstorming Techniques

- Basic Brainstorming Rules
  - Define the purpose of the brainstorming session
  - Focus on a specific item (Clear purpose - quantity vs. quality)
  - Don’t discuss the appropriateness/value of the input during the brainstorming session
  - Encourage “Thinking Outside of the Box” – the wilder the better (within business parameters)
  - Timebox the session to gather information
**Brainstorming Techniques (Continued)**

- **Basic Brainstorming Rules**
  - Be respectful to all – no negative comments on others input
  - Communicate what will be done with the brainstorming results
  - Request feedback about the process and the perceived value
  - Combine ideas and/or comments to identify something to meet the need (e.g. $1 + 1 = 3$)

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**Brainstorming Challenges**

- Limited participation
- Few ideas provided
- One person dominates the process
- Same thing is provided over & over as input
- Process is slow – no one to keep it going
- Solution/improvements not identified during the session

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**Definition of Mind Mapping**

- It is a technique for developing a more creative and innovative approach to thinking. It enables the following:
  - Taps into the whole brain
  - Allows projects to be organized in minutes
  - Promotes creativity
  - Breaks writer's block
  - Provides an effective mechanism for brainstorming

Source: Mindmapping – Joyce Wycoff
Why Use Mind Mapping

- Easy to use
- Helps to organize thoughts
- Encourages creativity

Knowledge, Skills & Abilities
Valuable for Critical Thinking

- Communication (listening, speaking, observation)
- Business acumen/knowledge
- Interviewing
- Information analysis
- Open minded
- Patience
- Decision-Making
- Negotiation

#1) Ethical Dilemmas - Vendors

You’re involved in the selection of a new vendor. During the interview process for the final three (3) vendors you take a break after meeting with the first two (2) vendors. While you’re walking to the restroom one person from the vendor’s staff that was in the last interview makes a comment to you. The comment is that their firm has a golf membership in an exclusive Country Club & they say if you want to play the course give me a call anytime. As part of the RFP process a copy of your vendor code of conduct is included - gifts to staff are not o.k. What should you do?
#2) Ethical Dilemmas - Employees

An employee calls in sick on Monday & is seen by another employee at the grocery store in the afternoon. Should you follow-up with the employee and/or assume they were feeling better and/or picking up medications? What should you do? How would it impact your decision if you learned the employee had been arrested & wasn’t released from jail until noon. How would this impact your thought process/options?

#3) Ethical Dilemmas - Meetings

An important meeting was being held to discuss a significant corporate project that appeared to be in trouble (over budget, timelines not being met, functionality as per requirements less than anticipated/agreed to). An executive leadership project champion requires an update on the project progress. Part of the way through the update you’re stopped by a yelling person that had not been attending meetings and/or reading project status reports. What should you do?

Which Leading Practices Promote Ethical Behavior?
Lessons Learned – Governance/Ethics

- Strong & supportive tone at the top
- Code of business conduct (value based vs. rules based)
- Core values
- Effective control environment
- Training & awareness (orientation & on-going)
- Ethics officer

Lessons Learned – Governance/Ethics

- Hotline to report potential violations (administered by a third-party)
- Consequences for non-compliance (clear responsibility for investigation & follow-up of potential ethical conduct)
- Biennial organizational climate surveys
- Conflict of interest disclosures – follow-up on items disclosed

Lessons Learned – Governance/Ethics

- Gift reporting
- Vendor communication of gift/conflict of interest policies
- Ethics week awareness activities (annually)
- Governance/ethics audits
- Organizational culture audits
- IT governance audits
Lessons Learned – Governance/Ethics

- Fraud risk assessments/awareness (annually)
- Same rules apply to all levels of staff
- Frequent communications & demonstrations of ethics by leadership
- Other

5 Signs of a Toxic Corporate Culture

1) Favoritism  
2) Walking on eggshells  
3) Bad behavior  
4) Lack of development  
5) Information hoarding  
6) Lack of accountability

Source: Tone at the Top – IIA – February 2016

Ethics – Lessons Learned

- Tone at the top of an organization is critical – clear policies, rules, guidelines apply consistently to all employees
- Policies must be in place and enforced - consequences & accountability
- Example by management (walk the talk)
- Hotline or other anonymous reporting mechanism
- Monitoring and consistent enforcement
Lessons Learned (Continued)

- Training at the time of hire and on-going throughout employment
- Perceptions are reality as related to relationships with business partners/crsumers
- Non cooperative and/or defensive people change the focus of interactions to identifying why this behavior is occurring

Lessons Learned (Continued)

- Lack of respect displayed in employee interaction & meetings is a red flag
- Vendor relationships that seem to close may be to close
- Information management of direct reports may violate the code of conduct & identify potential control & leadership issues

Group Exercise #2

Exercise Objective: To identify the most valuable and/or effective aspects of your organization’s ethics program.

- Spend up to 1 to 3 minutes thinking identifying 2 – 3 ethical items that have the most positive impact on your employees demonstrating ethical behavior. Share the items identified with your neighbors and/or the group.
Ethics Tip

Your Beliefs don't Make you a Better Person Your Behavior does.

Do Your Vendors/Customer Share the Same Objective as You?

What Tools & Techniques Do You Use to Maintain an Ethical Company?
Questions & Contact Information

Phil Flora
phil@flobizllc.com
(512) 963-4954 – Mobile
www.flobizllc.com

Resources/Reference Materials

Please Refer to the Handout

What is Right for You?

The one who follows the crowd will usually get no further than the crowd. The one who walks alone, is likely to find himself in places no one has ever been.

–Albert Einstein
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