Ethics & the Decisions We Make

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Thoughts on Ethics

- **Mark Twain, Author and Philosopher** –
  - “Always do right; it will gratify some people and astonish the rest.”
  - “Laws control the lesser man... Right conduct controls the greater one.”

- **Will Rogers, Columnist and Political Commentator**, –
  - “Live in such a way that you would not be ashamed to tell your story to the town gossip.”

Thoughts on Ethics, Continued

- **Henry Wadsworth Longfellow, Author and Philosopher**, –
  - “It takes less time to do a thing right than to explain why you did it wrong.”

- **Ernest Hemingway, Author** – from "The Grapes of Wrath" –
  - “It’s only right if you feel good about it after it’s over.”

  - “Ethics is knowing the difference between what you have a right to do and what is the right thing to do.”

  - “It is not an adequate ethical standard to aspire to get through the day without being indicted.”
Finishing up the Audit

"I agree that the numbers don't add up. But, you'll note that the letters do form words."

Reed’s Ethics Thesis Statement

- The business environment in which we operate is very complex and challenging, and will continue to be so,
- Causing the development of a wide variety of laws and regulations and a very high level of scrutiny from investors, regulators and others;
- Therefore, it is critical that we perform our responsibilities employing the highest ethical behavior, and
- The most critical ethical action is always the decision.

The Ethical Challenge

- Facts about Ethics:
  - We will face situations where the right ("ethical") answer is not obvious
  - We need to be conscious of the situations we are in, and the significance of the decisions we are making
  - We need to pay attention to how our decisions reflect upon us, our organization, and others around us
  - The people who are the most successful in obtaining the "ethical" answer: (a) recognize ethical issues; (b) seek clarity of understanding about those issues, (c) evaluate alternative solutions, and (d) make fearless decisions
What’s the difference between the two?

Ethics

• Values and principles that guide decision-making in the absence of prescribed rules or policies

Compliance

• Organizational structures, business processes, and internal controls that foster adherence to law, regulations, and company ethics policies

What’s the difference between the two?

Question – show of hands

Does being ethical mean you have to give up profits?

A  Yes
B  No
C  Neither
Does being ethical mean you have to give up profits?

Possible answers this question:

A. Yes, being ethical does mean you may have to give up some profits.

B. No, being ethical does not mean you have to give up being profitable.

C. Neither -- It’s the wrong question! The right question is, “What is the impact on profitability if you are unethical?”

Examples:
- Resignation from a client account
- Not ‘cutting corners’ may take longer to do the work and cost more money
- Funding an Ethics and Compliance Program costs money

Does being ethical mean you have to give up profits?

B. No, being ethical does not mean you have to give up being profitable

Key Points:
- “Giving up certain profits” vs. “Being profitable”
- Being ethical has rewards
- Brand and reputation matter in the marketplace
- Win and retain top talent
Does being ethical mean you have to give up profits?

C. It's the wrong question. The right question is, "What is the impact on profitability if you are unethical?"

- Lawsuits, penalties, fines, and judgments
- Damage to brand/reputation (individual / corporate)
- Loss of customers
- Inability to attract and retain top talent

$\text{\$\$}\text{ -- The lesson learned from many corporate missteps is you get caught (sooner or later). That is usually expensive and may cause irreparable damage to your brand. -- $\text{\$\$}}$

Is Ethical Misconduct Increasing or Decreasing?

The Ethics Research Center conducts the "National Business Ethics Survey" every two years.

**Do you think observed misconduct has increased or decreased?**

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Source: The Ethics Research Center’s Annual National Business Ethics Survey (2013), available at ethics.org

Pressure to compromise and observed misconduct

Pressure to compromise is down 9% from 2011.

Observed misconduct is down for the third NBES in a row. 41% is an all-time low.

ERC: "...We believe it’s probable that that business’ continuing and growing commitment to strong ethics and compliance programs is bearing fruit..."
What is Most Important in Reducing Misconduct?

Which of the following do you think plays the greatest role in reducing misconduct and the likelihood of misdeeds?

A. Employees’ fear of getting caught
B. Policies, laws, and regulations
C. A strong ethics culture

Culture counts

“Strong ethics cultures reduce both misconduct overall and the likelihood that a misdeed which does occur is a pervasive, ongoing issue”

Solving Ethical Dilemmas

- **Identify** the dilemma and assess the potential risk to the organization, others and yourself
- **Consider** alternative actions and the potential outcomes and consequences
- **Decide** on the best course of action and implement it
- **Evaluate** the results of your actions
Step 1 – Identify the Dilemma

- **Step 1:** *Identify* the dilemma and *assess* the potential risk to the organization, others, and yourself.
  - What conduct is in question?
  - What is the potential risk to the organization?
  - What is the potential risk to others?
  - What is the potential risk to me?
  - What would Aunt Emma Think?

Step 2 – Consider Alternatives

- **Step 2:** *Consider* alternative actions and *evaluate* the potential outcomes and consequences of each alternative action.
  - What laws, regulations and/or organizational policies are applicable?
  - What courses of action could be taken?
  - What results are the various alternatives likely to produce?
  - What internal resources can be used for guidance? Who should be notified?
  - What kinds of disclosures should be made?

Step 3 – Decide and Implement

- **Step 3:** *Decide* on the best course of action and *implement* it.
  - What is the right decision?
  - If the “right” decision cannot be determined, what is the “best” decision?
  - What resources/actions are required to implement the right/best decision?
  - Who will execute/implement the actions?
Step 4 – Evaluate the Results

- Step 4: Evaluate the results of your actions.
  - Would you be comfortable telling your family or friends what you did?
  - If your decision and actions were described in the media, would the story portray a flattering portrait of you and your organization?
  - Have you obeyed both the letter and spirit of the law?
  - How does Aunt Emma feel?
  - How do YOU feel?

Why is this so hard?

- Identifying ethical dilemmas, assessing their risk, and deciding on an appropriate resolution are all complicated, challenging activities.
- The step that requires us to decide something about the problem is almost always the toughest; so,
- It’s best to decide to be ethical before an ethical dilemma arises.

What are the Greatest Challenges?

- What are the greatest challenges to taking action in the face of an ethical dilemma?
- Retaliation –
  - Loss of employment
  - Harassment
  - Loss of future opportunities
  - Threats
What are the Greatest Challenges?

- What are the greatest challenges to taking action in the face of an ethical dilemma?

- **Confrontations** -
  - When we have a question or concern about the decisions or actions of another person, it may be difficult to raise that concern
  - What if it’s my boss? Or, my boss’ boss?

What are the Greatest Challenges?

- **Tough Conversations / Confrontations, (continued)** –
  - Get help!
  - Communicate with respect and professionalism
  - Challenge the behavior, not the person
  - Listen to understand - get the facts
  - Seek alternative approaches to the problem
  - Call in “experts” for advice and guidance
  - If you don’t reach agreement, go together to the next level of authority

Wrap-up

- At some point in your career, you will be directly involved in resolving an ethical problem
- Remember that much of what we discussed is about using common sense and good judgment and making **fearless decisions**
- Even so, the right answer isn’t always clear, so we must make the best decision in the circumstances
- And it will probably work out best if we decide to be ethical before an issue arises
Finally

“\textit{In any moment of decision, the best thing you can do is the right thing...and the worst thing you can do is nothing.}”

\textit{Theodore Roosevelt}