

# ETHICS



**A GUIDE TO  
DESIGNING  
&  
MANAGING  
COMPANY  
ETHICS**



# Executive Blueprints

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## WHO HAS A PUBLIC ETHICS POLICY

What is your impression of a company that has ethics?

As a consumer, what do you think when you see these policies?

How would you feel if your company had a policy on ethics and everyone was required to abide by Standards of Conduct?

Would this have an impact on your customer's opinion of you?

How much impact do ethics have on trust and confidence?

These companies have an Ethics or Corporate Governance Policy publicly posted on their web site:

- ✓ **Boeing**
- ✓ **BP**
- ✓ **DELL**
- ✓ **McDonald's**
- ✓ **Microsoft**
- ✓ **Nike**
- ✓ **Ford Motor Company**

\* These are just a few examples. There are many more.



## WHAT IT IS

### Defining Ethics:

- ✓ The study of the general nature of morals and specific moral choices people make
- ✓ A set of principles of right conduct
- ✓ The rules or standards governing a person's decision making process

### Business Principles are governed by Laws and Regulations

Industries, Communities, Associations and Geographies have specific laws, rules and regulations that define and govern appropriate conduct

These are basic requirements for compliance, and should be considered when developing a personal professional ethics policy

### Your Ethics Policy should be more than a reflection of legal compliance.

Develop guidelines to promote ethical decision making processes as standard conduct in everyday business. Develop your reputation for having good and fair decisions and actions, even when there are no legal repercussions.



## WHEN YOU SHOULD HAVE AN ETHICS POLICY

### **Now!** Business Benefits

**Customer Perception** – Build a reputation of being honest, trustworthy, ethical and responsible. Take corrective action when appropriate. Build relationships.

**Business Partners** – Negotiate more effectively, shared trust and goals, increased loyalty and referrals to other reliable partners.

**Increase Productivity** – Improved employee morale, reduced stress and employee turnover. Reduce poor business practices, including theft and sloth.

**Avoid Destroying a Lifetime of Work in a Single Act** – Once your reputation is damaged by scandal, your reputation may never recover.

**Avoid Penalties** – Fines, Penalties and Prison terms may apply to the company and to you personally!

### **Securities and Exchange Commission Requirements**

The SEC requires companies to publicly disclose their Code of Ethics, as well as waivers of any material aspect of the company's Code of Ethics

Companies must promote and implement ethical business "best practices" to stay in compliance with the law and remain competitive.



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## WHERE IT SHOULD BE DISPLAYED

Where should you display a policy on Ethics and Corporate Governance?



Take Pride in it, make it easy to find.

Define your Company Character

✓ Include it on your Web Site



✓ Include it in the Company Portfolio

✓ Include it in the Annual Report and Financial Reports

✓ Include it in Sales Presentations to Business Clients

✓ Include it in appropriate Company Brochures

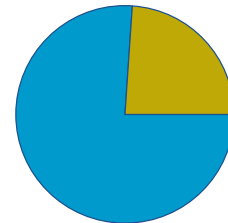


Make it easy for customers and clients to find your policy, and to report concerns or discrepancies.

## WHY IT IS IMPORTANT

Real World Problem with Real World Cost, Corporate and Personal Loss

■ No Problem  
■ Asked or Ordered



### Industry Week Magazine Survey Results:

■ 24% of Americans said they have been asked or ordered to do something on the job that they consider to be unethical

■ Of those, 41% said they did the unethical act anyway

### 3,000+ people participated in the 2005 National Business Ethics Survey

■ 69% of employees said their organizations have Ethics Training

■ 52% of people surveyed observed discrimination, stealing or harassment

■ 21% observed abusive or intimidating behavior

■ 19% witnessed lying to customers, vendors, employees and the public

## HOW YOU CAN CREATE AN ETHICS POLICY

### Outside-In Approach – The Customer Perception

- What products or services do you provide?**  
(Write these down, do you provide both products and services? Selling is a service)
- Who are your customers / clients?**  
(Name some of them so you can reflect on your policy from their perspective)
- What do your customers have a right to expect from you?**  
(Fairness, Honesty, Integrity, Accountability, etc)
- What is your commitment to your Community?**  
(Includes industry, geographic or business communities)
- What is your commitment to the Environment?**  
(Not limited to manufacturing, includes recycling, etc)
- What are you doing that might impact customer perception of you?**  
(Philanthropy, education, commitments, donations, etc.)

### Compliance – Legal and Regulatory

- What Laws Govern your Business, Industry or Community?**  
(Sales, Service, Marketing, Insurance, Education, etc)
- What Laws Govern your Commerce?**  
(Terms and Conditions, Refunds, Privacy, etc)
- Safety and Security**  
(Product safety, quality assurance, privacy, etc)
- Finance, Transaction and Audits**  
(SEC, Sarbanes Oxley, IRS, internal audits, etc)
- Federal, State and Local regulations**  
(\* Be aware, commit to understanding and compliance)
- Have you investigated legal compliance requirements?**  
(\* Actively investigate updates, educate and train employees)

## HOW YOU CAN CREATE AN ETHICS POLICY

### Shareholders – Top-Down Approach

- Company Core Functions and Commitments**  
(Company commitments that transcend the individual contributors)
- Executive / Management Commitments**  
(Commitments of the leadership community in the organization)
- Mission Statement**  
(Simple and clear definition of goals and commitments)
- Financial Transactions and Tracking**  
(SEC, Sarbanes Oxley, IRS, internal audits, etc)
- Commitment to Customers**  
(Fairness, Honesty, Integrity, Accountability, etc)
- Commitment to Employees**  
(Develop, educate and train employees)

### Involvement – Employee Participation

- Individual Contributor Commitments**  
(Define ethical behavior down to the individual person)
- Department / Group commitments**  
(Groups can have more detailed definitions maintained internally)
- Normal Business Activities**  
(Define standards of conduct for normal business)
- Decisions and Interaction (Internal and External)**  
(What decisions, customer interaction and internal activity needs clarity?)
- Business Partners, Vendors and Affiliates**  
(Requirements and expectations for vendors, partners and affiliates)
- What is important for Employees to define?**  
(Ask the employees and you may discover existing concerns that need definition)



## HOW YOU CAN CREATE AN ETHICS POLICY

### Comprehensive Policy Approach



- Customer Perspective**  
(Do your actions reflect your words? Do you convey integrity and trust?)
- Compliance, Legal and Regulatory**  
(Is your policy compliant? Have you committed to remain compliant?)
- Top Down Overall Company Commitments**  
(Does your policy reflect the company vision?)
- Commitments apply to all Individuals / Employees**  
(Does your policy apply to everyone? Have you covered all the bases?)
- Look at Your Competitors, Look at Yourself**  
(Compare your points to your competitors. Did you miss anything?)
- What is important for you to define?**  
(Define your company character, goals and commitments.)

## HOW YOU CAN CREATE AN ETHICS POLICY

### Use Keywords

Create your Bullet Points from each Perspective  
Identify Key Words that define your commitments  
Organize your Key Words into Groups and Thoughts

### Review

Create sentences and paragraphs with your keywords  
Review with your legal, marketing and management  
Take Time to Reflect, Edit and Update accordingly

### Train

Review the Ethics Policy with ALL Employees  
Train New Employees, and program for existing ones  
Create Instructions for Reporting Issues and Updates

### Risk Management

#### Five R's to Risk Management

##### Recognize

Recognize the Risk

##### Report

Report the Danger

##### Reflect

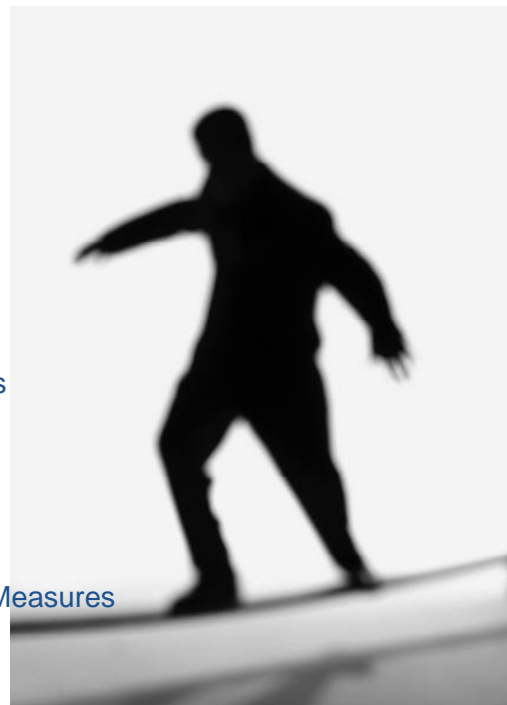
Reflect on Circumstances and Options

##### Respond

Respond with appropriate Action

##### Require

Require Corrective and Preventative Measures



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## STANDARDS OF CONDUCT

### Ethics Policy

Defines Company Character and Guidelines



### Standards of Conduct

Defines Rules for Employees



Use the same Review Process to develop Employee based Standards of Conduct

Provide Training and Scheduled Review for Standards of Conduct

Ask Employees to Sign and return Confirmation after Review and Understanding

Post a Process for Employees to provide Confidential Reports of Conflicts

Standards of Conduct also apply to Vendors, Partners, Consultants, Contractors, Temporary and Part Time Employees

## STANDARDS OF CONDUCT

### In the Event of Conflict

Provide Protection and Confidentiality to the individual reporting perceived conflict to the Standards of Conduct or Ethics. This employee has the right to anonymity and has individual legal rights that must be respected.

Also respect the dignity and privacy of the reported offending individuals. Human Resources, Management and Legal Departments should investigate thoroughly and act appropriately. The person is innocent until proven guilty and also has a right to defend their reputation.

If a conflict is confirmed, act swiftly and appropriately in accordance with the issue. In the event of reprimand, be fair and responsible. Protect the rights of the customers, fellow employees, and the public, just as you would protect the company. If there is one reprimand, be prepared to pursue the investigation to all employees equally and treat similar cases consistently.



Living with Ethics is holding your company, your fellow employees and yourself to higher standards of behavior. It is something to be proud of, and it should make it easier to make business decisions (“**do the right thing**”).

**A properly defined and adopted ethics policy creates a positive environment.**

Ethical behavior does not limit the ability to conduct business.

Ethical behavior is not a disadvantage against competitors, for they have a much higher risk of penalties, scandal, damaging reputation and losing customers.

Ethical behavior does not support ‘witch hunts’ to ‘make examples of employees’. It is a guideline for appropriate behavior and response.

## STANDARDS OF CONDUCT

### Promote the Positive

Reward Employees for Positive Ethical Behavior

How do you reward someone for doing the right thing?

Celebrate accomplishments that result from Ethical Behavior.



#### ***Where to find results from Ethical Behavior:***

- ✓ Customer Accolades for Customer Service and Support
- ✓ Successful Negotiations with Mutual Benefits for Partners and Vendors
- ✓ Repeat Sales from existing customers
- ✓ Contributions to Society and the Community, including volunteer activities
- ✓ Identifying, Reporting or Resolving Safety Hazards or Quality Defects
- ✓ Successful audits on financial controls, business processes or privacy

- ✓ Be an Example to Others
- ✓ Be Professional and Courteous
- ✓ Use Common Sense
- ✓ Be Honest
- ✓ Act with Integrity
- ✓ Learn the Company Ethics Policy
- ✓ Avoid Conflicts of Interest, or the perception thereof
- ✓ If it “feels wrong” check it out, trust your instincts

**Make your Actions a  
Reflection of Your Words**



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## About the Author:



**John Mehrmann**

John Mehrmann is a prolific author and highly sought after motivational speaker. His works have appeared in numerous publications and he shares much of his freelance articles with on-line article directories and reference sites.

John is a dynamic, results-driven professional with more than 20 years of overall management experience that spans operations, sales, e-commerce, accounting, customer service, marketing, logistics and training. John has established a solid reputation for designing and implementing reliable, repeatable best-in-class business practices that consistently deliver superior performance and profitability to shareholders and investors. He is an expert in designing strategic plans for International Organizations and Small Business alike. John has a proven record of empowering and leading personnel to realize their full potential and surpass expectations. These operational and strategic planning capabilities compliment outstanding interpersonal, communication, and presentation skills.

As a consultant, trainer and personal coach, John Mehrmann brings his experience and expertise into a support role, adapting and aligning structured steps for development in a flexible personalized manner. As an executive, John appreciates the schedule constraints and demands placed on individuals, and he recognizes the importance of delivering bottom line results for time invested.

John Mehrmann is a member of the advisory committee for Motivation Education, an education development program for social and scholastic advancement through science and Technology. He is also a Member of the International Coach Federation, participated in the Global Leadership Forum, and trained in Six Sigma and Management Innovation. John has been a member on the California Department of Consumer Affairs Bureau of Electronic and Appliance Repairs Advisory Council, and served as Industry Information Director for the National Electronics Service Dealers Association (NESDA). John Mehrmann received the International Who's Who of Business Leaders, Sterling Who's Who Executive Edition and Continental Who's Who. He received the Certificate of Recognition and Industry Achievement Award Honors, the NPSC Award of Appreciation, and the USA Certificate of Appreciation for the Institute of Service Management.



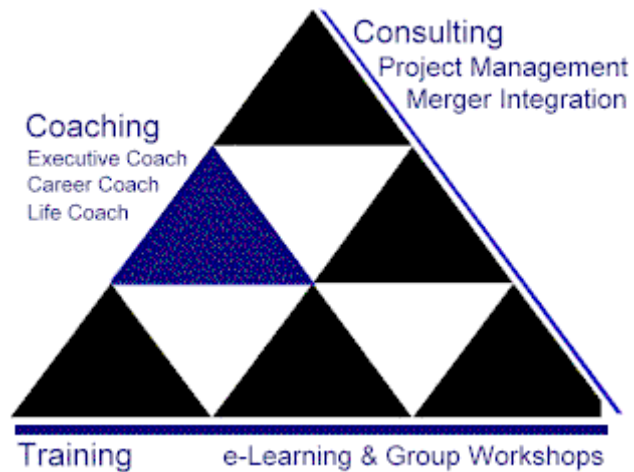
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