Legal Updates:

Ethical Dilemmas in the Workplace

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What do we mean by "ethics"?

An array of definitions exists:

- The branch of philosophy that deals with issues of right and wrong in human affairs

- A system of moral principles, rules and standards of conduct

- With regard to professions, a code of professional standards comprised of duties to the profession and the general public

- "Doing the right thing"

Ethics in the workplace (business ethics)

- Ethical rules and principles within a commercial (or non-profit) context

- Right or wrong, acceptable or unacceptable behavior *within* the organization

- Determined by key stakeholders, customers, and the market in which the business operates

Why do ethics matter?

- Doing the "right" thing – duty, virtue, morality as personal values

- Organizational values – stewardship over assets (and donations in non-profit organizations)

- Practical reasons – unethical behavior results in loss of money, criminal penalties, poor morale

The "Legalization" of Business Ethics

Federal Sentencing Guidelines for Organizations:

7 steps of an "effective program to prevent & detect violations of law" may mean lower criminal sentences for organization's officers:

- standards and procedures (code of ethics)
- high level oversight of compliance with laws
- care in delegation of authority
- effective communication (training)
- systems to monitor, audit & report
- consistent enforcement
- continuous improvement

University Policies

- Conflict of Interest Policy

- Finance & Administration Code of Ethics

- Ethical Conduct in Academic Research, Scholarship, & Creative Activities

- Disclosure of Investigator Significant Financial Interests Related to Sponsored Projects

- Nepotism Policy (Hiring of Relatives)

- Student Code of Conduct: *Academic Integrity; Respect for Others; Respect for the University Community; Respect for the Law*

Scandals:
Real Life Lessons in Ethics

1. <u>Student Loans Scandal</u> – institutional and individual conflicts of interest and kick-backs uncovered in NY Atty.General investigation (2007)

2. <u>University of California system</u> – $334 million in unreported executive pay (2006)

3. <u>American University</u> – lavish personal expenditures by president, retaliation against whistleblower (2005)

4. <u>Adelphi University</u> – personal enrichment of President with university funds led to removal of board of trustees by state govt. (1997)

5. <u>Stanford University</u> – alleged $185 million in overbilling federal grants for indirect costs (the "yacht" scandal) (1990)

Top 10 Unethical Behaviors Reported by Employees:

- sexual harassment
- lying on reports or falsifying records
- conflicts of interest
- theft
- lying to supervisors
- discrimination

- drug or alcohol abuse
- improper accounting procedures
- violation of environmental laws
- gift/entertainment violations

Key Causes of Unethical Behavior:

- meeting overly aggressive financial or business objectives
- meeting schedule pressures
- helping the organization survive
- personal gain, personal problems, financial pressure, addictions
- rationalizing that others do it
- resisting competitive threats
- saving jobs

Key Influences on Ethical Behavior:

- personal values
- supervisor influence
- senior management influence
- internal drive to succeed
- performance pressures
- lack of consequences or punishment
- friends/coworker influence

Why Misconduct Is Not Reported:

- fear of not being considered a team player
- did not think corrective action would be taken
- fear of retaliation (from management)
- "no one else cares, why should I?"
- did not trust the organization to keep report confidential

Factors Influencing Organizational Ethical Behavior:

Ethical Issue Intensity

+

Individual Factors

+

Corporate Culture
(including significant others & opportunity)

= Ethical or Unethical Behavior