Ethics

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UC Davis

Training Goal:
UC Statement of Ethical Values and Standards of Ethical Conduct

• Impact on You, the Business Officer
• How Best to Use
• Pitfalls to Avoid
Ethics Checklist?

Our Most Valuable Resource?

Expenses Associated With Core Activities
FY 2005  $18.9 Billion

- Salaries & Benefits
- Other
Values

Important Beliefs and Desires

Motivate Actions  Shape Attitudes

Factors Influencing Individual Values

- Upbringing (family values, religion, culture)
- Self-Conception
- Motivations
  - Need for Approval
  - Need for Security
  - Need for Money or Position
- Ethical Consciousness/Awareness
- Moral Courage/Strength of Character
Ethics
A set of moral principles or values
… a guiding philosophy
- Merriam-Webster's Collegiate Dictionary, Tenth Edition

Most of the time, we know what we should do.

The real test of ethics and character is whether we are willing to do the right thing

... even when it is likely to cost more than we want to pay.
Who Cares?

UC Revenues for FY 2005 - $19,080 M

How Much Do They Care?

UC Davis Revenues
UC Statement of Ethical Values

*Integrity* in our dealings
*Excellence* in our work
*Accountability* individual & compliance
*Respect* rights & dignity of others

UC Standards of Ethical Conduct

1. Fair Dealing
2. Individual Responsibility & Accountability
3. Respect for Others
4. Compliance - Laws & Regulations
5. Compliance - Policies, Procedures & Guidance
6. Conflicts of Interest or Commitment
7. Ethical Conduct of Research
8. Records: Confidentiality/Privacy & Access
9. Internal Controls
10. Use of University Resources
11. Financial Reporting
12. Reporting Violations and Protection from Retaliation
UC Standards of Ethical Conduct

What they really mean:

- Exemplify Fairness
- Act Responsibly
- Respect Others
- Follow Rules
- Find Answers
- Be Worthy of Trust
- Protect Privacy
- Ensure Right Thing Happens
- Prove Stewardship
- Report Wrong-Doing

Guidelines for Actions & Decision-Making

- Mission
- Personal Ethics
- Shared Values
- Internal Controls
- University Policies
- Regulations
- Laws

Business Officers Institute, Patrick Reed, University Auditor, 10/27/99
Ethics is the Foundation of Internal Control

- **Management Environment** - Tone at the top, integrity, ethics, competence.
- **Risk Assessment**
- **Controls Activities**
- **Information and Communication**
- **Monitoring**

Advantages of Ethics

- **Competitive Edge** – people prefer to work with those they can trust
- **Credibility** – people believe you
- **Efficiency** – trust makes decision making faster and more economical
- **Morale** – people feel better about their jobs and themselves
- **Loyalty** – internal and external
- **Personal Satisfaction** – self respect, affection of others
Realistic Expectations

- **Criminal Conduct** – It won’t make crooks honest but it can create an environment where criminal conduct is less likely and more risky.
- **Improper Conduct** – It can provide knowledge and promote systems that significantly reduce a large category of improprieties.
- **Poor Judgment** – It can create a heightened understanding of the kinks of conduct that generate criticism and accusations of unethical conduct.

Ethics is not about the way things **are**. It’s about the way they **ought** to be.
The Moral Landscape
The Way It Is

Post Enron Environment
Intensified Scrutiny
Public Cynicism
Prosecution
Burdensome Regulation
Broader Accountability

Turning Our World Upside Down

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### Job Pool - Attitudes

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>“It’s important for me to be a person of good character”</td>
<td>98%</td>
</tr>
<tr>
<td>“It’s important to me that people trust me”</td>
<td>97%</td>
</tr>
<tr>
<td>“In business and the workplace, trust and honesty are essential”</td>
<td>94%</td>
</tr>
<tr>
<td>“Being a good person is more important than being rich”</td>
<td>89%</td>
</tr>
<tr>
<td>“My parents or guardians always want me to do the right thing, no matter the cost”</td>
<td>90%</td>
</tr>
</tbody>
</table>

**2006 Josephson Institute Report Card on the Ethics of American Youth**

### Job Pool - Cynicism

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>“In the real world, successful people do what they have to to win, even if other consider it cheating”</td>
<td>59%</td>
</tr>
<tr>
<td>“A person has to cheat sometimes in order to succeed”</td>
<td>42%</td>
</tr>
<tr>
<td>“People who are willing to lie, cheat or break the rules are more likely to succeed than those who do not”</td>
<td>23%</td>
</tr>
</tbody>
</table>

**2006 Josephson Institute Report Card on the Ethics of American Youth**
Job Pool - Conduct

In the Past 12 Months:

- Lied to parent about something significant: 82%
- Lied to teacher about something significant: 62%
- Copied an internal document: 33%
- Cheated during a test at school: 60%
- Stole something from a parent / relative: 23%
- Stole something from a friend: 19%
- Stole something from a store: 28%


Perception is Reality

- When it comes to trust, perception is reality.
- *It is not enough that we do no wrong, we must also try to assure that others believe we have done no wrong.*
Jack’s Rule of Thumb

- We judge other people by their **actions** and we judge ourselves by our **intent**.

  Jack Azzaretto, UCR, “Ethics for UC Business Officers”

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What is Work Culture?

- Shared History
- Expectations
- Unwritten Rules
- Social Mores

- Underlying beliefs
- Color perceptions
- Of actions and communications

“20 unit”

Defense
Enemies of Integrity

- Complacency
- Self Delusion
- Rationalizations
- Survival Syndrome
- Win-at-Any-Cost
- Misplaced Loyalty
- Undervaluing Integrity
- Unaccountability
- Short-Term Thinking
- Arrogance of Power

Rationalizations

1. It’s for a good cause
2. I’ve got it coming
3. It’s legal
4. Everyone does it
5. Others are a lot worse
6. I don’t get caught
7. It’s not for me
8. It benefits my family
9. It’s necessary/it’s the only way I can win
10. I’m just following orders
11. My job is on the line
12. I’m just fighting fire with fire
13. No one is really hurt
I’m not so bad as long as others are worse.

— Michael Josephson

If you’re not willing to lose, you have to be willing to do anything it takes to win.

— Michael Josephson
Significance of Unethical Behavior

- US settles case of Gene Therapy Study that ended with teen’s death
- U. of Penn & Children’s National Medical Center
  - Government alleged:
    - Study produced toxicities in humans, but was not terminated
    - Reports misrepresented actual clinical findings
    - Consent form did not disclose anticipated toxicities
  - Settlement: $1,032,118

Ethics Transcends Laws

Minimum compliance is like aiming for the outer rim of the target.
Tools for the Way It Ought To Be

The Golden Rule

Confucius: What you do not want done to yourself, do not do unto others.

Aristotle: We should behave to others as we wish others to behave to us.

Judaism: What you dislike for yourself, do not do to anyone.

Hinduism: Do nothing to thy neighbor which thou wouldst not have him do to thee thereafter.

Islam: No one of you is a believer unless he loves for his brother what he loves for himself.

Buddhism: Hurt not others with that which pains thyself.

Christianity: Do unto others as you would have them do unto you.
Principles of Community

- UCOP - http://www.ucop.edu/humres/prncpls_comm.html
- UCB - http://www.berkeley.edu/about/community.shtml
- UCD - http://principles.ucdavis.edu/
- UCM - http://www.ucmerced.edu/ourvalues.asp
- UCSB - http://www.diversity.ap.ucsb.edu/diversity/message/
- UCSC - http://www.ucsc.edu/about/principles_community.asp
- UCSD - http://www.ucsd.edu/principles/
- UCSF - http://www.ucsf.edu/swe/principles.htm

Tone from the Top

“People behave in an unethical way because they are either responding to signals sent by top management or because the only way that they can meet expectations is to cheat.”

- James O’Toole, USC Graduate School of Business
Make Character-Based Decisions

• Stakeholder interest & well-being
  – Meeting expectations?
• UC Ethical Values above all others
  – Integrity, Excellence, Accountability Respect
• Greatest amount of good in the long run

Control Environment

• Train, Train, Train
• Ensure Separation of Duties
• Delegate Authority, Responsibility & Accountability
• Prohibit Password/Account Sharing
Educate Employees on Ethical Obligations

- Proper & improper use of public position and property
  - BFB G-39, Conflict of Interest Policy
- Recognize & avoid conflict of interest:
  - Gifts & Gratuities
  - Dealing with friends and relatives
  - UC purchasing power
  - Consulting & moonlighting

Recruit for Character, Train for Skills

Exec. Director and COO, Josephson Institute of Ethics

- Position
  “…assure that JI complies with all legal requirements and the highest ethical standards.”
  “… assure that all … functions of the organization are performed at the highest level of proficiency and with complete integrity.”

- Candidate
  “Be a person of exemplary character who cares about and is deeply committed to JI’s mission.”
  “Have strong personal character and credibility.’

- Application Process
  “Includes a statement that you understand that character is of the utmost importance to this position.”
Objectives – In a Nutshell

- Meet stewardship responsibilities
- Provide management information
- Process properly and accurately all receipts and disbursements
- Account for all financial resources received and used
- Conform to:
  - Legal requirements and Administrative policies
  - Generally Accepted Accounting Principles
- Present a complete picture of funds and uses

UC Accounting Manual A-000-4
Keep Documents Supporting Financial Transactions

• Retain documents for review by auditors
• Keep for the periods specified in the UC Records Disposition Schedules Manual

Don’t Wait to Fix Things

“The longer you wait to adjust the trajectory of a rocket that is going off course, the more severe the adjustment will have to be.”

“The same is true with new employees.”

- Michael Josephson
Consider the Real Cost

Productivity
Morale
Investigative Leave
Investigation
Disciplinary Action
Grievances
Lawsuits
Recruitment
Training
Funding / Gifts

$ Small Loss $
When you decide to fight fire with fire ...

... all you get is the ashes of your own integrity.

— Michael Josephson

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The problem with the rat race is that even if you win, you’re still a rat.

— Lily Tomlin

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The future will be better tomorrow.
- Dan Quayle

Scenarios

- Read scenario together
- Vote and See Responses
- Discuss in small groups:
  - What are the competing pressures?
  - What actions might be taken?
- Share with room
Remember:

- **YOU** are our most valuable resource.
- **TOGETHER** we can:
  - Support Ethical Culture.
  - Model Ethical Behavior.

Thank You!

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