AGENDA

- Ethics Defined
- Ethics vs. Values
- Advantages of Ethics
- Ethical Insight – What do you think?
- Ethical Tests & Principles
- Blind Spots and Disconnects
- Auditors Contributions
What is ethics?

Ethics Defined

- Moral principles that govern a person’s behavior.
- The discipline dealing with what is good and bad and with moral duty and obligation.
- Norms of conduct that distinguish between acceptable and unacceptable behavior.
- The set of ground rules or principles by which an individual or an organization acts.
Ethics vs. Values

**Ethics**
- About right and wrong.
- How an honorable person should behave.

**Values**
- All important beliefs.
- Ethics deal only with beliefs of right and wrong.

*Values are a part of a person’s ethics; ethics may not necessarily be a part of a person’s values.*

Advantages of Ethics…

- Competitive Edge
- Credibility
- Efficiency
- Loyalty
- Morale
- Recruiting
Thoughts on ethics…

Research shows that in an ethical business environment, your people work harder and stay with you longer, your customers trust you, and your business ultimately is more successful.

~Society of Corporate Compliance and Ethics, 2017
Activity – Myth or Fact?

1. It’s easy to be unethical.
2. Unethical behavior in business is simply the results of “bad apples”.
3. Managing ethics can be accomplished through formal ethical codes and programs.
4. Ethical leadership is mostly about leader integrity.
5. People are less ethical than they used to be.

Insights…what do you think?

Anyone can have a major breach of ethics given the right set of circumstances.
Insights…what do you think?

Acting ethically is just a matter of wanting it badly enough.

Insights…what do you think?

People engage in activities they don’t realize are unethical.
Insights…what do you think?

If we solved all ethical problems would we also solve all or most of our compliance/internal control problems.

Insights…what do you think?

Loyalty to a group or organization tends to compromise your ethics.
Thoughts on ethics...

What choices your organization (or department) makes — and whether they are ethical — impact confidence in you, and affects whether stakeholders want to work with you.

~The State of Moral Leadership in Business, LRN Corporation, 2018 Report
Activity: Ethics by the numbers…

Instructions: Match the statements below with the percentages from the chart.

Employees who…
1. Report they are satisfied with their own character.
2. Think they are more ethical than their peers.
3. Think their organizations would make better decisions if they were to follow the golden rule.
4. Think their organizations would successfully address their biggest challenges if leaders had more moral authority.
5. Say their leaders behave in accordance with company values.
6. Say their leaders almost always state the truth, even if doing so creates some personal risk.
7. Describe their leader as demonstrating the qualities and behaviors of moral leadership.
8. Believed that their company has a weak or a weak-leaning ethical culture.
9. Reported observing misconduct.
10. Reported the misconduct they observed.

Is it ethical?

*The Five Principles*
- Do No Harm
- Make Things Better
- Respect Others
- Be Fair
- Be Loving/Caring
Is it ethical?

*Six Steps to an Ethical Decision*

- The Law
- The Rules
- Integrity
- Appearances
- Clear Thinking
- Perspective

Why…

So why do individuals sometimes fail to do what’s right even when they “know” what is right?
Ethical breaches and “disconnects” are often caused by “Blind Spots”.

Consider...

When individuals have a vested interest in viewing a problem in a certain way, it is difficult to be objective.
Consider…

Perception vs. Reality

People simultaneously think of themselves as good people yet *some* frequently lie or and cheat (typically in a “minor” way).

Consider…

- The “right thing to do” is not always clear.
- Everyone may not agree on what the “right” thing to do is.
- There may be conflicting messages/values.
**Disconnects**

Our perception:
We see ourselves as the guardians of trust in our organizations – far more likely to disclose ethical misconduct than to misbehave unethically ourselves.


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**Disconnects**

The Reality:
Sometimes, the reasoning limitations in our minds can make us unaware of the moral implications of our decisions.

Blind Spots

blind spot
ˈblīn(d)ˌˌspät/
noun
1. the point of entry of the optic nerve on the retina, *insensitive to light.*
2. an area where a *person's view is obstructed.*

Causes of Disconnects & Blind Spots (DBS)

- Rationalization
- Normalization
- Slippery Slope
- Selective Attention
- Self-Serving Bias
- Doctrine of Relative Filth
- Framing
- Willful Blindness
Recognizing & Addressing DBS

- Recognize that we may be prone to behave in ways that serve our own interests.
- Consider other perspectives.
- Challenge your own thoughts and decision processes.
- Slow down and think about it.

Recognizing & Addressing DBS

- Implement controls that force contemplation of ethical decisions.
- Readily disclose potential conflicts.
- Remember that we are only as strong as our weakest link.
Activity

Creating a Strong Ethical Climate: The Auditor’s Contribution

Comply with the IIA Code of Ethics

*Designed to promote an ethical culture in the professional practice of internal auditing.*

**PRINCIPLES & RULES OF CONDUCT**
- Integrity
- Objectivity
- Confidentiality
- Competency
Creating a Strong Ethical Climate: The Auditor’s Contribution

- Set the example – go above and beyond.
- Clearly communicate the organization’s and the profession’s core values.
- Empower staff to report unethical behavior.
- Monitor and evaluate the ethical climate in the organization.
- Promote internal training and publicity.
- Be consistent.

See something, say something, and **DO SOMETHING.**
Summary

› Ethics Defined
› Advantages of Ethics
› Ethical Disconnects and Blind Spots
› Creating and Ethical Climate

Final Thought…

Our systems cannot function without leaders with formal authority – whether our Commander in Chief, CEO, or school principles. But, what makes them really work is when leaders occupying those formal positions – from business to politics to schools to sports to internal audit – have moral authority. Formal authority can be won or seized, but moral authority has to be earned and sustained every day by who you are and how you lead.
Contact Information

Lori Cox
Lori.Cox@pascuayaqui-nsn.gov
(520) 879-6268