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 recipient's 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
Questions?

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