

Good Ethics is Good Business

Wisconsin Asphalt Pavement Association

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Ethics in Business

- ▶ Act honestly, responsibly, fairly and in good faith and exercise competence and diligence while pursuing business goals
- ▶ Ethical economics and not ethics vs. economics
- ▶ Builds trust with stakeholders – enhances reputation, builds business
 - ▷ Customers
 - ▷ Suppliers
 - ▷ Regulators
 - ▷ Contractors
 - ▷ Employees
 - ▷ Community/public

Corporate Culture

- ▶ Culture has to sustain and enhance business goals while at the same time creating value for the company's stakeholders
- ▶ Drivers
 - ▷ Company structure
 - ▷ Business purpose and its complexity
 - ▷ Regulation/Legal implications
 - ▷ Labor structure
- ▶ Culture can be tailored to mitigate risks, reduce legal exposure or to encourage innovation and creativity

Culture Drivers

- ▶ Compliance – bidding laws, building code, environmental, local permitting, etc.
- ▶ Public health and safety
- ▶ Public interest
- ▶ Quality
- ▶ Customer service
- ▶ Relationship-driven

Ethical Obligations

- ▶ Customers
- ▶ Suppliers/contractors
- ▶ Employees
- ▶ Public interest – health and safety, efficient use of tax dollars

Shades of Gray Ethical Thinking

- ▶ Pressures
 - ▷ Deadlines
 - ▷ Budget concerns/cost constraints
 - ▷ Profit goals
 - ▷ Deadlines
 - ▷ Customer satisfaction
 - ▷ Management expectations
- ▶ Compounded by...
 - ▷ Confusion about rules and compliance
 - ▷ Inadequate training
 - ▷ Lack of leadership

Business Ethics Violations

- ▶ Employee failure
 - ▷ Boeing – CFO offered Air Force procurement official a job during an active procurement
 - ▷ Atlanta Bribery Scandal – two CEOs bribing procurement officer
- ▶ Culture failure
 - ▷ Volkswagen
 - ▶ “Defeat device” - software to falsify nitrogen oxide levels
 - ▶ Purpose to expand US market share
 - ▶ Chain of management command that approved fitting the devices into its diesel engines
 - ▷ Wells Fargo
 - ▶ Fraudulently opening over \$1 million customer accounts
 - ▶ Purpose to increase retail deposits
 - ▶ 5,300 employees - poorly designed incentives and inadequate supervision

Business Ethics for Public Projects

- ▶ Government Code of Ethics
 - ▷ Specifically defined public officials & public employees
 - ▷ Gifts and conflict of interest
- ▶ Bribery Laws
- ▶ Bidding Laws – bid process, accuracy of information, bid rigging
- ▶ Legal restrictions on improper business practices
 - ▷ Antitrust
 - ▷ Misrepresentation
- ▶ Company Code of Ethics & Conduct
 - ▷ Customers – public officials & public employees
 - ▷ Suppliers
 - ▷ Contractors & subcontractors

Code of Conduct: Generally

- ▶ Communicate company values
- ▶ Communicate expectations – compliance with spirit and not just letter of the law
- ▶ Communicate purpose/objectives
 - ▷ Act with required professional competence
 - ▷ Prioritize public health and safety and quality
 - ▷ Preserve trust of stakeholders
- ▶ Establish guidance, not just prohibitions
- ▶ Establish application: applies to everyone – officers, directors and employees

Code of Conduct: Implementation

- ▶ **Accountability**
 - ▷ Acknowledgment of code
 - ▶ In writing
 - ▶ Training
 - ▷ Supervisors/executives abide by and hold others accountable
- ▶ **Reporting**
 - ▷ Procedures
 - ▷ Whistleblower protections
 - ▷ Investigations
- ▶ **Enforcement**
 - ▷ Internal – decisions/appeals
 - ▷ External

Code of Conduct: Guidance

- ▶ Conflicts of interest – employee’s (or his or her family member’s) private interest conflicts, interferes or appears to interfere with the company’s interest including outside employment or activities
- ▶ Gifts & entertainment – stand alone policy
- ▶ Choosing/interacting with suppliers and contractors
 - ▷ Fair competition/treatment
- ▶ Conduct with customers and potential customers
 - ▷ No misinformation/deceptive acts
- ▶ Special considerations for doing business with government
 - ▷ Ethics laws – gifts and conflict of interest
 - ▷ Bribery laws
 - ▷ Bidding laws

Code of Conduct Guidance (con't)

- ▶ Protecting company and employee nonpublic information
 - ▷ Trade secrets
 - ▷ Processes, data, business techniques
 - ▷ Business forecasts, plans, strategies
 - ▷ Customer and supplier information
 - ▷ Project estimates, estimating formulas
 - ▷ Designs
 - ▷ Business and market plans
- ▶ Protecting supplier and contractor information
- ▶ Use of company assets for personal business
- ▶ Contact with media
- ▶ Political and advocacy activity

Code of Conduct: Sales

- ▶ Gift giving
 - ▷ Definition
 - ▶ On account of the recipients public position
 - ▶ Intended to influence decisions or be a reward for them
 - ▷ Covered officials
 - ▶ Statutory ethics code for local public officials
 - ▶ Local ordinances
 - ▶ Public employee work rules
- ▶ Meals, admission tickets, entertainment, travel
 - ▷ If covered official pays fair market value
 - ▷ If for the public benefit
 - ▷ Disclosure
- ▶ Favors
- ▶ Information transparency
- ▶ No false or deceptive claims to promote services

Code of Conduct: Engineering & Project Management

- ▶ Items/services of value
 - ▷ Gifts – meals, admission tickets, entertainment, travel
 - ▷ Samples/freebies
 - ▷ Favors
- ▶ Guidelines
 - ▷ Do not solicit
 - ▷ May accept small gifts that are designed to build goodwill and sound working relationships
 - ▷ Do not accept if it appears to be given to obtain a special advantage
 - ▷ Do not accept if it appears to compromise your ability to make objective and fair decisions
 - ▷ Disclosure

Code of Conduct: Engineering

- ▶ Conflicts of interest
 - ▷ Serving on the board of a supplier
 - ▷ Economic interest in the supplier
- ▶ Fair competition/treatment
 - ▷ Provide no advantages – special access, sharing of confidential information
 - ▷ Business should be awarded solely based on qualifications, service and pricing
 - ▷ No implications that continued business is dependent on some act by the supplier

Code of Conduct: Project Management

► Conflicts of interest

- ▷ Financial interest in contractor or subcontractor
- ▷ Directing work to a business owned by a relative outside competitive bidding
- ▷ Taking advantage of a business opportunity learned through employment either personally or for the benefit of another company

► Fair competition/treatment

- ▷ Provide no advantages – special access, sharing of confidential information
- ▷ Business should be awarded based on a competitive process
- ▷ No bid rigging/bid sharing

Code of Conduct: General

- ▶ Competitive Bidding
 - ▷ Pre-bid communications
 - ▷ Accurate information
 - ▷ Violations of bid process can result in disqualification of bid, rescinding award
 - ▷ Contract violation can result in termination or debarment
- ▶ Campaign Contributions
 - ▷ Statutory restrictions on bidders
 - ▷ Appearance of impropriety
- ▶ Employee Political Activity
 - ▷ During work hours
 - ▷ Use of company resources
 - ▷ Statutory restrictions

Conclusion

- ▶ Ethical practices are key to business success
 - ▷ Leadership and culture
 - ▷ Recognize and address external pressures
 - ▷ Communicate and enforce code of conduct
- ▶ Code of conduct
 - ▷ Communicate company values and expectations
 - ▷ Establish guidance
 - ▷ Provide training
 - ▷ Establish reporting procedures



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Questions?

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