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CONTENTS

СОДЕРЖАНИЕ

INTRODUCTION.....	5
WHAT IS BUSINESS ETHICS?	6
CORPORATE SOCIAL RESPONSIBILITY	12
ETHICAL MARKETING: COMPANIES WITH A CONSCIENCE.....	20
UNETHICAL ADVERTISING AND WORDING TRICKS	25
EMPLOYEE’S ETHICS: GETTING A JOB.....	32
BUSINESS AND ECOLOGY.....	37
WHITE-COLLAR CRIMES.....	43
DEVELOPING AN EFFECTIVE ETHICS PROGRAM	56
HOW TO WRITE A CODE OF ETHICS FOR BUSINESS. STEPS TO FOLLOW	68

Ethical businesses are uplifting the world



It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

— Warren Buffett —

AZ QUOTES



"Never go into business purely to make money. If that's the motive you're better off doing nothing."

- Richard Branson

“

You need the right people with you, not the best people

— Jack Ma



There's no way to succeed in business without the highest ethical standards.

— Jordan Belfort —

INTRODUCTION



Nowadays the popular press, and media are full of the stories of business corruption, bribery and greed, Public interest in business ethics has reached its heights. Moreover, not all moral issues in business involve giant corporations and their well-known executives. Practically all the employees face various moral challenges daily. A lot of the moral issues that arise in business are complex and difficult to address. For example, if passing a personality or honesty test is a justifiable pre-employment condition? How should business respond to employees who have AIDS? Should manufacturers reveal all product defects? At what point does acceptable exaggeration become lying about a product or a service in advertising? When does aggressive marketing become consumer manipulation? What are businesses' responsibilities regarding environment? Must business fight sexism, ageism and racism or it is the job of governments? Is insider trading or the use of privileged information immoral? How much loyalty do workers owe their companies? Do free pajamas and pizzas provided to employees who work overtime in the office mark the beginning of corporate serfdom? Ethics and business ethics provide answers to the questions above.

WHAT IS BUSINESS ETHICS?



What is ethics in business? It is simply the application of everyday moral or ethical norms to business. Therefore, it consists of the **values, ideals, and standards that guide behavior in a business environment**. Organizations define specific principles that outline boundaries, which are all-encompassing and absolute. These principles are used to develop norms that are socially accepted and based on values like honor, accountability, and trust.

Why business ethics?



BEFORE READING.

- *Why do we have business ethics course?*
- *Do all of you agree that it is natural for humans to be ethical?*
- *Are people motivated only by self-interest, rather than by what is ethical?*
- *What's a priority in business? Ethics or Self-Interest?*

- *Can government regulation replace business ethics?*

Future managers, economists, business leaders, all of you will base your decisions on ethical choice, which is a **rational choice, a logical choice**. Now, “rational” does not necessarily mean “rational self-interest.” Rationality is a broader idea than that. Ratio is reason, rational means human, clever, reasonable. We are going to consider a number of real-life case studies to learn how to apply business ethics. It will give you an opportunity to practice, practice, practice, because that is the way how we learn.

To begin with, what is the job of ethics?

The job of ethics is to reach **rational consensus** on how we should live together.

- We have to agree on the ground rules.
- We can't just "take a vote."



Ethics is necessary to put our natural tendency to care about people on a **rational basis**. It builds **rational consensus** as to how we are going live together in a harmonious way. We have to agree on the ground rules to get anything done. Otherwise, our world will be chaos. **This is why we have ethics: to bring about that agreement.**

And what is **Business Ethics**? It is **moral guidelines for the conduct of business based on notions of what is right, wrong and fair**. Most business people rely upon their own consciences or moral principles in making business decisions. Some apply their own moral and religion for guidance. But, business people are also affected by their bosses and colleagues when making business decisions and may feel pressure to behave unethically when seeking to make profits. That is why over recent years many firms and industries have developed codes of conduct or codes of ethics which can be used to guide managers when making decisions.

Do all of you agree that it's natural for humans to be ethical? You may say: no, no, no!!

OK. Let's focus on the idea out there that people are motivated only by self-interest, rather than by what is ethical. It's a very popular view.

There are a few arguments in favour of this view

➤ There is the story of evolution. It is the story of the survival of the fittest. The strong eat the weak. The creatures that adapt to the environment pass on their selfish genes.

➤ Those the different become extinct. Actually, we **humans are like all other animals - deeply and thoroughly selfish**. Therefore, behavior that seems altruistic is really self-interest in disguise. Here may come various examples from history.

➤ Charity and friendship are the cultural drapery above the iron logic of nature.

All this is **partially** true, of course.

BUT !!!! There are some objections.

Let's refer to **Mencius'** quotation about human nature.



Human nature is good, just as water seeks low ground. There is no man who is not good, just as there is no water that does not flow downward.

(Mencius)

The altruism of human nature is the idea, which goes back at least to Meng Zi, or Mencius as we say in English, who was a disciple of Confucius more than 2000 years ago. He maintained that human beings are **altruistic by nature** (although this trait must be **cultivated to be fully realized**). Let's look into the following situation! (taken from to Meng Zi, or **Mencius**)

As argument, he used the following example. Suppose you are walking down the street and see a young child about to fall into a deep pit. Do you stop to think about whether you should save the child? Do you reason that if you walk past, someone might see you ignore the child and make trouble for you, or if you try to

save the child, you may be late for your next meeting?

You rush and help or wait and consider options?

No doubt, you do not stop considering options; you rush over and save the child. It is a part of who we are as human beings. That was Mencius's argument.

You may say, it is not scientifically grounded view. It's based on pure observation.

Yet!!! There are a lot of books written by scientists, evolutionary psychologists, neuroscientists and others, which present a gentler picture of our nature.

➤ For example, “**Super Cooperators**” research by Martin Nowak with Roger Highfield. Nowak uses higher math to demonstrate that cooperation is central to the four-billion-year-old puzzle of life and that it is the defining human trait. “**Cooperation and competition are forever entwined in a tight embrace**

➤ Michael Tomasello, the author of “Why We Cooperate,” described a series of tests for chimps and toddlers. He found that at an early age kids begin to help others, to share information, in ways that adult chimps hardly ever do. A 12 month infant will inform others about something by pointing. Chimpanzees and other apes do not helpfully inform each other about things. Infants share food readily with strangers. Chimpanzees rarely even offer food to their own offspring. Tomasello points out that we are born ready to cooperate, and then we build cultures to facilitate this trait.

➤ Besides, there is some evidence now that **altruism** is in our **DNA**. In fact, scientists have made an exciting, intriguing discovery - “mirror neurons” in our brains that respond to other people's feelings. If we see someone who is in pain, or who's happy, the same neurons fire in our own brains. This is **empathy**; it's a part of what makes us human.

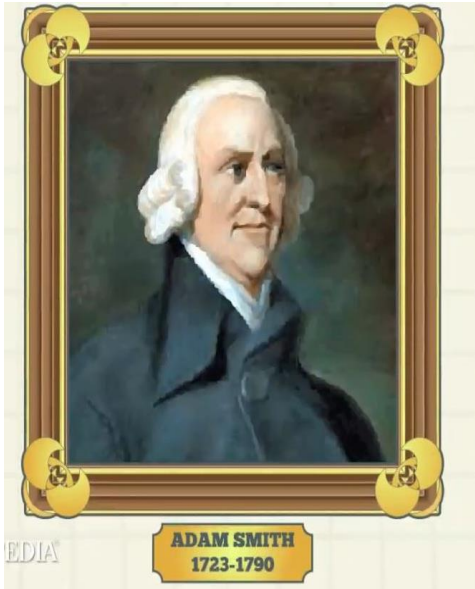
So what ethics does is to **take our natural tendency to care about people and put it on a rational basis**, so it can work in the real world.

Let's consider another objection that business is a battle field, so “push the falling”, there can be neither “win-win”, only “lose-win” alternative.

Let's say - we are future business people and pay only lip service to ethics. Our god is Self-Interest. We had better leave Ethics to moralists.

Let's consider this argument – what's a priority in business? Ethics or Self-Interest?

We often attribute the idea of **self-interest** to **Adam Smith**. Isn't he the guy who said that in a successful market economy, *everyone pursues his own selfish interest, and it works out for the benefit of all, as though guided by invisible hand?*



a

Thus, Mr. Smith maintains that there exists an invisible hand at work in the marketplace. It leads individuals who are trying to get rich to enrich their society as well, which was no part of their original plan. **What is the invisible hand?** It's the force of marketplace **competition**, which encourages individuals to make the lives of others better in the process. Here's a quick example. You open little takeout pizza shack near campus. Your idea is to get the maximum amount of money to pay your tuition. What kind of business are you going to run? Does it make sense to take a

customer's \$12 and then hand over an oily pie with cheap plastic cheese and only three pepperonis? No, in the name of your own happiness, you're going to charge a bit less than competitors and give your customers something slightly better-maybe you'll spread richer cheese, or toss on a few extra pepperonis. As an egoist, you don't care whether your customers are happier or not. But if you want your business to grow, you'd better care and provide better food for less money. Everyone wins.

We are not talking Mother Teresa here, but *anybody* who wants to start up a successful pizza restaurant is, very likely, going to end up doing good. If you don't, if you cannot offer some advantage, then no one's going to buy your slices.

It is ironic, because Adam Smith staked all his career on precisely the opposite view. He wrote a whole book, called the *Theory of Moral Sentiments*, in which he argued that human beings are motivated **by empathy as well as self-interest**. He did write a book called *The Wealth of Nations*, in which he spoke of the invisible hand and said, yes, self-interest is an important engine for an economic system.

You may agree or disagree with him, but that is what he said. In fact, as soon as he finished writing the book, he quitted his job as an academic at the University of Glasgow and became a government regulator. Adam Smith also said self-interest is a danger to an economic system, and his remedy was government regulation. That's Adam Smith.

Government regulation and law enforcement vs business ethics

We often think it is really **government regulation** and **law enforcement** that makes business and society work, and ethics is something extra. It is nice to be ethical, but law enforcement really does the dirty work of keeping us in line. Actually, it is just the opposite. Think about it. Suppose that tonight, everyone starts breaking into apartments and houses. Can the police be everywhere at once? No way. Law enforcement takes care of a few people who don't get the message. It is not going to work unless most of us voluntarily comply or obey, and we can't voluntarily comply unless we agree on the right way of behaviour. In the other words until we agree on ethical rules, values and principles.

Why do we have business ethics course?

It's no different than a finance course.

- The instructor doesn't convince you to make money.
- He/she assumes you want to make money and tries to tell you how.



Imagine we are in a finance class, for example. The instructor doesn't try to convince you to make money. The instructor assumes you want to make money and tries to tell you how.

CORPORATE SOCIAL RESPONSIBILITY

“Greed is good” (Wall Street 1987)

Self-interest vs Greed

We may rightfully say, huge multinationals take our clean air and water, destroy the environment and pollute the ocean with oil spills. They have to give back to the society!!!! QUID – PRO – QUO!! CORPORATE SOCIAL RESPONSIBILITY is on the agenda.

Let's have a deeper look into it!

WHAT IS A DRIVING FORCE OF BUSINESS; GREED (*EXCESSIVE LOVE OF MONEY.*) OR

.....????



In the original *Wall Street*, Michael Douglas's character, Gordon Gekko, is a corporate raider who he buys up underperforming companies, breaks them up and sells their parts at a healthy profit. What drives him? Greed, pure and simple.

In one scene, Gekko appears at the annual shareholders' meeting held by Teldar Paper. Gekko owns shares, but wants more. He wants control of the

company. It is there that he delivers the speech

Here's the extract from Gordon Gekko's famous "Greed is good" speech in which: he offers to make a killing on the Teldar deal, and enable shareholders all make a little money themselves, along the way. :

“...I am not a destroyer of companies. I am a liberator of them! **The point is, ladies and gentleman, that *greed, for lack of a better word, is good. Greed is right, greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed, in all of its forms; greed for life, for money, for love, knowledge has marked the upward surge of mankind. And greed, you mark my words, will not only save Teldar Paper, but that other malfunctioning corporation called the USA. Thank you very much.***”

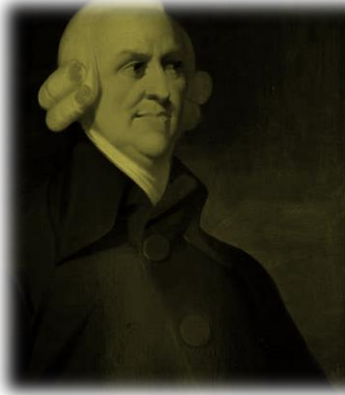
AFTER READING

Do you agree with Gekko Gordon?

Does GREED have anything in common with CSR?

If not? Replace the word GREED by a more appropriate one. Explain your choice

SELF-INTEREST VS GREED



It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.

– Adam Smith

Today we may say that, ADAM SMITH wrote the book on CSR entitled, “Wealth of Nations” Let’s quote from him a little.

➤ “Every individual, neither intends to promote the public interest, nor knows how much he is promoting it...he intends only his own gain, and he is in this led by an invisible hand (=competition) to promote an end which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who traded for the public good. “

➤ “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest..”

Smith did not worship selfishness. He regarded benevolence as admirable, as a great virtue. (He wrote another book about this: “The Theory of Moral Sentiments”). **But his greatest economic insight was that benevolence was not in fact necessary to advance the public interest. And that is fortunate, he pointed out, since benevolence is often in short supply. Self-interest, on the other hand, is not. Smith was right about self-interest and the public interest that communism failed and capitalism worked.**

Through the action of Smith's invisible hand (= competition), the private search for profit does advance the public interest. Smith was a genius because this harmony of private interest and public interest is not at all obvious, but once it is pointed out, the idea is instantly simple and plausible. This is especially so if you think not about self-interested individuals but about profit-seeking companies.

Profits are a guide (by no means a perfect one) to the value that

companies create for society.

Does this mean that Gordon Gekko, was right to say that “greed is good”? No: greed and self-interest are not the same thing. Greed is not rational or calculating. It makes you fat and drives you into bankruptcy. The kind of self-interest that advances the public good is rational and enlightened. Rational, calculating self-interest makes a person, or a firm, worry about its reputation for honesty and fair dealing, for paying debts and honouring agreements. It looks beyond the short term and plans ahead. It considers sacrifices today for the sake of gains tomorrow, or five years from now. It makes good neighbours.

AFTER READING

- Do you agree with Gekko or A. Smith?
- Is it in our SELF-INTEREST to strive for CSR?



What's CSR?

What are the forms of CSR?

Why is it a business of its own today?

Who are stakeholders?

Who takes decisions about CSR?

Who pays for the show?

Who should be in charge of society welfare, governments or corporations?

How can you profit from CSR?

How can you use CSR in marketing?

What brands were created on CSR basis?

QUESTIONS.. QUESTIONS ..QUESTIONS.. LET'S TRY TO FIND SOME ANSWERS!

A simple definition of CSR

What is CSR, or Corporate Social Responsibility? CSR encompasses all the practices put in place by companies in order to uphold the principles of **sustainable development**. What does it mean to be a sustainable or responsible organization? It means that companies need to be economically viable, have a positive impact on society, and respect and preserve the environment.

CSR: history and origin of CSR

The idea that companies must do CSR and play an active role in the sustainable development has its roots in the work of some American managers in the 1950s. What was their idea? They thought that if companies no longer focused only on their profits but also on the impact they have on society and the environment, they'd have other kinds of benefits. For example, if a company pays its employees better, it may spend more on salaries but on the other hand its workers purchasing power increases and so do the chances that they buy the company's products. As well, if a company better manages its environmental impacts, it will save money in the short term by avoiding fines and in the long run the necessity to manage natural disasters.

In 1953, Howard Bowen published a book "The Social Responsibility of the Businessman" in which he explains why companies should be interested in being more socially and environmentally **accountable** and gave the first "recognized" definition of CSR.

Moreover, with the development of environmental concerns in addition to economic and social issues in the second half of the 20th century, corporate (social) responsibility became a growing issue. More and more consumers started becoming critical of companies and wanted them to be more respectful of the laws, the environment, and more responsible in general.

In the 1990s and 2000s, governments in several countries around the world started putting in place regulations that created the foundations for modern CSR. Afterward, companies started becoming aware of the need of starting to invest in CSR so that they didn't stay behind their competitors. At this point, CSR started to be seen and used as a tool for management, communication, and business development. CSR became also essential in improving corporate image among consumers, enhancing internal communication and productivity and was a way of reducing costs by turning organizations more efficient when it comes to managing energy and resources.

Today, as the world faces many social and ecological challenges, it's hard to find medium/big size companies that don't have a CSR report, a CSR department or a person in charge, or at least a communication strategy dedicated to CSR.

The CSR trots the globe

Corporate social responsibility is now an industry in its own right, and a flourishing profession as well.

- Consultancies have sprung up to advise companies on how to do CSR, and how to let it be known that they are doing it.

- The big auditing and general-practice consulting firms offer clients CSR advice

- Most multinationals now have a senior executive, charged with developing and co-ordinating the CSR function.

- There are executive-education programs in CSR,

- There are business-school courses in CSR,

- There are CSR websites,

- There are CSR newsletters and much, much more.

Many tools are being developed to enable companies to better quantify their performance and actions in terms of sustainable development. For example, companies now use LCA (Life Cycle Assessment) to quantify their greenhouse gas emissions and their impacts on the environment and make CSR or sustainability reports to assess and share their positive and negative contributions to the environment and society. Some do it because it's mandatory (for instance, by the EU, if they're big companies) or because they want to improve their reputation and employer branding.

BEFORE READING

- *Is CSR a gloss on capitalism or a deep systemic reform?*

- *Whose business is it to pursue the social welfare?*

Capitalism and business ethics

"But by and large CSR is at best a gloss on capitalism, not the deep systemic reform."



IT WILL no longer do for a company to go quietly about its business, telling no lies and breaking no laws, selling things that people want, and making money. Today, all companies, but especially big ones, are under the pressure from every side mobilizing public sentiment and from universally sympathetic press *to worry less about profits and be socially responsible instead.*

In the name of socially responsible conduct, also to avoid embarrassing criticism from anti-trade NGOs some multinational firms have proudly withdrawn from investments in developing countries where labor practices fall far short of western standards. But, as a rule it will harm the people they supposedly intended to help: the people in the poor countries concerned, who would have benefited either from employment at higher-than-prevailing wages or from the knock-on economic effects of inward investment.

Companies at every opportunity now bow to the principles of corporate social responsibility. They have CSR officers, CSR consultants, CSR departments, and CSR initiatives coming out of their ears. What kind of idiot would challenge the case for businesses to behave more responsibly?

It would be a challenge to find a recent annual report of any big international company that justifies the firm's existence merely in terms of profit, rather than “service to the community”. Such reports often talk proudly of efforts to improve society and safeguard the environment-by restricting emissions of greenhouse gases from the staff kitchen, say, or recycling office stationery-before turning hesitantly to less important matters, such as profits. Big firms nowadays are called upon to be good corporate citizens, and they all want to show that they are.

But what does it all amount to, really? The winners, oddly enough, are disappointed. They are starting to suspect that they have been conned.



Civil-society advocates of CSR increasingly accuse firms of merely paying lip-service to the idea of good corporate citizenship. Firms are still mainly interested in making money whatever the CEO may say in the annual report. When commercial interests and broader social welfare collide, profit comes first. Judge firms and their CSR efforts by what the

companies do not by what they say - and prepare to be unimpressed.

The charitable contributions of big companies are unimpressive < sometimes about 0.97% of pre-tax profits. A few give more; many give almost nothing (though every one of them records some sort of charitable contribution).

Still, you might say, CSR is more about how companies conduct themselves in relation to “stakeholders” (such as workers, consumers, the broader society in which firms operate. Seen that way, donations, large or small, are not the main thing.

How about the many other CSR initiatives and activities undertaken by big multinationals? Many of these are expressly intended to help profits as well as do good. It is unclear whether this kind of CSR quite counts. Some regard it as “win-win”, and something to celebrate; others view it as the same old profit motive masquerading as altruism. And, even to the most innocent observer views it as political correctness more than of a genuine concern to “give back to the community”

Is CSR then mostly for show?

It is hard to generalize, because CSR takes many different forms and is driven by many different motives. But, the short answer must be yes: for most companies, CSR does not go very deep. CSR is little more than a cosmetic treatment. The human face that CSR applies to capitalism goes on each morning and washes off at night.

Does this give cause for concern? On the whole, no, for a simple reason. Capitalism does not need the fundamental reform. If CSR really were changing the face of capitalism, removing its teeth and its jaws, reducing its bite -that would be disastrous: not just for the owners of capital, who collect the company's profits, but also for society at large. **Better that CSR be undertaken as a cosmetic exercise than as serious surgery to fix what doesn't need fixing.**

Private enterprise requires a supporting infrastructure of laws and permissions, and a “licence to operate” from electorates. Still it is certainly wrong to say that managers can be left to do as they please, or to say that the behavior of firms is nobody's concern but their own. There is indeed such a thing as “business ethics”: managers need to be clear about that.

Also, private enterprise serves the public good only if certain stringent conditions are met. As a result, getting the most out of capitalism requires public intervention of various kinds, and a lot of it: taxes, public spending, regulation in many different areas of business activity. It also requires corporate executives to be accountable-but to the right people and in the right way.

CSR cannot be a substitute for wise policies in these areas. To improve capitalism, you first need to understand it. The thinking behind CSR does not meet that test.

All things considered, there imply leaving social and economic policy to governments. They, at least, are accountable to voters. Managers lack the time for such endeavors. Lately they have found it a struggle even to fulfil their obligations to shareholders, the people who are paying their wages. If they want to make the world a better place, let them concentrate for the time being on that.

ETHICAL MARKETING: COMPANIES WITH A CONSCIENCE

“Focusing on people and not just profit could be a wise investment.”

Do you know that 92% of consumers today are more likely to buy products from ethical companies? Or that 82% of those consumers believe ethical brands outperform similar companies which lack a commitment to ethical principles?

What Is Ethical Marketing?

Ethical marketing means that companies market their goods and services by focusing not only on benefits of their products to customers, but also on how they benefit socially responsible or environmental causes.

Ethical marketing is not a strategy. It is a philosophy. It includes everything from ensuring adverts are honest and trustworthy, to building strong relationships with consumers through a set of shared values. There are some examples.

Business ethics as a marketing tool

Ethical Marketing 1: TOM'S SHOES

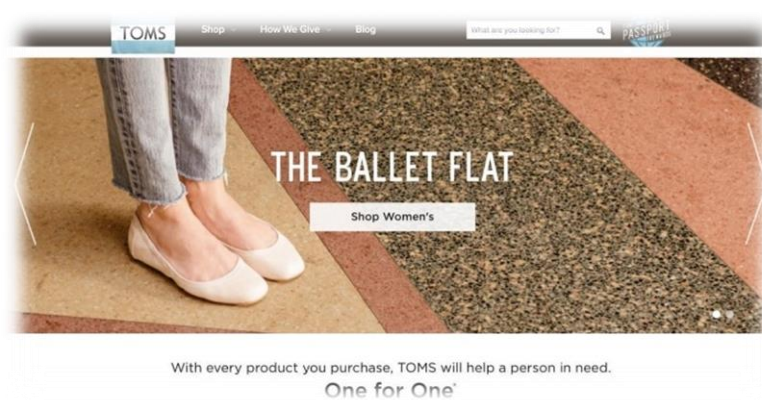
“My wife loves her TOMS ballet flats. They're cute, comfortable, and best of all, socially conscious.”



There is no Tom at TOMS Shoes. The company's name actually came from the title for its social cause: Shoes for Tomorrow. Tomorrow shoes - *TOMS Shoes*. The shoes are given away to needy children in Argentina at a one-to-one rate: for every pair bought in the United States, TOMS delivers a pair down there. They're needed in Argentina's poverty-stricken regions to prevent the spread of an infectious disease, one that flourishes in the local soil and rises up through the feet. A pair of shoes is all that's needed to block the problem.

The project started when young Texan entrepreneur Blake Mycoskie vacationed in Argentina. Not the type to luxuriate in the hotel pool, he got out and learned about the country, good and bad, the food, the sweeping geography, the poverty and diseases. The foot infection, he discovered, was so devastating yet so easy to block that, according to his company's website, he decided he had to do something about it. Initially, he contemplated a charitable fund to buy shoes for the needy children, but that left his project subject to the ebb and flow of others' generosity. It would be better and more reliable, he determined, to link the community-service project with private enterprise and use revenues from a company to fund the charity. Quickly, Mycoskie determined that he could make the whole machine work most efficiently

by starting a shoe company. At the same time, he could produce shoes for donation and shoes for sale to finance the effort. So we have TOMS Shoes. Next, a kind of shoe to produce and sell was required. Mycoskie found inspiration in Argentina's traditional alpargata. This is a cheap, workingman's shoe, a slip-on made from canvas with rope soles. For the American adaptation, Mycoskie strengthened the sole, styled and colored the canvas, and added a brand label. The price also got jacked up. The originals cost a few dollars in Argentina; the adaptations cost about forty dollars here. They're a splashy hit. You find TOMS Shoes at trendy footwear shops, at Whole Foods grocery stores, and all over the Internet. At last check, about half a million pairs have been sold and an equal number donated. Total sales in seven figures are rather impressive.



Besides, TOMS achieved recognition on national TV. It all happened in fewer than four years. Question: how did it get so big so fast? How did some guy transform from a wandering tourist to a captain of the shoe industry in less time than it takes to get a college degree? Answer: celebrities.

Blake Mycoskie's got a warm, round face and a perfect smile. He's got money from his pre shoe projects and he's smart too. He's also got that contemporary bohemian look down with his bead necklace and wavy, shoulder-length hair. There's no let down beneath the chin line either; he's fit (he was a tennis pro until nineteen). You get the idea. He commands attention from even Hollywood women, and he ended up coupled with the midrange star Maggie Grace. He introduced her to his TOMS Shoes concept, gave her a few pairs to wear around and show friends, and the ball started rolling. A few parties later, Scarlett Johansson, Jessica Biel, Benicio Del Toro, Tobey Maguire, Sienna Miller, and Karl Lagerfeld were parading around in TOMS Shoes. There was no stopping it. Today, when Blake Mycoskie introduces himself, it's not as the CEO of his company; he says he's the *Chief Shoe Giver* at TOMS Shoes, reflecting the idea *that charity drives his thriving business.*

Ethical Marketing 2: EVERLANE

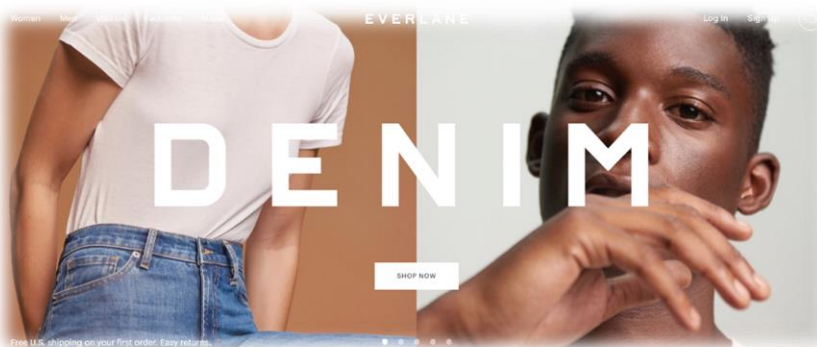
"I find myself trusting this brand more because of their willingness to share their cost breakdowns, and lift the curtain on the factories they use." by Dean Stephens.
Oct 15, 2019

Clothing manufacturing has received great attention for the past 20 years. Greater awareness about the use of sweatshops, demand for ethically made clothing has soared in recent years.



EVERLANE is a San Francisco based clothing brand for men and women. Like a minimalist traveller, they are all about essentials. Their aesthetic is clean and simple. You are not going to find intricate patterns or flashy colours across Everlane’s range. The brand also has a unique mission, which goes as follows: *“At Everlane, we want the right choice to be as easy as putting on a great T-shirt. That’s why we partner with the best, ethical factories around the world. Source only the finest materials. We also share those stories*

*with you-down to the true cost of every product we make. It’s a new way of doing things. We call it **Radical Transparency**.* There is a transparent breakdown about their costs below



Everlane prides itself upon strong commitment to their workers’ welfare. On Everlane’s site they say: “We spend months finding the best factories around the world-the same ones that produce

your favourite designer labels. We visit them often and build strong personal relationships with the owners. Each factory is given a compliance audit to evaluate factors like fair wages, reasonable hours, and environment. Our goal? A score of 90 or above for every factory.”With its high-quality and ethical approach to clothing

production, it is not surprising that Everlane is fast becoming the go-to retailer of choice for guys who like to keep it simple.

Ethical Marketing 3: **CONSCIOUS COFFEES**

“Don’t bother me before I’ve had my first cup”



Globally, the coffee industry directly supports the lives of more than 120 million of the world’s poorest people. Bad news is half the world’s coffee farming land could be lost by 2050 if climate change isn’t tackled aggressively. To that end, many companies are seeking to improve conditions for coffee farmers and producers around the world. One of the best is **Conscious**

coffees. Their headquarters are in Boulder, Colorado. Conscious Coffees was set up in 1996 by Mark and Melissa Glenn. They later sold the business to current owner Craig Lamberty earlier this year.

How Does **Conscious Coffees** Use **Ethical Marketing**?



Everything about Conscious Coffees, from its name to its logo, emphasises the company’s mission and ethical production philosophy. In addition to its strong commitment to ethical production processes and fair-trade, Conscious Coffees engages in a wide range of community initiatives.

Its **cafe livelihoods program** empowers people in El Salvador, Guatemala, Mexico, and

Nicaragua to own and operate their own coffee businesses through training workshops and ongoing guidance and support. The company regularly donates coffee to the local Community Cycles program, a project run by cycling enthusiasts from across the Boulder region who help other cyclists with repairs, maintenance, and refurbishment of old and used bicycles. Conscious Coffees’ team of coffee experts offer technical advice and support to growers and farmers as part of the Farmer-to-Farmer initiative. It helps coffee growers across South America learn new techniques that can help them maximize yields and engage in fair-trade with North American suppliers. Conscious Coffees is the perfect example of a brand that not only uses ethical marketing practices, but embodies them in everything it does.

Ethical Marketing 4: **FARMER DIRECT CO-OP**

What makes **Farmer Direct Co-op** in central Canada so exciting? An entirely worker-owned cooperative, Farmer Direct is farming with a mission. Their network

of more than 60 privately owned and operated farms across southern Alberta, Manitoba, and Saskatchewan is firmly committed to truly sustainable agriculture and responsible environmental approach. In terms of what Farmer Direct actually sells, all of the co-op's produce is certified organic, and includes produce such as beans, peas, and oats, all of which are sold at Whole Foods locations across North America.

How Does Farmer Direct Use Ethical Marketing?

“Industrialized agriculture has transformed the way we eat - and not in a good way.”



Ethical marketing lies at the heart of Farmer Direct's operations. In addition to its vibrant, active social media presence (through which Farmer Direct offers a range of healthy eating tips and recipes), Farmer Direct has a lively blog and newsletter, both of which serve as further

opportunities to help people make better decisions about their food and live a more conscientious lifestyle as consumers. Farmer Direct also maintains a surprisingly good Pinterest profile, which is always great to see alongside the mainstays of Facebook and Twitter.

Farmer Direct's mission may be a little more challenging than that of the other companies. They want to change the way people think about food and where our food comes from. This is a much longer-term goal, and a really ambitious one, too. Another element of Farmer Direct's ethical marketing is its strong dedication to truly sustainable agriculture from an environmental perspective. Many farms emphasize their organic certifications or their beautiful pastures where their livestock are free to roam and wander, but Farmer Direct wants to raise awareness of how factors such as topsoil erosion can devastate rural farming communities and even individual farms.

AFTER READING

1. What are the advantages and disadvantages of Ethical marketing?
2. Is TOMS Shoes Altruistic?
3. How to develop and incorporate philanthropic principles in your own company in future?
4. Google more examples of companies with conscience and share with the group.

UNETHICAL ADVERTISING AND WORDING TRICKS

BEFORE READING

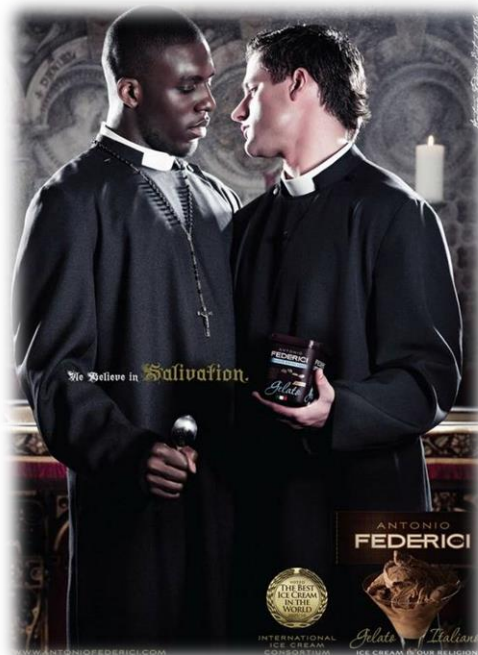
- ✓ Are there any limitations to self-expression in advertising?
- ✓ Do some of them prevail the existing standards of decency?
- ✓ Can advertisers use satire and gentle humour? How about using religious imagery and iconoclastic implications?
- ✓ What is the difference in the meaning of the words salvation and salivation?
- ✓ Was the campaign banned? (Read the answer under the text)



Antonio Federici ice cream religion

British ice cream manufacturer Antonio Federici has hit the news headlines again with a new print advertising campaign banned because of religious sensitivities.

The 2010 campaign for Gelato Italiano shows a heavily pregnant woman dressed as a nun standing in a church holding a tub of ice cream, with the text, “Immaculately Conceived ... ICE CREAM IS OUR RELIGION”.



In another ad from the campaign two male priests are poised for a kiss with ice cream, with the text, “We believe in **salivation**”. The campaign follows on from the equally controversial 2009 “Submit to Temptation” series featuring a priest and nun getting intimate with each other while holding Antonio Federici ice cream.

In a statement to the UK’s Advertising Standards Authority, Antonio Federici said the idea of “conception” represented the development of their ice cream. They said their decision to use religious

imagery stemmed from their strong feelings towards their product (they cited the text “ICE CREAM IS OUR RELIGION”) and also from their wish to comment on and question, using satire and gentle humour, the relevance and hypocrisy of religion and the attitudes of the church to social issues.



They believed the small number of complaints the ASA had received represented a very small proportion of the readership of the publications. They did not believe offence had been so deeply felt as to affect their right, as marketers, to free expression and that offence caused to a small minority should not affect the ability of the wider public to see their ad. They believed that, as a form of art and self-expression, advertising should be challenging and often iconoclastic.

The ASA (Advertising Standards Authority) noted that the CAP Code stated that ads “should contain nothing that is likely to cause serious or widespread offence. Particular care should be taken to avoid causing offence on the grounds of race, religion, sex, sexual orientation or disability. Compliance with the Code will be judged on prevailing standards of decency”. The ASA (Advertising Standards Authority) considered the use of a nun pregnant through immaculate conception was likely to be seen as a distortion and mockery of the beliefs of Roman Catholics. The campaign was banned on the basis that using such an image to advertise ice cream was likely to cause serious offence to readers, particularly those who practised the Roman Catholic faith. Advertising has to meet certain ethical standards. Advertising, like any legitimate industry is regulated. There are certain practices which have become outlawed over the years. While there are rules that agencies cannot break, they can (and often do) bend them to make their point.

Forms of unethical advertising

- ✓ The use of nudity, sex, especially the use of women as sex objects. ...
- ✓ Alcohol Advertising. ...

- ✓ Tobacco Advertising. ...
- ✓ False or Misleading Claims
- ✓ Exaggerated Claims. ...
- ✓ Unverified claims.
- ✓ Using Fear as a Motivator

Here are some examples of advertising that went too far in trying to deceive people.



Skechers Shape-Ups: Get in Shape by Walking Around



Skechers pulled out the big guns for this one. They brought in social media superstar Kim Kardashian to front the campaign and produced a multi-million dollar ad that aired during Super Bowl 2011. They also featured big athletic names like Karl Malone, Wayne Gretzky, and Joe Montana. The message was clear - forget the gym, just walk around in a pair of Skechers

Shape-Ups, and you'll soon be in great shape.

The ads were full of false statements to support this wrong claim. Kardashian did not get into the shape she was in by wearing Shape-Ups. You had to do way more than “just tie your shoes.” And the medical studies cited were cherry-picked to support the false narrative. Wearers of the shoes eventually sued. A \$40 million settlement was announced, and people who bought the shoes were entitled to a refund.

Dannon's Probiotics: Relieve Irregularity-Avoid Colds, Flu

ACTIVIA® is a probiotic yogurt that helps with occasional irregularity*

Presenting ACTIVIA® by Dannon®

- ACTIVIA® is a creamy, blended, probiotic-cultured yogurt.
- ACTIVIA® contains an exclusive culture — Bifidus Regularis.®
- ACTIVIA® has the great taste and quality that you expect from Dannon.®



In ads featuring actress Jamie Lee Curtis, The Dannon Co. claimed Activia yogurt eaten daily was clinically proven to help regulate the digestive system in two weeks. Separately, it said its DanActive dairy drink, which also contained probiotics, helped people avoid colds and flu.

The FTC charged deceptive advertising and exaggerated claims because there was no substantiation or clinical evidence for these claims. And the company knew that three servings a day of Activia were required for any real benefit. Dannon agreed to pay \$21 million to resolve the investigations.

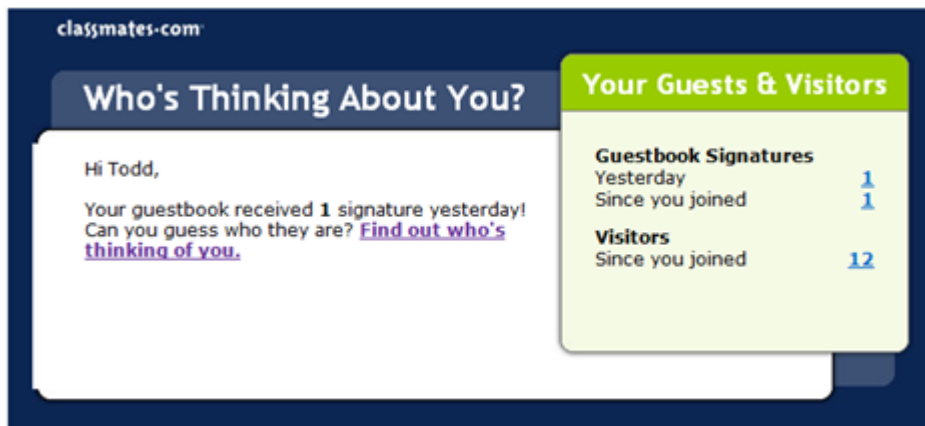
Nutella Spread: Healthy and Part of a Balanced Diet



If you've ever tried Nutella spread, you'll notice it's incredibly sweet. How could this delicious chocolaty spread be a healthy part of anyone's diet? It couldn't. At least, that's what the \$3 million settlement decided. The problem with the advertising is that it showed a busy mom choosing Nutella as the perfect breakfast snack (when served with multi-grain

toast or whole wheat waffles). Trouble was, the only healthy part of the breakfast was the "not Nutella" ingredient. Nutella's main ingredient is sugar, followed by palm oil, and then hazelnuts and cocoa.

Classmates.com: Your Classmates Are Looking For You



Sites like Facebook and LinkedIn are hugely popular because they allow people to connect from all over the world.

Classmates.com offered the same kind of “reach out

and touch them” service, but for a price. The advertising said that someone, a former classmate, was looking for you. But to find out who that classmate was, you’d have to sign up for the gold membership. After signing up for gold and entering credit card details, it became quickly apparent that no one was looking for you at all. It was a complete fabrication used to sell monthly memberships. Classmates.com had to fork over almost \$10 million in a settlement.

Wrigley Eclipse: Chewing This Gum Kills Germs



\$7m Lie?

Bad breath is nothing to be proud of. Finding out that simply chewing a piece of gum would eliminate it was music to consumers’ ears back in 2009. But there was one small problem. The gum didn't kill germs at all. The gum, called Eclipse, was boosted as a product that “kills the germs

that cause bad breath.” It even had a name for the ingredient; magnolia bark extract (MBE). But the National Advertising Division of the Council of Better Business Bureaus did tests on this magic ingredient, and could not replicate this germ-killing behavior. The Wrigley Co. had to take the claims off the packaging and paid \$6 million in the settlement.

Wording tricks or scientifically formulated

*In ads some phrases are specifically written to sound impressive, **yet mean nothing**. In this case, the companies hope what you get from it is that it is scientifically proven. But that is a completely different ballgame.*

BEFORE READING

Explain what you get from the following phrases:

- The items are **nearly** gone,
- It **helps** to soften hair,
- **No** soap cleans **better**,
- Up to 75 % off,
- It's **part of** a balanced diet,
- The bleach is **designed** to remove every single stain in your bathroom,
- Made **with** 75% pure cranberry juice,
- This product **could** help you lose weight,

When They're Gone, They're Gone.

The phrase is considered a “motivator” or “call to action.” It adds urgency and makes people pick up the phone or log on. But the chances of the product actually being gone are close to zero. In fact, it's wishful thinking. It's a scam. And if they ever are “gone,” they'll order more. Product manufacturers will always do their utmost to meet the demand with supply

Helps to...

...fight fat. Helps to soften hair. Helps to reduce acne. Helps to strengthen nails. And so on. But what does “helps” actually mean? The idea that a product helps to do anything is meaningless without saying just how much it helps, and how it does it. The next time any product or service claims to help you with anything, take it with a huge grain of salt.

No [Product/Service] Is Better!

For instance, any number of detergents could claim “no soap cleans better,” but it doesn't mean it's the best. It just means it's as good as the others. Tricky language for sure, but completely pointless. Also, the same applies to the phrase “unsurpassed.”

Up to [XX Percent] Off!

When stores use this, they will probably have one or two items in the back of the store, on a dusty shelf, marked down by 75 percent. The rest of the store can be as little as just 4 percent off the original price. Commonly, you'll see most of the sale items are between 10-25 percent off. Very few will hit the magic number, even when a store is under liquidation.

Part of a...

...complete breakfast. Part of a balanced diet. Part of a healthy routine. Saying anything is “part of” something isn’t saying all that much. Even if it is good, how much of it is needed to become significant? Can you eat a whole bowl of Frosted Flakes for breakfast and get the nutrition you need, or is it only part of it? How much? Without specifics, it’s all just waffle.

Designed to [Insert Claim Here].

The ad says “XYZ bleach is designed to remove every single stain in your bathroom without you lifting a finger.” Well, that’s great! But just because something is designed to do something, it doesn’t always follow that it will actually do it. But the intention still stands. Unless it can back it up with legitimate testing and research, it’s just a hollow phrase..)

Made With 100 Percent [Product].

You will see it on all kinds of products. Made with 100 percent pure cranberry juice. Made with 100 percent Brazilian coffee beans. Made with 100 percent cotton. Here’s the thing. The claim does not say that the product is actually made of 100 percent of anything. It is simply stating that part of it used something pure. The fact that they used a pure ingredient is meaningless without the other part of the equation. Only then is it informative.

This Product Could...

This product could help you lose weight (as part of a calorie-controlled diet with plenty of exercise). This product could make you look 20 years younger. Could is not will. It merely indicates the possibility that something may or may not happen. Intelligent life could be found on other planets next week.

Risk-Free

It is a phrase, that promises a lot but delivers very little substance. It is not a legal term, and you’ll have a hard time fighting the company in court, should it ever come to that.

The advertiser is not always trying to pull the wool over your eyes. Still if they pull these phrases out, they have to back it up with all sorts of statistics and test results. Chances are, they can’t, or they’d use it.

EMPLOYEE'S ETHICS: GETTING A JOB

The résumé introduction pitfalls

BEFORE READING

1. *Who will be affected by my decision to misrepresent my CV?*
2. *Does it matter what everyone else is doing?*
3. *Are there any punishments for those who lie about a military record and honors received in your country?*

Making the right impression on a potential employer with their résumé maybe the first and the only chance for many job seekers. What are the ethical pitfalls of presenting your qualifications on a sheet of paper?

Generally, there are two kinds of résumé abuses:

Positive résumé misrepresentations (those items on a résumé that **simply are not true**) **include:**

- **False credentials.**
- **False experience.**
- **Embellished experience.**
- **False chronology.**
- **False references.**

Negative résumé misrepresentations

- **Deleting negative parts of one's professional experience from the CV to be submitted to HR**

Now the question is what should and what should not be included in a CV? What steps can be taken to manage job seeker's situation?" If you're racking your brains, trying to figure out whether there should be any deleting, cheating or exaggerating, there are two questions to help:

1. **Who will be affected by my decision?**
2. **Does it matter what everyone else is doing?**

The first person affected by your decision is you. It is your biggest ethical duty to respect your own dignity and abilities and future.

The second person affected by your résumé decisions is a prospective employer. If you claim experience, you don't really have and skills you don't possess, the supervisor at HR won't just be disappointed and angry as he watches you stumble and trip over easy tasks. The unprofessional hiring will also have a negative impact on him when superiors evaluate *his* performance and decide on pay raises and promotions. He's going to suffer because you lied.

Moreover, that harms the company as a whole. Maybe costs will increase because more training than expected will be necessary. Other applicants for a job also have a stake. It's a competitive world,. You're not the one who can fill in the vacancy, still it just deprives you of a chance you might otherwise receive. Besides, it takes an opportunity away from someone else. Here comes yours "Who cares?" Fair question. It is important because applying for jobs doesn't happen in a vacuum.

What's Everyone Else Doing?

Referring to researchers over 53% of job seekers lie on their résumés. Over 70% of college graduates admit lying on their résumés to get a job. Can you afford not to know the techniques, tricks and methods they use? Fair question. Of course, no one knows exactly how much cheating goes on. The argument in favor goes like this - if exaggeration is expected - then misrepresentation is not really lying. With this point in mind, you may even have to exaggerate because *not* doing so, does not mean being an ethical hero. It means to be outsmarted in competitive environment.

One of the solutions is not to tell the whole truth and not feel bad about it. Taking the easy path, stretching the résumé may be justified.

Conclusion. In the midst of résumé-stretching dilemmas, what other people are doing matters. Hiring is relative. There is hardly anyone who is perfect for any job. Most recruiters hire the applicant who is best suited. Your obligation-to yourself and to the recruiter- to show why you may be the best suited for the job. That may mean using the résumé-enhancing techniques commonly employed. It does not mean, however, just imagining that everyone else is lying their pants off deceiving and then using that as an excuse to lie yourself.

Résumé Verification and the Law

Items like degrees obtained can typically be verified as well as dates of previous employment and job titles. Every company will follow its own internal guidelines. So it is impossible to make a table listing the misrepresentations that you will and won't slip through.

But if false information comes to light, are there *legal* complications? Probably not. Because résumés aren't binding, signed agreements between the applicant and employer. A number of legislative measures have been proposed to punish those who lie about a military record and honors received.

Ethical Egoism and Résumé Misrepresentations

Ethical egoism means your moral responsibility is to act in your own interest no

matter what that may require. But the question must be asked whether job seekers *really* serve their own interests when they claim things that may later be revealed to be false or when they land jobs they later won't be able to perform because their qualification were fake.

Robert Irvine's stretched résumé

BEFORE READING

1. Define ways job seekers may misrepresent themselves on a résumé.
2. Construct an ethical framework or boundaries not to cross for managing the résumé dilemmas



Robert Irvine is a muscled chef from England who was hosting the Food Network's popular **Dinner: Impossible**. It is a good job. The TV show generates free publicity for his cookbook **Mission: Cook!** It affords him the kitchen credibility to open his own restaurants. That was the idea he brought to St. Petersburg, Florida, in 2008. His concept for south Florida, actually, was two restaurants: Ooze and Schmooze.



Ooze was going to be the accessible place and Schmooze - the highbrow complement. His biography - the summary of his professional life and experiences that he presented to potential investors - was impressive. According to the *St. Petersburg Times*, he advertised his résumé as including:

- A bachelor's of science degree in food and nutrition from the University of Leeds.
- Royal experience working on the wedding cake for Prince Charles and Princess Diana.
- He was a knight, Knight Commander of the Royal Victorian Order,



handpicked by the Queen.

- He received the Five Star Diamond Award from the American Academy of Hospitality Sciences.

- He had served as a White House chef.

One problem Robert Irvine faced was his very public personality. To stir up interest in the restaurants he planned for St. Petersburg, he had to stir up interest in himself. It drew the attention of a local newspaper reporter who ended up blowing the whistle on the résumé exaggerations and lies.

Everything came to an end, at least temporarily, when Food Network fired him for résumé lies.

Here's the truth about the listed items:

- The claimed BS degree? According to a press officer at the University of Leeds, "We cannot find any connection in our records between Robert and the university."

- The royal wedding cake? Well, he did help pick some of the fruit that went into it.

- The knighthood? No.

- The Five Star Diamond Award? True, but it is not the AAA's prestigious Five Diamond Award. The American Academy of Hospitality Sciences is actually the guy's apartment in New York, and the award is granted to anyone who pays a fee.

- White House chef? Kind of. Yet he didn't prepare sophisticated dishes for the president or anything like that; he cooked food for the cafeteria line, serving military workers at the White House.

Certainly, Robert Irvine is not the first guy to stretch his résumé, but he **does an excellent job** of exploring the many ways people *can misrepresent* themselves when trying to get a job. In the case of Irvine, things worked out for him in the end. After he publicly recognized the truth and cleaned up the most outrageous resume claims, he got his TV show back.

Conclusions:

Positive résumé misrepresentations:

- **False credentials.** Irvine said he had a BS degree. He did not. This kind of misrepresentation is especially tempting for job seekers who didn't quite finish their degree. One of the obvious practical problems is that claims like this can be verified or disproven by HR departments. (Or, as in Irvine's case, by enquiring newspaper reporters.)

- **False experience.** Irvine claimed that he had been a White House chef. He meant by that planning sophisticated menus and preparing dishes for VIPs. Actually, he didn't. But he cooked food in the cafeteria for White House staff workers.

- **Embellished experience.** This is the easiest kind of résumé misrepresentation. Irvine really did work on the royal wedding cake, but only picking fruit, not actually making it. His claim isn't completely false, but misleading. The same can be said about the Five Star Diamond Award, which was true, but not a meaningful award.
- **False chronology.** Anyone who has suffered long periods of unemployment sometimes can't resist the temptation to adjust the dates on their résumé. They create that impression of going smoothly from one position to another, which is not the case with Irvine.
- **False references.** Mentioning someone to confirm your experience who really won't or can't. Irvine said he had been selected by the Queen of England for a knighthood. But nobody ever dared to call her with the inquiry. The duty to present oneself positively to potential employers may also justify the decision to leave certain, unfortunate aspects of your career off the résumé. Irvine doesn't talk much about how his plans to create restaurants in St. Petersburg fell apart in a sorry mess. The reasoning? The fact that he's bad at setting up restaurants doesn't mean he's a bad TV personality or a cook. The one job has little in common with the others. So if he's applying to be a cook, he could possibly leave the negative information about his other business ventures out based on the idea that it has nothing to do with the employment in question. **The duty to yourself, finally, points toward a résumé** presentation that sets your accomplishments and skills in boldface while ignoring irrelevant shortcomings.

AFTER READING

1. Who are the people affected by résumé truth decisions?
2. Define ways job seekers may misrepresent themselves on a résumé.
3. What is the difference between legal and ethical approaches to the question about misrepresenting the résumé?
4. Have any legislative measures been proposed to punish those who lie about a military record and honors received in Belarus?
5. Why might a job seeker have a duty to blur parts of his or her work history?
6. Why might an egoist lie on the résumé, and why not?
7. Construct an ethical framework or boundaries not to cross for managing the résumé dilemmas

BUSINESS AND ECOLOGY

How dare you'



BEFORE READING

- Do you live a carbon intensive life? In mega police?
- What signs of climate change do you see around?
- What nations are the most vulnerable to the effects of our warming planet?
- Are you ready to join these angry young people protest against irresponsible business?

Swedish teenage climate activist Greta Thunberg issues a stark warning on climate change at the United Nations on Sept. 23. 2019 © Reuters

Greta Thunberg caused a stir at the United Nations on Monday with her blistering criticism of world leaders' inaction on climate change. The following is an edited transcript of her remarks.

'How dare you': transcript of Greta Thunberg's UN climate speech



My message is that we'll be watching you. This is all wrong. I shouldn't be up here. I should be back in school on the other side of the ocean. Yet you all come to us young people for hope. How dare you!

You have stolen my dreams and my childhood with your empty words. And yet I'm one of the lucky ones. People are suffering. People are dying. Entire ecosystems are collapsing. We are in the beginning of a mass extinction, and all you can talk about is money and fairy tales of eternal economic growth. How dare you!

For more than 30 years, the science has been crystal clear. How dare you continue to look away and come here saying that you're doing enough, when the politics and solutions needed are still nowhere in sight.

You say you hear us and that you understand the urgency. But no matter how sad and angry I am, I do not want to believe that. Because if you really understood the situation and still kept on failing to act, then you would be evil. And that I refuse to believe.

The popular idea of cutting our emissions in half in 10 years only gives us a 50% chance of staying below 1.5 degrees [Celsius], and the risk of setting off irreversible chain reactions beyond human control.

Fifty percent may be acceptable to you. But those numbers do not include tipping points, most feedback loops, additional warming hidden by toxic air pollution or the aspects of equity and climate justice. They also rely on my generation sucking hundreds of billions of tons of your CO₂ out of the air with technologies that barely exist. So a 50% risk is simply not acceptable to us - we who have to live with the consequences.

To have a 67% chance of staying below a 1.5 degrees global temperature rise - the best odds given by the [Intergovernmental Panel on Climate Change] - the world had 420 gigatons of CO₂ left to emit back on Jan. 1, 2018. Today that figure is already down to less than 350 gigatons.

How dare you pretend that this can be solved with just "business as usual" and some technical solutions? With today's emissions levels, that remaining CO₂ budget will be entirely gone within less than eight and a half years.

There will not be any solutions or plans presented in line with these figures

here today, because these numbers are too uncomfortable. And you are still not mature enough to tell it like it is.

You are failing us. But the young people are starting to understand your betrayal. The eyes of all future generations are upon you. And if you choose to fail us, I say: We will never forgive you.

We will not let you get away with this. Right here, right now is where we draw the line. The world is waking up. And change is coming, whether you like it or not.

AFTER READING

- What steps should be taken immediately?
- What strategy should be developed for future?
- What eco principles should be obligatory for the majority of business ethical codes?

Good news

- The 2019 UN Climate Action Summit was held at the headquarters of the United Nations in New York City on 23 September 2019
- The UK and Germany, for example, announced huge investments in tackling climate change across the world.
- An alliance of powerful investors committed to making sure their money would only go to net carbon neutral businesses by 2050.
- 77 countries committed to net carbon neutrality by 2050, as did 10 regions and more than 100 cities.
- 130 banks, or one third of the global banking sector, pledged to align themselves with the Paris agreement targets.

Still "we aren't there yet", not least because big polluters like America and Japan aren't doing anywhere near enough as well as China.

But the UN climate action summit was an example of progress - dull, grinding, messy, imperfect progress.

A planet poisoned by plastic

BEFORE READING

- A familiar picture? Where do you see it?



- Who is responsible for the kind of damage to the environment damage?
- What will happen to our food and water security, to existing ecosystems?
- Can you list the most urgent ecological problems and countries or companies who can take full responsibility for them?

By Simon Reeve

THE SANDY BEACH IS BEING TRANSFORMED INTO A PLASTIC BEACH.



Hawaii is generally considered be a paradise. Isolated in the middle of the vast Pacific Ocean, distance alone should protect Hawaii's spectacular landscapes and turquoise sea from the environmental problems facing the rest of the planet.

Still pristine sand is covered by old plastic toothbrushes, combs, shoes, belts and mouldings. As soon as it is cleaned, the waves dump another mountain of rubbish. The surface of the beach is covered with millions of small plastic pellets, known as nurdles, the raw material that factories use for a number of plastic products that surround our lives. Dumped or washed out of factories into our seas in their trillions, the nurdles would be difficult to remove. Yet plastic doesn't biodegrade. Instead it breaks down into ever smaller pieces. Among the grains of sand, and to a depth of several feet, are billions of tiny plastic flecks, which the pounding of the sea is reducing in size.



Rubbish: Plastic poses a real threat to the wildlife of the planet

No one should be in denial about the damage we are doing to our world with deforestation, over-population and by poisoning our rivers and oceans with rubbish.

The Marine Conservation Society (MCS), the charity dedicated to protecting our seas, shores and wildlife, has revealed that while total litter has increased by 77 per cent since 1994, plastic litter has increased by an extraordinary 121 per cent. But worryingly, the plastic we see on our beaches is just a fraction of the plastic waste that is clogging our oceans.

Huge amounts have been stuffed into landfills as rubbish, from where plastic can leach poisonous toxins into groundwater supplies. But vast quantities have also been dropped as litter on beaches or city streets around the world. Rivers often wash it out to sea. Added to that are the estimated 600,000 plastic containers dumped overboard by ships and navies every single day. In total, at least 100 million tons of plastic rubbish is thought to be sloshing around in our seas.

The scale of the problem is extraordinary. The beaches in Hawaii are being swamped by rubbish from the Great Pacific Garbage Patch, a vast accumulation of the world's plastic debris floating in the Pacific Ocean. Twice the size of France, the Garbage Patch is like a plastic soup in the sea and is doubling in size each decade. Unbelievably, it is not alone. Scientists are convinced that sea currents have created five vast swirling garbage patches in our oceans, including a huge one in the North Atlantic identified in the past few months, which has up to 520,000 bits of rubbish per square mile.

Even more rubbish lurks below the surface, as around 70 per cent sinks down to pollute the seabed. This is an international scandal and a global problem, for which we are all responsible. From bicycle helmets to food packaging, from water bottles to toothbrushes, plastic makes our lives easier. But its production and use is completely out of control. Factories produced more plastic in the first decade of this century than in the entire 20th century.

Plastic garbage traps, chokes and kills at least a million seabirds every year and 100,000 marine mammals. As if that wasn't bad enough, it could also be killing us. Plastic fragments release potentially harmful styrene compounds, contaminating the sea, and they attract other nasty chemicals in the water, such as DDT and PCBs, which then 'stick' to the plastic.

Fragments of plastic collected from the sea around Japan have been found with concentrations of carcinogenic chemicals at levels one million times higher than in the surrounding seawater.

In some areas of the Pacific there are six times more plastic bits than plankton. Because the polluted fragments are so small and look like food, they are being gobbled up by small fish, which in turn are eaten by larger fish - which in turn are eaten by us.

So plastic is ruining our beaches, choking the oceans and poisoning our food chain. The consequences are still not fully understood, but they are likely to be devastating.

AFTER READING

- What can be done to solve the problems of plastic waste?
- Which countries have already started taking actions?

Some examples of socially responsible behaviour

- Human wastage: In Bangladesh, they have abandoned plastic bags and replaced them with natural jute bags
- Alternatives to plastic and biodegradable plastics made from corn and soy are under development.
- We need to spurn and reject the main culprits: plastic bags, packaging and single-use water bottles which make up the bulk of plastic garbage.

At stake is the future, our seas and the food chain. It is nothing short of an environmental emergency.

WHITE-COLLAR CRIMES




“Crime doesn't pay”
















Definition of *white-collar crime*: crime that typically involves stealing money from a company and that is done by people who have important positions in the company : crime committed by white-collar workers.

Common forms of white-collar crimes

There are many types of white-collar crimes, which may not involve violence, but their impact on individuals, society and even the economy can be debilitating. The following ones are the most common:

<p>Antitrust violations</p> 	<p>The most common antitrust violations fall into two categories: (1) Agreements to restrain competition, and (2) to restrict efforts to get monopoly. In the case of merger, a combination may substantially reduce competition in the market would also violate antitrust laws.</p>
<p>Counterfeiting</p> 	<p>Intentional and calculated reproduction of a genuine article (such as money or trademark) for the purpose of misleading the recipient or buyer into believing he or she is receiving or buying the genuine article itself.</p>
<p>Intellectual property theft</p> 	<p>Intellectual property theft / piracy involves robbing people or companies of their ideas, inventions, known as “intellectual property”, which can include everything from trade secrets and products to movies, music and software.</p>

		<p>The crime of obtaining money or property by deceiving people</p>
<p>Fraud</p>		
		<p>Money laundering is hiding the money criminals make from crimes. The purpose- to make it hard for the police to find out where the criminal got the money. Criminals launder money buying things (like gold and silver, shares or casino chips, liquor stores etc.) and then sell the items to get the money back. If a criminal buys and sells things many times it is hard for the police to find out the money origin.</p>
<p>Money laundering</p>		
	<p>Embezzlement</p>	<p>Embezzlement happens when a person entrusted by an employer or another person to handle money or property uses their position to misappropriate funds. An example of embezzlement is, when an employee finds ways to funnel company money into their own bank account.</p>
<p>Embezzlement</p>		
 <p>Insider trading</p>	<p>Insider trading</p>	<p>Insider trading is the trading of a public company's stock or other securities (such as bonds or stock options) based on material non-public information about the company. In various countries, some kinds of trading based on insider information is illegal.</p>
<p>Insider trading</p>		
	<p>Bribery</p>	<p>The act of giving or receiving something of value in exchange for some kind of influence or action in return, that the recipient would otherwise not offer.</p>
<p>Bribery</p>		
	<p>Ponzi schemes</p>	<p>Named after Charles Ponzi a con man who made \$250,000 a day via fraud in the 1920s. A <i>Ponzi scheme</i> is a fraudulent investing <i>scam</i> promising high rates of return with little risk to investors. The <i>Ponzi scheme</i> generates returns for early investors by acquiring new investors. This is similar to a <i>pyramid scheme</i> in that both are based on using new investors' funds to pay the earlier backers.</p>
<p>Ponzi schemes</p>		
	<p>Forgery</p>	<p>The crime of falsely making or copying a document in order to deceive people. : something that is falsely made or copied in order to deceive people : something that is forged.</p>
<p>Forgery</p>		

	Cybercrime	<p>Cybercrime is defined as a crime in which a computer is the object of the crime (hacking, phishing, spamming) or is used as a tool to commit an offense (child pornography, hate crimes).</p>
	Blackmail	<p>Using secret information to get something from a person, usually money. Blackmailing is a crime. Blackmail is a type of threat. Anyone making threats and demands in return for keeping a secret is engaged in blackmail.</p>
	Extortion	<p>Extortion occurs when a person coerces an org. or another person into giving up property, money, or services. An example is when gangs force store owners to pay “protection” money. Another is when a blackmail victim pays money to keep someone from publicly revealing information that can potentially harm their reputation.</p>
	Black marketing	<p>It is economic activity outside government-sanctioned channels. It is the illegal buy and sale of goods and services. Such transactions usually occur “under the table” to avoid government price controls or taxes. For example, in <i>black</i> market, people buy and sell drugs though such activity is illegal.</p>
	Identity theft	<p>The illegal use of someone else's personal information (such as a Social Security number) especially in order to obtain money or credit.</p>
	Industrial espionage	<p>An occasion when one company steals secrets from another company with which it is competing.</p>

White - collar crimes that made headlines

ENRON COLLAPSE



With revenues exceeding \$100 billion and named by *Fortune* as “America’s most innovative company,” Enron was a seemingly indestructible energy giant during the beginning of the 2000s.

ENRON, a former American energy company, became the largest company in history to file for bankruptcy, with \$63.4 billion in assets. The CEO and founder of ENRON, among many other officials, were charged with an extensive range of white collar crimes, including: *fraud, conspiracy, false statements to banks and auditors, and insider trading.*

The ENRON empire began to deteriorate from financial losses and increasing debt in 2000. To hide these shortcomings, the company committed a series of complex crimes to create the appearance of financial stability. For example, the company committed fraud by shifting any liability from ENRON to another company, but not recording this loss in its books. In addition, ENRON lied to its employees and the public by significantly overstating the value of the company, causing employees and shareholders to lose money, and even go bankrupt. Another illustration of ENRON's wrongdoings was by the CEO, who intentionally misrepresented the accuracy of financial statements to auditors. This allowed ENRON to be portrayed better, but painted a false financial picture to the public and financial institutions.

The CEO and founder of ENRON were both found guilty of conspiracy and fraud. The result of this monumental breakdown of ENRON? *The Sarbanes Oxley act: federal law that created new standards for public accounting firms, corporate management, and corporate boards of directors.*

WORLDCOM ACCOUNTING SCANDAL



Enron's impressive collapse was followed by the implosion of WorldCom, which was the doing of CEO Bernard Ebbers. His plan to compensate for the downturn of the telecommunications industry in 2000 and WorldCom's declining stock included the use of fraudulent accounting methods in order to deceive investors into thinking the company was in good health. The underreporting of line costs and inflation of revenues accumulated \$3.8 billion in fraud and ended with the company's bankruptcy, then the largest in U.S. history. Ebbers, who resigned from WorldCom in April 2002, was sentenced to 25 years in prison for conspiracy and securities fraud and filing false statements with securities regulators.

BERNIE MADOFF PONZI SCHEME



The word “Ponzi” was introduced into America’s lexicon in late 2008 when Madoff was arrested and charged with securities fraud. It is unclear when exactly Madoff’s Ponzi scheme began, but the Federal Bureau of Investigation suspects around the mid-1980s. Madoff’s scheme involved soliciting clients to open

trading accounts, with the promise of limited risk and high returns. Madoff gained trust from his clients by paying them what he had promised. Secretly to those clients, the money was coming from the funds of later acquired investors. To hide this fraud, Madoff created a false portfolio for his clients and filed false statements to the Securities and Exchange Commission (SEC).

Over the decades, the scheme developed into a massive, global operation. It continued up until 2008, when the economy crashed and investors began to pull out and demand payment. Madoff lacked the funds to pay out the retreating investors, and subsequently confessed the scheme to his sons. His sons turned him in to the police and Madoff was arrested for one count of securities fraud. In 2009, he was charged and pleaded guilty to 11 counts of fraud, money laundering, theft, and perjury.

At the sentencing hearing, Madoff’s attorney requested a prison sentence of 12 years and, in the alternative, a 20-year sentence. In support of this request, Madoff’s attorney asserted three arguments. First, Madoff’s advanced age of 71 years old and his estimated life expectancy of 13 years, should be considered in the sentencing process. Second, the sentencing judge should consider Madoff’s guilty plea and cooperation with authorities. Third, that the average prison sentence for white collar criminals, who steal over \$400 million and confessed, is eight and a half years.

On the contrary, the US attorney’s office (USAO) requested the maximum prison sentence of 150 years. In support of this sentencing request, USAO also asserted three arguments. First, Madoff defrauded thousands of people and institutions, including charitable foundations. Second, the extensive nature and long duration of his crimes implores a maximum sentence. Madoff continued to allow the wrongdoings to occur over a long period of time, even though he had the power to stop it at any point. Third, Madoff waited to confess until the very last minute, only when he became incapable of upholding the scheme.

The sentencing judge sided with the USAO and sentenced Madoff to 150 years in prison, plus probation and forfeiture of assets. The court based its decision on the “extraordinary evil” nature of the crimes, the amount of money stolen, the effects on the victims, and Madoff’s use of the stolen money to support an extravagant lifestyle.

Do the means justify the ends?

BEFORE READING

- Do the means justify the ends?
- Would Maddof’s family tragedy be a justifiable argument in his defense? (Andrew Madoff was diagnosed of a deadly cancer)
- What do you know about similar WCC today?

If we’re supposed to obey our duties, then what exactly *are* they? That’s a question Andrew Madoff faced in December 2008 when he learned that maybe all-of the money he and his family had been donating to the charitable Lymphoma Research Foundation was in fact, stolen. It was big money, millions channelled to researchers of a remedy for lymphoma, a deadly cancer. Andrew wasn’t only a cancer altruist; he was also a victim, and the charitable money started flowing to the researchers soon after he was diagnosed. It’s unclear whether Andrew knew the money was stolen, but there’s no doubt that his dad did. Dad - Bernard “Bernie” Madoff - was the one who took it. Madoff ran his Ponzi empire for around fifteen years. So many people handed over so much cash. Federal authorities have estimated the victims were around five thousand and the losses around \$65 billion, which works out to about \$13 million squeezed from each client. Madoff had, obviously, rich clients. He met them at his home in New York City; at his mansion in hyper wealthy Palm Beach, Florida; or on his fifty-five-foot yacht. He impressed them with his calm manners and serious knowledge. While it’s true that he was mostly taking clients’ money and sticking it in his wallet, the investments he *claimed* to manage were actually quite sophisticated; they had to do with buying stock in tandem with options to buy and sell that same stock on the futures market. He threw in technical words like “put” and “call” and left everyone thinking he was either crazy or a genius. Since he was apparently making money, “genius” seemed the more likely reality. People also found him trustworthy. He sat on the boards of several Wall Street professional organizations and was known in the charity world as a generous man. Health research was a favourite, especially after Andrew’s cancer was diagnosed. Exactly how much money Madoff channelled to Andrew and other family members isn’t clear. By late 2008, however, Andrew knew that his father’s investment company had rough time. The stock market was crashing,

investors wanted their money back, and Madoff was having trouble rounding up the cash, which explains why Andrew was surprised when his father called him in and said he had decided to distribute about \$200 million in bonuses to family members and employees. It didn't make sense. How could there be a cash-flow crisis but still enough cash to

pay out giant bonuses? The blunt question seemed to break Madoff down. He spilled the truth: there was little money left; it was all a giant lie. The next day, Andrew reported the situation to the authorities. Madoff sits in jail now. He'll be there for the rest of his life. He claims his scheme was his project alone and his children had no knowledge or participation in it, despite the fact that they were high executives in his fraudulent company. Stubbornly, he has refused to cooperate with prosecutors interested in determining the extent to which the children may have been involved. His estate has been seized. His wife, though, was left with a small sum - \$2.5 million to meet her day-to-day living expenses. Conned investors got nearly nothing. One of those investors, according to ABC News, was Sheryl Weinstein. She and her family are now looking for a place to live because after investing everything with Madoff and losing it, they were unable to make their house payments. At Madoff's sentencing hearing, and with her husband seated beside her, she spoke passionately about their plight and called Madoff a "beast." The hearing concluded with the judge calling Madoff "evil."

* **Bernie Madoff , 81, currently is serving a 150-year sentence in a federal prison in Butner, North Carolina, for orchestrating the largest Ponzi scheme in history, is asking Trump to reduce his prison sentence for massive Ponzi scheme.** (Wed, Jul 24 2019 12:10 PM)

***A PONZI SCHEME** makes suckers of investors by briefly delivering artificially high returns on their money. The idea is simple: You take \$100 from client A, promising to invest the money cleverly and get a massive profit. You spend \$50 on yourself, and at the end of the year, you send the other \$50 back to the client along with a note saying that the original \$100 investment is getting *excellent* results and another \$50 should come in next year and every year from then on. Happy client A recommends friends, who become clients B, C, and D. They bring in a total of \$300, so it's easy to make good on the original promise to send a \$50 return the next year to client A. And you've now got \$250 remaining from these three new clients, \$150 of which you will soon return to them (\$50 for each of the three new clients), leaving you with \$100 to spend on yourself. The process repeats, and it's not long before people are lining up to hand over their money. Everyone makes off like bandits.

2019 WCC news



BEFORE READING

- What do you know about the followers of Bernie Madoff nowadays?
- What other WCC have happened recently?

Former Office Manager Steals Approximately \$420,000 in Company Funds

Thursday, December 12, 2019

St. Louis, Tammy Fox, 49, of Carrolton, Illinois, was indicted by a federal grand jury on two counts of wire fraud related to her former position as Office Manager of Explosive Professionals Midwest, Incorporated, also known as ExPro Midwest.

From January, 2011 through February, 2018 Fox schemed to steal approximately \$420,000 from the company. During that time, Fox issued approximately 215 unauthorized ExPro Midwest checks to herself, which she deposited into her personal bank account. Fox forged the signature of one of the owners of ExPro Midwest to those unauthorized checks. Fox spent the stolen funds on personal items and services such as clothing, automobile payments, rent payments, as well as making numerous cash withdrawals. Fox also issued unauthorized ExPro Midwest company checks to a close friend, and deposited those checks into her personal bank account as well. Fox also used the ExPro Midwest corporate credit card to make unauthorized purchases of personal items, such as airline tickets, general retail items, clothing, and sporting goods. As Office Manager, Fox caused the company to pay the monthly ExPro Midwest corporate credit card bills, knowing that her unauthorized personal charges were contained in the billings. In order to conceal her fraud scheme, Fox altered the company's internal financial records, which she then sent to the company's outside accountants. Altogether, Fox's fraud scheme netted her approximately \$420,000 in funds stolen from ExPro Midwest.

If convicted, as to each charge Fox faces a maximum penalty of 20 years in prison and a \$250,000 fine. Restitution is also mandatory.

Three men arrested in \$722 million cryptocurrency fraud scheme ***Monday, December 9, 2019***

NEWARK, N.J. Three men were arrested today in connection with a cryptocurrency mining scheme that defrauded investors of \$722 million, Goettsche, Weeks, and Joseph Frank Abel, 49, of Camarillo, California, are charged by indictment with conspiracy to offer and sell unregistered securities. “The indictment describes the defendants’ use of the complex world of cryptocurrency to take advantage of unsuspecting investors,” U.S. Attorney Carpenito said. “What they allegedly did amounts to little more than a modern, high-tech Ponzi scheme that defrauded victims of hundreds of millions of dollars.”

The arrested are accused of deploying elaborate tactics to lure thousands of victims with promises of large returns on their investments in a bitcoin mining pool, an advanced method of profiting on cryptocurrency”. “They made hundreds of millions of dollars by continuing to recruit new investors over several years while spending victims' money lavishly.”

“This was a classic con game with a virtual twist; false promises of large returns for investing in the mining of Bitcoin. IRS Criminal Investigation will continue to work to investigate and bring to justice cyber criminals.”

According to documents filed in this case and statements made in court:

From April 2014 through December 2019, the defendants operated BitClub Network, a fraudulent scheme that solicited money from investors in exchange for shares of purported cryptocurrency mining pools and rewarded investors for recruiting new investors. Goettsche, Weeks, and others conspired to solicit investments in BitClub Network by providing false and misleading figures that BitClub investors were told were “bitcoin mining earnings,” generated by BitClub Network’s bitcoin mining pool. Goettsche discussed with his conspirators that their target audience would be “dumb” investors, referred to them as “sheep,” and said he was “building this whole model on the backs of idiots.” Goettsche directed others to manipulate the figures displayed as “mining earnings” during the course of the conspiracy.

Goettsche, Weeks, Abel, and others also conspired to sell BitClub Network shares - which were securities - notwithstanding that BitClub Network did not register the shares with the U.S. Securities and Exchange Commission. Weeks and Abel created videos and travelled around the United States and the world to promote BitClub Network. In one video, a conspirator declared that BitClub Network was “the most transparent company in the history of the world that I’ve ever seen.” In another video, Abel assured investors that BitClub Network was “too big to fail.” The wire fraud conspiracy charge carries a maximum potential penalty of 20 years in prison, and a fine of up to \$250,000. The conspiracy to sell unregistered securities charge carries a maximum penalty of five years in prison and a fine up to \$250,000.

Third Conspirator Pleads Guilty to Participation in a Ponzi Scheme Involving \$2.5B in Transactions and \$1B in Loss

Tuesday, December 17, 2019

SACRAMENTO, Calif. - Robert A. Karmann, 53, of Clayton, pleaded guilty today to his participation in a massive fraud scheme involving a solar energy company in Benicia that defrauded investors of approximately \$1 billion.

Those losses resulted from investment transactions in solar energy hardware valued at approximately \$2.5 billion. Karmann is the third person to plead guilty to federal criminal charges.

According to court documents, between 2011 and 2018, the solar energy company manufactured mobile solar generator units (MSG), mounted on trailers. The company publicised environmental sustainability of the MSGs. They claimed that they were used by cell phone companies to provide emergency power to cell towers in the case of a power failure.

The company solicited investors by claiming that there were very favourable federal tax benefits associated with investments in alternative energy. The company structured the transactions in order to maximize the tax benefits to the investors. Investors would buy the MSGs without ever taking possession of them. They would pay a percentage of the sales price and finance the balance with the company. Then the investors would lease the MSGs back to the company, which in turn leased them to third parties. A portion of the lease revenue would be used to pay the investors' debts to the company and to the investors. The third-party leases, however, generated little income and the company paid early investors with funds contributed by later investors.

According to court documents, Karmann, a certified public accountant, joined the company in 2014 and became its Chief Financial Officer (CFO). Karmann and his co-conspirators used fraudulent financial statements and other false information to hide from investors the company's use of later investor payments to pay financial obligations the company made to earlier investors-in a classic Ponzi scheme. In his role as CFO, Karmann managed and directed the periodic transfers of new investor money to pay the company's obligations to existing investors. Karmann also spread false financial and other information to investors to mislead them about material aspects of the MSG investments. Karmann's criminal conduct was intended to create the false impression for investors that the MSG investments were operating as promised, which helped lull existing investors and lured prospective investors, and caused investors to seek more than \$1 billion in tax benefits from the Internal Revenue Service to which they were not entitled. Karmann also pleaded guilty to securities violations associated with the same investment fraud scheme.

On Oct. 22, Joseph W. Bayliss, 44, of Martinez, and Ronald J. Roach, of Walnut Creek, each pleaded guilty to related charges. Karmann faces a maximum penalty of 15 years in prison.

What can be cured must be prevented

BEFORE READING

- Why do they commit WCC or what is inside the mind of the white-collar criminal?
- What is your idea on WCC prevention?



Why they do it : inside the mind of the white-collar criminal.

How come that pretty remarkable people who are smart, thoughtful, intelligent, great dads, leaders within a company get engaged in this behaviour?

Eugene Soltes is an associate professor at Harvard Business School and the author of the book “Why They Do It: Inside the Mind of the White-Collar Criminal”.

Below are some of his ideas.

➤ *Is it more the tree than the apple?*

“Are they bad people from the start? Bad apples in a barrel and companies can’t do anything about it. Maybe this is too simplistic. **But often it is more the tree than the apple.** The environment is incredibly, incredibly important. If you have a **culture** that allows that kind of stuff to happen, it can be collective damage from a group of individuals.”

➤ *Changes in the regulatory environment are really challenging for business leaders.*

“For example, in the U.S. some big things are often prosecuted. A Foreign Corrupt Practices Act prosecutes bribery. But bribery in Germany was not only legal but actually tax deductible up until 1999.”

➤ *How could differences in the culture contribute to issues of reputational and regulatory risk?*

“I think every leader likes to think of their firms having one homogenous culture. But when you start running an organization that is often 100,000 plus employees. In Europe people have become very, very sensitive to the privacy, but the U.S. and China they have not only different kind of moral views on this, but also different views on handling the data. In China they are normally sharing client data or user data but that could actually lead to reputational risks in the U.S. and a huge fine in Europe. It’s hard for people to stay on top of all these different changes”

➤ *How employees meet standards of conduct?*

“There are plenty of variations in how employees meet standards, while you try to reach a single standard for ethics. Everyone comes from different firms, and acceptable conduct varies dramatically. So everybody reads that statement differently. They’ve actually interviewed managers about different kinds of aggressive conduct. For example, paying to win a contract. And in certain countries 20 or 30 percent of managers will say that paying cash to win a contract, if this helps my company avoid a big miss, of course acceptable. In other countries, Switzerland, the United States, most managers at least will say no out loud. Some will of course do that. But very few they know the outcomes.”

➤ *Where problem areas are? Why less than half the people would report WCC?*

“Some firms still have an investigation, a whistle blowing hotline, but they don’t see a lot of movement there. They might have a call here, a call there. The question is what’s below that iceberg? The problem is people don’t want to see their colleagues get fired. And so they’re not speaking up, not because they can’t identify it but because they’re concerned about the outcome. Less than half of employees report a theft of company property or accounting irregularities. The number goes down for people reporting things like inappropriate gift giving or conflicts of interest.”

➤ *One size fits all.*

“A lot of firms right now approach their integrity, ethical programs as **one size fits all**. We give everyone in the company the same kinds of training. But in practice there are certain areas that are hotspots and wouldn’t it be nice to spot them and then place more resources there. Again, that’s very costly and as most people say about compliance, that that can be a burden on employees. Maybe for a subgroup of an area that you see as a hotspot, a high risk area, it’s worth doing that.

Today we see that need after there’s an issue. So after there’s a bribery incident in country x, a whole pile of more training, different incentives put into place. But wouldn’t you like to do that before you pay the huge fine? You’re on the front page of the news?”

➤ ***Fraud is a lot like a bug - getting a sore throat, which you can try to ignore***

“In reality, every company of any size has some amount of misconduct. And so sometimes you think, well, we address this by dealing with it internally, not making a big fuss over it. That gets out publicly. The analogy is a lot like a bug - getting a sore throat, which you can try to ignore. They will generally grow and get worse. You need to seek the right treatment and to get rid of that bug as quickly as possible. What are the tools to, to address it once you do find that? You actually need to create that policy and make it clear to people. It requires so much coordination between different groups of people that you only really learn after a couple months what the actual policies really are.”

DEVELOPING AN EFFECTIVE ETHICS PROGRAM

Todd's ethical dilemma

ZARA'S CASE



Even though Todd had just graduated from Indiana University, he interned with Jennings Department Store for two summers. This experience helped him get promoted to Section Manager. Although Todd was young and most of the people he managed were older, they respected him because of his expertise and ability to form good relationships with his co-workers and customers. Several weeks ago, Todd began to hear rumors about one of the unit managers, Zara. He checked Zara's past financial reports and found out she was one of his best managers. Her unit reported the highest sales volume and growth, received positive customer feedback, and showed excellent cost control. In fact, Zara has constantly rated higher than all the other managers for the last two years. Todd wondered why she hadn't been promoted. Todd decided to investigate further. Over the next few weeks Todd began talking informally to those that knew Zara. He heard the same story over and over again. Zara was kind, firm, great with the customers, and looked out for her employees. Zara even had loyal customers that came in to ask questions about fashion and accessories. She had a client list that followed her tweets and made her department the cash cow of the store. Even though Zara had not graduated from college, she took night classes and was about a year away from her management degree. Next, Todd spoke to some of her retail clients. The comments made him realize just how much he needed to learn about retailing. They spoke of Zara's advice on shoes, dresses, and jewelry. Some told him they routinely came in to give Zara Christmas gifts. He discovered the store was doing so well in large part because this one employee cared about her clients and workers. Yet as he questioned more clients, Todd found something rather odd. Some of the customers told him that for small items they handed Zara cash and told her to keep the change. Todd soon discovered these sales were not rung up. Next, he checked the store's shrinkage measures or items that may have been stolen or damaged. The

records indicated some shrinkage but nothing significantly “excessive.” After a few weeks of investigation Todd discovered Zara used the money or cash as unrecorded payments to her retail staff. She gave the money in the form of performance bonuses, overtime incentives, and off-hours work. He knew this was in violation of company procedures, yet he couldn’t definitively prove Zara was actually taking the shrinkage money and using it to achieve the high performance that had become her trademark. It wasn’t as if the employees were being over paid, compared to top management’s 700:1 income disparity ratio. Most employees just scraped by, as was evident by the company’s high employee turnover rates. But Zara’s turnover rate had always been low. Todd could not definitively say whether Zara was stealing. He did know there were some cash purchases that were not recorded properly. However Zara was officially getting the money, whether through theft or simply by “keeping the change” the customers gave her for purchases, he knew that because the funds were not listed as income, the extra “wages” to Zara’s employees meant no payroll taxes were being withheld. This meant Jennings was at risk for a tax liability action. Todd thought about what to do. He looked through the company’s ethics code, but found the guidelines vague. The code itself only had two pages and did not provide any contact information for him to ask questions. Todd murmured under his breath, “Why did I start this mess? I should have left things alone.” He knew nothing at a company is secret for long and his questions would soon alert others to start asking questions. On the other hand, he knew this had gone on for quite some time. Why had nobody noticed before?

AFTER READING

- 1. Describe some of the weaknesses in Jennings’ ethics program.*
- 2. Discuss the alternatives for Todd.*
- 3. How has Zara been given the opportunity to engage in misconduct?*

Ethics or compliance program

To promote legal and ethical conduct, a company should develop ethical program. Without such a program employees generally make decisions based on their own observations of how their co-workers and superiors behave.

Ethics or compliance program:

- makes employees sensitive to the potential legal and ethical issues within their work environments, .

- provides guidance to employees from different cultural backgrounds regarding acceptable and unacceptable conduct,
- helps top managers establish an ethical culture .
- helps resolve ethical conflicts.

Company's ethics program should include:

- A CODE OF CONDUCT,
- AN ETHICS OFFICER,
- AN EFFECTIVE ETHICS-TRAINING PROGRAM,
- A SYSTEM FOR MONITORING AND SUPPORTING ETHICAL COMPLIANCE,
- AND KUCHIKOMI (CONTINUAL EFFORTS TO IMPROVE THE ETHICS PROGRAM.)

What kind of employees are more likely to get engaged in unethical practices?

High-status officials may be more inclined to display unethical conduct. Why?

- Social isolation can create insensitivity and a lower motivation for ethical decision making.
- Top managers' focus on financial performance because their jobs and personal weight are often connected to their firms' quarterly returns.
- A company's culture of short-term performance as highest priority can effect negatively ethical decision making.
- Some people are simply "bad apples" who will always do things in their self-interest regardless of their company's goals. ("bad apple-bad barrel" analogy)

Ethics is not something to be delegated to lower-level employees.



For example, the pharmaceutical company Merck requires all employees to be responsible for compliance with its Code of Business Conduct that is available in 26 languages.

Company Values

- To preserve and improve human and animal life
- Committed to the highest standards of ethics and integrity
- Dedicated to the highest level of scientific excellence
- Expect profits only from customer satisfactory work that benefits humanity
- Ability to excel depends on integrity, diversity, and teamwork of employees

 Odera Ekomunife, Section 401 [HOME](#) [PAGE](#) [MENU](#)

Employees take classes in ethics to to resolve ethical dilemmas at work place. The also receive online training to raise their awareness of ethical issues and help them in maintaining an ethical organizational culture.

Therefore, creation of effective ethics programs like Merck's Code of Business Conduct acts as important prevention tool to organizational misconduct.

Codes of conduct

Today, most companies do the same. They begin to implement ethics programs by developing **codes of conduct and codes of ethics**.

Example: Intel's Code of Conduct

- Intel conducts business with Honesty and Integrity
- Intel follows the letter and spirit of the law
- Intel employees treat each other fairly
- Intel employees act in the best interests of Intel and avoid conflict of interest
- Intel employees protect company's assets and reputation
- Intel employs ask questions and report concerns

A code of conduct is a written document that may contain some inspiring statements. It mainly **specifies acceptable and unacceptable types of behaviour**.

A code of conduct

- *is more a regulatory set of rules.*
- *is more specific*
- *contains prescriptions instead of values*

Benefits of code of conduct

- Guides employees in ethically ambiguous situations
- Helps new employees become aware of company's culture and values
- Minimizes subjective management
- Builds public trust and enhances company's positive image
- Defends against lawsuits
- Improves morale and loyalty of staff
- Promotes positive social changes

Some of the key reasons that codes of ethics fail are:

- ✓ the code is not promoted that is why employees do not read it;


- ✓ the code is not easily accessible;
- ✓ the code is written too legalistically and therefore is not understandable by average employees;
- ✓ the code is written too vaguely, inaccurate in directions;
- ✓ top management never refer to the code in body or spirit.

Codes of ethics

consists of general statements, sometimes altruistic or inspirational, that serve *as the basis for rules of conduct*. A code of ethics generally specifies methods for reporting violations, disciplinary action for violations, and so on.

YAHOO! We Value...

<p>Excellence: We are committed to winning with integrity. We know leadership is hard won and should never be taken for granted. We aspire to flawless execution and don't take shortcuts on quality. We seek the best talent and promote its development. We are flexible and learn from our mistakes.</p>	<p>Teamwork: We treat one another with respect and communicate openly. We foster collaboration while maintaining individual accountability. We encourage the best ideas to surface from anywhere within the organization. We appreciate the value of multiple perspectives and diverse expertise.</p>
<p>Innovation: We thrive on creativity and ingenuity. We seek the innovations and ideas that can change the world. We anticipate market trends and move quickly to embrace them. We are not afraid to take informed, responsible risk.</p>	<p>Community: We share an infectious sense of mission to make an impact on society and empower consumers in ways never before possible. We are committed to serving both the Internet community and our own communities.</p>
<p>Customer Fixation: We respect our customers above all else and never forget that they come to us by choice. We share a personal responsibility to maintain our customers' loyalty and trust. We listen and respond to our customers and seek to exceed their expectations.</p>	<p>Fun: We believe humor is essential to success. We applaud irreverence and don't take ourselves too seriously. We celebrate achievement. We yodel.</p>



The development of a code of ethics should involve company's president, board of directors and chief executive officers who will implement the code. Legal staff should also be involved to assess key areas of risk and to provide buffers for potential legal problems. A code of ethics that does not address specific high-risk activities within daily operations is unable to prevent misconduct.

Factors to consider when developing and implementing a code of ethics

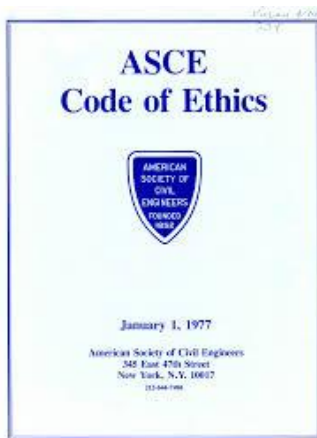
- consider areas of high risk and state values and conduct models necessary to prevent misconduct,

- emphasize values which address current ethical problems,
- try to find overlaps or consensus in company's and stakeholders' values,
- provide examples to make the code clear,
- communicate the code on a regular basis,
- revise the code annually with stakeholders' involvement .

In general corporate codes of ethics often contain about **six core values** or principles. **These six desirable values are:**

*(1) trustworthiness, (2) respect,
 (3) responsibility, (4) fairness,
 (5) care, and (6) citizenship*

Many companies do not communicate their code of ethics effectively. A code placed on a website or in a training manual is useless if they do not address it on a regular basis. These values will not be effective without training and top management support. They should become an integral part of the corporate culture.



For example, the American Society for Civil Engineers' code of ethics specifies that engineers must act with zero tolerance toward bribery, fraud, and corruption in all engineering and construction projects in which they are engaged.

Codes of conduct are not very specific and do not take into account every situation. They should provide basic guidelines and principles for employees and address risks. In Japan, **Kao Corporation** has gained recognition for its leading ethics programs.



The company won numerous ethics awards as well as the Environmental Technology Award from the Japan Chemical Industry Association. Kao has been the only Japanese company included on *Ethisphere's* World's Most Ethical

Companies list for seven years. Kao is extremely focused on ethics and integrity. The company's employees are provided with training in ethics and in the cultures of other countries. Kao also created new eco friendly products that save resources and are well-suited to areas like China, where water is scarce.

Ethics officers



Economic recessions tend to generate significant company's and individual misconduct. Ethics program that includes an **ethics officer** helps companies reduce wrongdoing by 75%. (The Ethics Resource Centre)

Ethics officers often move into their position from other jobs in their

*companies. Ethics officers have backgrounds in law, finance, and HR management. The **ethics officers** are high-ranking persons who respect legal and ethical standards and supervise company performance ethical aspect.*

Responsibilities of ethics officers

Ethics Officers

- ✦ Ethics officers or committees are responsible for **oversight of the ethics/compliance program:**
 - Assess the needs and risks that an organization-wide ethics program must address
 - Develop, revise, and disseminate the code
 - Conduct training programs for employees
 - Develop effective communication
 - Make sure the company is in compliance with government regulation
 - Establish audits and control systems
 - Take action on possible violations of the code
 - Review and modify the program to improve effectiveness

Who do they report to?

It is not common for ethics officers to report directly to the board of directors. Ethics officers often report directly to the CEO and may have some access to the board.

Ethics training and communication




An effective ethics program includes implementing a training program and communication system to educate employees about the firm's ethical standards.

Ethics training can:

- **educate** employees about the firm's policies, relevant laws and regulations, and general social standards;
- **inform** employees of available resources, support systems, and appointed personnel who can assist them with ethical and legal advice;
- **empower** employees to ask tough questions and make ethical decisions;
- **increase** employees' confidence they can make the correct decision when faced with an ethical dilemma.

A significant number of employees report they often find such training useful.

Goals for successful ethics training



- Identify risk areas employees face
- Provide experience through mini-cases, case-studies, role games and so on
- Keep employees informed about their ethical evaluation
- Alert them to links between their conduct and company's brand and reputation


- Provide regular feedback on ethical issues and dilemmas faced by staff
- Provide mechanism for staff to voice their concerns anonymously (24 hour hotlines)
- Provide a hierarchy of leadership to contact with in diff-t situations


How to start ethics training? To be effective, it must start with staff involvement. Managers from every department must be involved in the development of an ethics training program. Then comes a theoretical foundation based on values, a code of ethics, and clear executive priorities on ethics. They all must be communicated to employees. Then employees can base ethical decisions on their knowledge of choices rather than on emotions.

How to make it effective? The answer is - efficient training techniques.

1. Many companies implement “hands on” training technique when employees are forced to confront actual or hypothetical ethical dilemmas.

2. Some businesses employ role-playing exercises when they train salespeople and managers. Ethical issues can be discussed, and the results can be recorded to evaluate the outcome of the ethics dilemma. Lockheed Martin, for example, developed training games that include dilemmas that can be resolved in teams.





Lockheed
Ethics Awareness Training
Lockheed values include:

- Do What's Right
- Respect Others
- Perform With Excellence

Their Ethics Awareness Training, based on *Giving Voice to Values*, provides an overview of Lockheed Martin’s ethical standards and prepares employees to recognize and react to situations that may require ethical decision-making.

The annual training starts at the very top of the organization, President



and CEO train staff. The trained leaders then train their respective teams, and this pattern continues until all employees are involved. During the training, participants view several video scenarios, which are based on actual case files from the Ethics Office. Then they discuss the videos and talk about how to apply the five *Voicing Our Values*

techniques, namely, ask questions, obtain data, talk to others and report violations.

Business Conduct Compliance Training



Business conduct training educates employees in every country where Lockheed Martin operates about the standards of conduct that apply to their jobs and the potential consequences of violations. They review target employees annually and tailor them for each course based on job function, role and level.

Risk areas

It is required in areas that present substantial risk to the Corporation, including:

Antitrust Compliance addresses compliance with antitrust laws, including the Sherman Act, which forbids anticompetitive practices such as price fixing and market allocation.

Combating Trafficking in Persons defines human trafficking, helps the audience recognize populations vulnerable to human trafficking, reviews the indicators of human trafficking and encourages taking appropriate action if human trafficking violations are encountered.

Drug-Free Workplace emphasizes the importance of maintaining a drug-free workplace, describes the company's policy and teaches employees how to identify and resolve drug-related work issues.

Equal Employment Opportunity teaches leaders how to recognize and address situations that could lead to violations of Equal Employment Opportunity (EEO) policies and laws. The course emphasizes leaders'

responsibility for cultivating a healthy work environment.

Gifts and Business Courtesies covers the giving and receiving of gifts and business courtesies and explains how to comply with anti-kickback and anti-corruption policies, laws and regulations

Harassment in the Workplace explains how to recognize, prevent, and address harassment in the workplace.

And so on

3. Another training device is the **behavioural simulation**. It provides participants with a short, hypothetical ethical situation to review. Each participant receives a role within a hypothetical company and provided with the scenario. It recreates a difficult situation with incomplete information. Then, participants interact to develop recommended courses of action. These exercises help participants practice ethical decision making and develop analytical skills for resolving ethical issues.

It is vital for companies to have a strong commitment to communication and feedback. When we measure the effectiveness of an ethics program, it is important to get input from employees. Employee surveys and incorporation of ethics measurements in performance appraisal systems are two ways to assess the effectiveness of a firm's ethics training.

Systems to monitor and enforce ethical standards



Systems to Monitor and Enforce Ethical Standards

Effective programs employ various methods to measure effectiveness

- ❖ Observing employees
- ❖ Internal audits and investigations
- ❖ Surveys
- ❖ Reporting systems
- ❖ External audits

Consistent enforcement and necessary disciplinary action are essential to a functional ethics or compliance program

Common mistakes in designing and implementing an ethics program

- 1). Failure to understand the goals of ethics programs.
- 2) Setting unrealistic and immeasurable program objectives.
- 3). Senior management's pays lip service to an ethical culture . (Upper-level managers, chief financial officers or marketing officers, may ignore the needs of all stakeholders because of the pressure they feel to become more competitive.)
- 4). Failure to address the needs of the average employee in program materials. Many compliance programs are designed by lawyers to ensure the company is legally protected. These programs usually few within the organization can understand.

Solution -To avoid this problem, ethics programs—including codes of conduct and training materials—should include feedback from employees from across the firm, not just the legal department. Including a question-and-answer section in the program; using illustrations, and even cartoons can make program materials more user-friendly.

Designing an ethics program that is little more than a series of lectures. In such cases, participants typically recall less than 15 percent the day after the training.

Solution - allow employees to practice the skills they learn through case studies or small-group exercises.

A company should strive to be a good corporate citizen and recognize the importance of ethics to success in business.

HOW TO WRITE A CODE OF ETHICS FOR BUSINESS. STEPS TO FOLLOW

Set Priorities (lines not to cross) - Values, principles, good practices

Get Input (anonymous staff contribution)

Don't Pounce on the Small Stuff (avoid crackdowns on small details)

Avoid Particular Pitfalls (romantic workplace relationship or nepotism)

Turn to experts (ethicist, HR specialist or lawyer) and staff for help

Put Someone in Charge



A Code of Ethics can help a business determine its priorities and values. It can also help you if one of your employees or vendors drags you into legal trouble.

How to Write a Code of Ethics for Business: What is a Code of Ethics?

A Code of Ethics is a collection of values, principles and practices that a business believes in and aims to live by. A code of business ethics usually doesn't stand alone, it works in conjunction with a company's mission statement and more specific policies about conduct to give employees, partners, vendors, and outsiders an idea of what the company stands for and how its members should

behave.

Policies can include issues such as a company's commitment to not work with vendors who use child labor or are environmentally harmful, discriminating in their hiring, and taking bribes. *For example, recently when Ikea was opening their first location in Russia, they were approached by local big wigs воротилы requesting a kickback to turn their utilities on just before the store's grand opening. It would have been easy to give up to the pressure and close eyes to their responsibility to stakeholders, creditors, and employees but Ikea has a firm no bribes policy. To get around the problem, they leased power generators to get their store lit up in time for its kickoff.*

A code of ethics is about **corporate culture**, many small- to medium-sized

businesses have a code of ethics; it's probably not written down in many cases but it wouldn't hurt if it was. There's no such a thing as a business being too small to benefit from a code of ethics. Having a code is "often viewed as a luxury or something that is an added cost. The reality these days is that the business that does not have a code of ethics subjects itself to a much greater risk in its day-to-day operations and if there is an unpleasant incident, they expose themselves to much greater risk [from] regulatory authorities."

How to Write a Code of Ethics for Business: **setting priorities**



The first step a company has to take is deciding **what values are important to it** and **what lines it won't cross**. Some business analysts ask a company's leaders to discover their boundaries. They may ask themselves "What are the things you would never do at this company to get a client, to keep a client, to make sure you met your numbers for the quarter?" Just thinking

through that sets the framework for the code.

Clarifying these details can be especially helpful as the company grows. As they grow, they hire more people that are probably not similar to their value structure. When they putting those rules in place it helps their company grow in the way they want it to grow.

HR should educate new employees about the code of ethics and the company's culture. It is especially important in the age of rapid job turnover. Sometimes employees are hired and fired at such a pace that they have no idea about the corporate culture.

How to Write a Code of Ethics for Business: **getting input (anonymous staff contribution)**

A common mistake made by companies when they draft a code of ethics is not to **consult employees**. Often the code of ethics comes from the top. The company is not aware of the moral problems the employees are facing. . In these cases people instantly dismiss the code of ethics as a sham because the employees really know what's happening and it's not covered in the code. Anyway even if management is well informed about the daily trials and tribulations of their staff, they should encourage broader participation in the developing of the code. Employees need to have a say in it. They need to know why the code is important and why it contains this or that tenet (dogma, principle). A good solution is **anonymous input** from the staff on, especially on a situation year that made them uncomfortable. It's sure to be a good starting point.

How to Write a Code of Ethics for Business: **don't pounce on the small stuff**

Making sure your code of ethics is neither too vague, nor too specific can be a challenge. It's a mistake for companies to kick off their code of ethics with crackdowns жесткие меры on small details. At almost every company, people who want to do business with you bring plates of cookies at the holidays. Companies often begin by pouncing on these sorts of transgressions and that immediately creates a hostile atmosphere because people don't want to let go of that. You have to work with them from the big perspective until they self-realize what they need to do regarding the more specific scenarios.

How to Write a Code of Ethics for Business: particular pitfalls (traps)

Some ethical dilemmas can effect much more powerfully a small business than a larger corporation. Take the example of a romantic workplace relationship. If you have a small company you really need to have a policy of no dating within the company. For example, there is some sort of harassment or sexual misconduct; it doesn't matter if they were great friends in the beginning, at the end it's going to be a nightmare.

Another ethical pitfall that can stir up particular trouble for a small business is nepotism. For instance, in start-up companies, it's all about 'who do I trust' and sometimes nepotism will come in, and family-run businesses have to be especially vigilant against an ethical lapse that could lead at best to employee dissatisfaction and at worst to a discrimination suit.

How to Write a Code of Ethics for Business: who to turn to for help



It can be valuable to consult a lawyer when drafting a code of ethics. But a lawyer is not really an ethics individual. He or she is there to determine what can be legal or illegal and what can be argued in court. Smaller companies could draft a code themselves, especially if they are in a low-risk, low-liability field. If you have more than 20 employees, it's time to consult an ethicist or human resources specialist.

How to Write a Code of Ethics for Business: putting someone in charge

Even if senior management and employees embrace a code of ethics, someone needs to be put in charge of applying and updating it. This person is typically known as an ethical officer or a compliance officer. They need to be reliable, have a strong commitment to the company and good communication skills. They also need to have access to senior management or the board of directors for periodic updates or in case a problem arises.

The role of ethical officer typically falls to somebody on the HR or sales team. This person is also in charge of the system for monitoring and reporting misconduct. Like the process for creating the code, this should be done anonymously as any whistleblower would likely be concerned about what rocking the boat would do to their career.

It's also crucial to make your code of ethics a dynamic thing that changes as your business changes. Like taxes, it doesn't hurt, once a year, to look at it yourself and ask, 'Does this truly represent our business and where we want to be?'

What values would you like to stick to during your professional career?

Choose from the list

Honesty.

Integrity. Integrity means strength and stability. It means taking the high road by practicing the highest ethical standards

Responsibility. Ethical people take responsibility for their actions without blaming others, claiming victimhood, or passing the buck.

Quality. Quality should be more than making the best product, but should extend to every aspect of your work.

Trust.

Respect. Respect is more than a feeling, but a demonstration of honor and, value.

Teamwork. It is a business necessity to work openly and supportively in teams.

Leadership. - providing an example that others will follow.

Corporate Citizenship. - providing a safe workplace, protecting the environment to become good citizens in the community.

What principles would you like to use as guidelines? How would you contribute into your country's wellbeing?

Now look into your peers' **MBA OATH** and make yours together with your group.

I swear. MBA oath



Since **2006**, students at the Columbia Business School have been required to pledge “I adhere to the principles of truth, integrity, and respect. I will not lie, cheat, steal, or tolerate those who do.” This is a substantial promise, but it doesn’t sound like huge sacrifice.



MBA OATH

I promise that:

- I will manage my enterprise with loyalty and care, and will not advance my personal interests at the expense of my enterprise or society.
- I will understand and uphold, in letter and spirit, the laws and contracts governing my conduct and my enterprise.
- I will refrain from corruption, unfair competition, or business practices harmful to society.
- I will protect the human rights and dignity of all people affected by my enterprise, and I will oppose discrimination and exploitation.
- I will protect the right of future generations to advance their standard of living and enjoy a healthy planet.
- I will report the performance and risks of my enterprise accurately and honestly.
- I will invest in developing myself and others, helping the management profession continue to advance.

In exercising my professional duties according to these principles, I recognize that my behavior must set an example of integrity, eliciting trust and esteem from those I serve. I will remain accountable to my peers and to society for my actions and for upholding these standards.



And now, go ahead!