

# Ethics in Work and Life



Living a Life Worth Living!



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# Ethics in Work and Life: Living a Life Worth Living

- ▶ **Presentation Description** – Moral behavior is not just the application of professional ethics in our work environment but also provides the overriding framework of our everyday life. This presentation is an entertaining, informative, and interactive discussion of the inter-relationship of values, ethics and behavior, including discussing an individual's ethical development, recognizing your own ethical orientation, responding to ethical dilemmas, and living by a basic set of ethical guidelines.

- ▶ **Biography – Michael A. Crawford, CPA**

Michael A. (Mike) Crawford is and Certified Public Accountant and Chairman Emeritus of Crawford & Associates, P.C. a CPA firm in Oklahoma City dedicated exclusively to the practice area of state and local government over the past 25 years. He is an internationally recognized expert and award winning speaker and author on governmental accounting, auditing, financial management, and ethics issues. Mike is a past president of the Oklahoma Society of CPAs, an inductee into the Oklahoma Accounting Hall of Fame, and is past Vice-Chairman of the Governmental Accounting Standards Advisory Council (GASAC), the national advisory group to the Governmental Accounting Standards Board (GASB). Mr. Crawford has also authored a number of professional guides and practice aids for CPAs, including the *CPA's Guide to Independence and Ethics*.



# The Basics of Ethics

- »» What Are Ethics and Where Do They Come From?

# What Ethics Are

- ▶ Ethics refer to the standards that tell us how we ought to respond and act (*right and wrong actions*) in situations we find ourselves in as:
  - Parents, Children, and Family Members
  - Citizens, Friends, and Neighbors
  - Teachers and Advisors
  - Employers and Supervisors
  - Professionals and Other Business Leaders
  - Employees and Co-Workers

# Who Sets Those Standards

- ▶ As *children*, the standards are established by authority figures, including parents, teachers, and ministers
- ▶ As *adults*, the standards are generally established by the predominant beliefs of the society in which we live
- ▶ As *employees*, the standards are established by the employer
- ▶ As *professionals*, the standards are established by regulatory authorities and professional organizations to which we are subject or belong

# Ethics in 21<sup>st</sup> Century America

»» What's Happening in American  
Society Today?

# Ethics in 21<sup>st</sup> Century America

## As a Society are We Living a Life Worth Living?

- ▶ Corporate officers, greed, and accounting scandals
- ▶ Wall Street and broker/dealer scandals (Madoff)
- ▶ Athletes and performance-enhancing drugs
- ▶ Athletes/celebrities and publicized marital infidelity
- ▶ College students and cheating
- ▶ Computer viruses and electronic identity theft
- ▶ Politicians and government corruption
- ▶ Sex scandals in government and religion
- ▶ Gambling addictions and related embezzlements

# Ethics in 21<sup>st</sup> Century America

- ▶ The recent economic recession has really been more of an “**ethics recession**”.
- ▶ It’s been more about lack of integrity than bad math.
- ▶ Examples:
  - Large profile business failures were more about executive greed than poor business models
  - Subprime mortgage loan crisis was more about questionable lending practices and lack of objective oversight than economic failures



# Ethics in 21<sup>st</sup> Century America

Advertising “Prepaid” Bail Bonds



**Bail Bonds Easy**

Is this Really Necessary?



# Gallup Poll Ethics Ratings

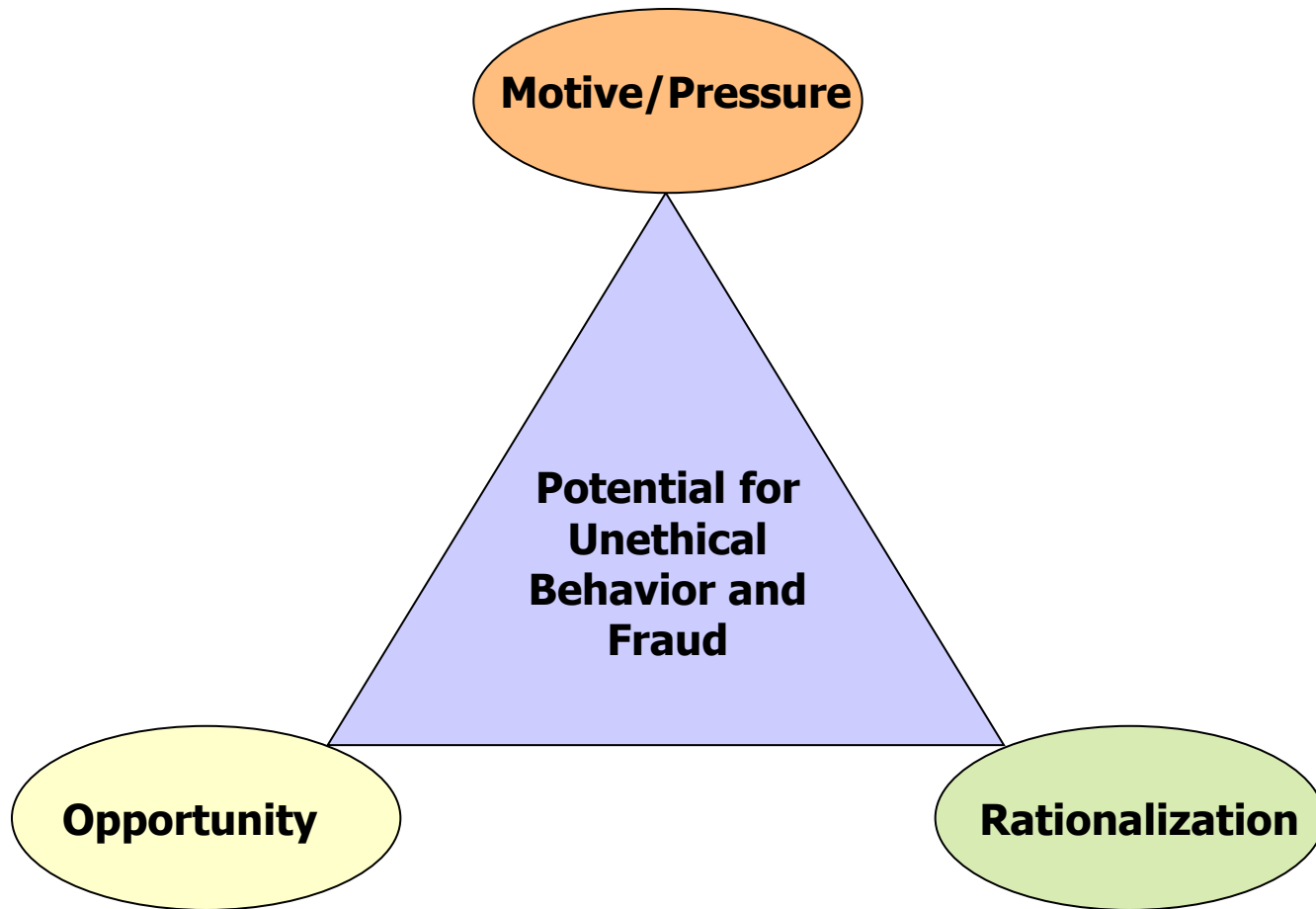
1. Nurses 84%
2. Druggists/Pharmacists 70%
3. High School Teachers 65%
4. Doctors 64%
5. Clergy 56%
6. Policemen 56%
7. Funeral Directors 47%
8. **Accountants 38%**
9. Journalists 25%
10. Bankers 23%

Others: Lawyers 18%, Congressmen 12%, Car salesmen 7%,  
Telemarketers 5%, Lobbyists 5%

# Unethical Behavior

- » Identifying and Understanding Motives, Opportunities, and Rationalizations

# Unethical Behavior/Fraud Triangle



# Motives and Pressures

- ▶ **Financial difficulties**
  - Living beyond one's means
  - Health problems and uninsured medical costs
  - Loss of job
- ▶ **Addictions**
  - Gambling
  - Drugs
  - Other
- ▶ **Personal problems**
  - Family issues, divorce, etc.
  - Greed or need for attention
- ▶ **Corruptive influences**

# The 3 Most Corruptive Influences on Human Behavior

1. Power
2. Fame
3. Wealth

# Opportunities for Unethical Behavior

- ▶ Opportunities for financial fraud/unethical behavior are generally provided through ineffectively designed or operating internal controls
  - Lack of segregation of duties
  - Unrestricted access
  - Ineffective oversight
- ▶ Other opportunities for unethical behavior also arise through:
  - Having excess resources to spend
  - Possession of corruptive influences

# Rationalizing Bad Behavior

- ▶ Do we rationalize bad behavior?
- ▶ In what ways?
  - Entitlement
  - No harm, no foul
  - Unchallenged
  - Lack of meaningful consequences



# Responding to Unethical Behavior

- » Challenging Bad Behavior and Taking Meaningful Action

# Are We Responding to Unethical Behavior?

- ▶ 2008 Report to the Nation on Occupational Fraud and Abuse – Association of Certified Fraud Examiners
  - 87% of occupational fraudsters are first-time fraud offenders
  - 83% of the perpetrators have never been punished or terminated by their employers for the fraudulent behavior

# Respond by Challenging Bad Behavior

- ▶ Don't ignore inappropriate behavior!
- ▶ If we allow inappropriate behavior to go unchallenged, we create the invitation for rationalizing that such behavior is considered acceptable.

# Avoid The Sergeant Shultz Approach to Responding to Bad Behavior

**"I know nothing,  
I see nothing, and  
I say *nothing!*"**



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# Respond with Meaningful Consequences

Simon Fraser University in British Columbia, Canada has introduced a grade lower than an “F” in order to stigmatize cheating. The new grade, “FD”, means failed for egregious cases of academic dishonesty. The university also has a provision in its handbook stating that it can cancel a degree if it is discovered, after graduation, that the student was guilty of academic dishonesty.

Source: Ethics Newsline August 25, 2009 –  
Institute of Global Ethics

# More Meaningful Consequences



# Ethical Orientation

»» What are my Ethical Tendencies?

# Ethical Orientation Question

You are driving on an Interstate highway (with a normal speed limit of 70 mph) with no other vehicles around. The highway has recently been repaved. Construction is now complete and all construction barriers have been removed. However, the temporary speed limit signs of 55 mph are still posted. You are driving 70 mph.

Are you doing anything wrong?





# An Individual's Ethics Orientation

Whatever our level of moral development, we have all developed our own individual “ethical orientation or tendencies” we follow when faced with making decisions that involve ethical dilemmas.

Let's determine our own ethical orientation.

# Orientation Q&A Summary

Question	J	C
1		
2		
3		
4		
5		
6		
7		
8		
9		
Total		

# What is my Ethical Orientation?

1. Which is worse?

a. Hurting someone's feelings by telling the truth

or

b. Telling a lie and protecting their feelings

# What is my Ethical Orientation?

2. Which is the worse mistake?

a. To make exceptions too freely

or

b. To apply rules too rigidly

# What is my Ethical Orientation?

3. Which is it worse to be?

a. unmerciful

or

b. unfair

# What is my Ethical Orientation?

4. Which is worse?

a. Stealing something valuable from someone for no good reason

or

b. Breaking a promise to a friend for no good reason

# What is my Ethical Orientation?

5. Which is it better to be?

a. Just and fair

or

b. Sympathetic and feeling

# What is my Ethical Orientation?

6. Which is worse?

a. Not helping someone in trouble

or

b. Being unfair to someone by playing favorites



# What is my Ethical Orientation?

7. In making a decision, on which do you rely more?

a. Hard facts

or

b. Personal feelings and intuition

# What is my Ethical Orientation?

8. Your boss or superior orders you to do something that is hurtful to someone. If you carry out the order, have you actually done anything wrong?

a. Yes

or

b. No

# What is my Ethical Orientation?

9. Which is more important in determining whether an action is right or wrong?
  - a. Whether anyone actually gets hurt  
or
  - b. Whether a rule, law, commandment, or moral principle is broken

# What is my Ethical Orientation?

- ▶ **Ethics of Justice (J orientation)**
  - Based on equal application of moral principles and laws or policies with little flexibility or exceptions
  - Actions are either inherently right (truthfulness, respect, honoring promises) or inherently wrong (lying, theft, manipulation, broken promises)
  - Generally more common of men than women
- ▶ **Ethics of Care (C orientation)**
  - Based on sense of responsibility to reduce harm and suffering with considerable flexibility for individual cases
  - Actions that produce more good than harm are “right”; those that don’t are “not as right”
  - Generally more common of women than men

(Based on Ethical Orientation Questionnaire developed by the Center for Ethics and Business at Loyola Marymount University)

# Contemporary Ethics Theories

Another perspective:

1. Ethics of Justice Orientation  
*RIGHT versus WRONG*
2. Ethics of Care Orientation  
*RIGHT versus Not As RIGHT*  
*WRONG versus Not As WRONG*

# Ethical Dilemmas

»» How to Approach and Resolve

# What is an Ethical Dilemma?

- ▶ A situation where there are “compelling reasons for taking an action” and “competing compelling reasons for not taking the action or taking a different action”
- ▶ Ethical dilemmas exist because of these conflicting or competing compelling reasons

# An Ethical Dilemma

- ▶ You want to borrow money from a family member, without their approval (*compelling reason not to do it*), and use it to buy food, clothing, and sleeping bags for desperately hungry and homeless families immediately after a natural disaster strikes your community (*compelling reason to do it*).
- ▶ What action should the individual take?
  - In what direction would an Ethics of Justice thinker lean?
  - In what direction would an Ethics of Care thinker lean?



# Resolving Ethical Dilemmas

1. First consider all the facts and circumstances.
2. Consider alternative actions.
3. Consider the actions themselves (ethics of justice considerations)
  - Do they comply with the law
  - Are they honest, fair and equitable
  - Are they respectful of others rights
4. Consider the potential results or consequences of the actions (ethics of care considerations)
  - Do they advance the common good and public interest
  - What is the extent of good versus harm
5. Consider the consultation of others.
6. Combine all considerations, exercise moral courage, and make a decision (none of the considerations should be ignored, each acts as a check on the limitations of the other)

# Exercising Moral Courage

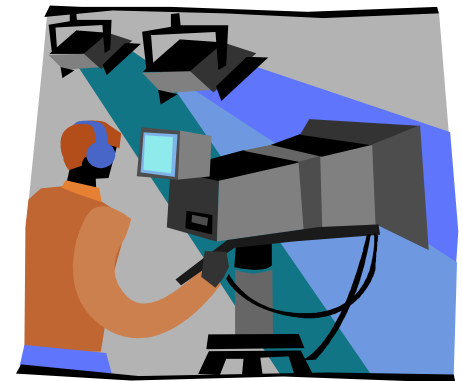
- ▶ Moral courage can be described as responding to ethical dilemmas with bravery and courage in the face of mental and physical challenges or danger that could harm us (e.g. harm to our family, job, self-esteem, reputation, bank account, livelihood, or health)
- ▶ The courage to stand up for the core values of *honesty, respect, responsibility, fairness,* and *compassion* in the face of these dangers

"Moral Courage" – by Rushworth M. Kidder

# Ethical Dilemma Decision Test

“Ask yourself whether or not you would feel good about your decision while appearing on prime-time television being interviewed by a highly-skilled, well-informed, and hard-hitting journalist, knowing that your family, friends and peers are watching.”

Quote from Warren Buffet



# Ethical Guidelines

»» Living a Life Worth Living

# The Idea of a Profession

- ▶ Accounting is not just an occupation, it is a profession
- ▶ The concept of a **Profession** can be explained as a group's collective effort to pursue a learned art with a common calling to act in the spirit of public service for **the end good of the public**.
- ▶ Professionals make a bargain with society in which for their promise to serve the public interest, they in return are granted certain privileges, such as the exclusive right to perform certain functions, and other special status

# Professions and Their Public Good

- ▶ Medical professionals
  - The preservation and encouragement of the public's health
- ▶ Legal professionals
  - The pursuit of justice on behalf of the public
- ▶ Accounting professionals
  - The presentation of truth in a fair and accurate manner for the public's interest

# AICPA Code of Conduct – Preamble

- ▶ A CPA assumes an obligation of self-discipline above and beyond the requirements of laws and regulations.
- ▶ The principles of the Code call for an unswerving commitment to honorable behavior, even at the sacrifice of personal advantage.

# The Basic Guidelines

- ▶ Understand and appreciate your personal and professional responsibilities
  - With focus on the public interest and the interest of others
- ▶ Help set the right ethical climate
  - Set by example both at work and at home
- ▶ Live and work by a set of moral principles, not just a set of rules
  - Rules do not compensate for bad character, they merely guide those who wish to be guided
- ▶ Exercise moral courage and do the right thing even when it is not easy!



# Life – Available for a Limited Time Only



**So Live a Life Worth Living!**