

Ethical Business Practices for Private Businesses

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Creating A Culture of Ethics

1. Start at the Top

- Ethics starts at the top. If owners and executives are not perceived as trustworthy, employees will follow suit
- If employees see owners skirting the law or lying to save a few dollars, employees will perceive that as appropriate behavior
- Any ethics policy should include owners and executives, or it will be viewed as useless

Creating A Culture of Ethics

1. Start at the Top

- The Ethics and Compliance Initiative (ECI) National Business Ethics survey:
“Managers—those expected to act as role models or enforce discipline— are responsible for a large share of workplace misconduct and senior managers are more likely than lower-level managers to break rules. Surveyed employees said that members of management are responsible for six of every ten instances of misconduct and they pointed the finger at senior managers in 24 percent of observed rule breaking. Middle managers were identified as the culprit 19 percent of the time and first-line supervisors were identified as bad actors 17 percent of the time.”
- National Business Ethics Survey: 75% of employee identified either their senior or middle management as the primary source of pressure they feel to compromise the standards of their organizations. 70% of employees identified pressure to meet unrealistic business objectives as most likely to cause them to compromise their ethical standards.

Creating A Culture of Ethics

2. Significance

- Developing an ethics policy and mission statement helps build a good culture and reputation. People prefer to do business with reputable businesses, not those that conduct themselves dishonestly
- A good reputation is a business's best asset and should be protected. It's hard, if not impossible, to regain trust and reputation once that is lost.
- Ethics policies help in keeping all employees and owners of a company in-line by giving employees guidance about what is right and what is not accepted in the workplace, without the need for constant management presence to supervise them.

Creating A Culture of Ethics

2. Significance

- Ethics policies create a good culture based on trust and transparency. They promote moral conduct, and result in customer satisfaction.
- According to the [Society for Human Resource Management](#), “Companies that work to build and maintain ethical workplace cultures are more financially successful and have more motivated, productive employees.”

Creating A Culture of Ethics

3. Implement an Ethics Policy

- Starting point.....do you currently have an ethics or code of conduct policy?
- A company ethics policy should be in writing. Often times, it's part of the employee handbook.
- Every employee should receive and review a copy of the policy. Have a signed acknowledgment for each employee.
- Policies need to be clear and easy to read and follow.
- As situations arise, review your existing policy to make sure that it covers all questionable situations that might occur in the workplace

Creating A Culture of Ethics

3. Implement an Ethics Policy

- Common topics addressed:
 - Honesty, Respect, Integrity
 - Potential Conflict of Interests; Conduct with Customers/Vendors
 - Compliance with the law
 - Bribery
 - Theft
 - Anti-Discrimination

Creating A Culture of Ethics

3. Implement an Ethics Policy

- **HONESTY:** We will not say things that are false. We will never deliberately mislead.
- **RESPECT FOR OTHERS:** We will honor and value the abilities and contributions of others, embracing the responsibility and accountability for our actions in this regard.
- **INTEGRITY:** We will live up to the company's ethical principles and will act with integrity at all times.
- **VIOLATIONS=** Grounds for termination.

Creating A Culture of Ethics

3. Implement an Ethics Policy

- **Conduct with Customers and Vendors – Gifts and Gratuities**
 - To ensure the highest level of objectivity in dealing with the Company's vendors, suppliers, contractors and agencies and to avoid the appearance of impropriety, employees are not permitted to accept personal benefits, solicited or unsolicited, of any kind. This includes gifts, free services, discounts, loans, lavish entertainment or other special favors. Infrequent, nominal gifts valuing not more than \$100 may be accepted on occasion when they have not been solicited and are not being made in return for a special consideration or decision, and must be reported.

Creating A Culture of Ethics

3. Implement an Ethics Policy

- **Conduct of Employees Involved in the Purchasing Process: Unlawful Use of Company Funds**
 - Employees may not use corporate assets or funds for any unlawful or improper purpose. The Company does not authorize and will not condone any payment by any employee that is in the nature of a bribe, kickback, or undisclosed commission. Gifts or payments may not be offered or given to officials, political parties or candidates using company funds.
 - Ensure that the policy sets guidelines for the use of company credit cards and other corporate expenditures

Creating A Culture of Ethics

3. Implement an Ethics Policy

- **Compliance with the Law:** Employees are required to comply with all laws, regulations, and rules relating to the company's business activities.
- Immediate notification of management of any suspected violations of law by others.
- No retaliation. The Company will not retaliate against anyone who reports a violation.

Creating A Culture of Ethics

3. Implement an Ethics Policy

- **Bribery:** Bribery and corruption are against our Company values. Bribery is never permitted. We will not seek to influence others, either directly or indirectly, by offering, paying or receiving bribes or kickbacks, or by any other means that is considered unethical, illegal or harmful to our reputation for honesty and integrity. Employees and representatives of the Company are expected to decline any opportunity which would place our ethical principles and reputation at risk. While certain laws may apply only to bribes to government officials (domestic and foreign); this Policy applies to non-government business partners as well.
- **Theft:** The Company will not tolerate employee theft, or stealing of any kind. That includes theft of money, information, products, inventory, tools or any item, information or idea that belongs to the Company or to an employee, customer, or business partner. The Company expects all incidents of employee theft to be reported immediately.

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- **Anti-discrimination.** The Company is committed to a work environment in which all individuals are treated with respect and dignity. Each individual has the right to work in a professional atmosphere that promotes equal employment opportunities and prohibits unlawful discriminatory practices, including harassment, on the basis of any protected status. Therefore, the Company expects that all relationships among persons in the office will be business-like and free of explicit bias, prejudice and harassment.
 - Reporting discrimination or harassment. Important that the policy includes a multi-layer reporting mechanism.
 - No retaliation. Include a section that prohibit retaliation. Make sure to enforce the anti-retaliation section and not just turn a blind eye.

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4. Enforcement

- Be diligent about enforcement of policies. Appoint a compliance officer to audit and enforce the policies.
- Despite the best policies, rules will inevitably be broken. Don't tolerate unacceptable behavior and show that there are consequences. Holding employees accountable helps prevent the perpetuation of any unsavory behaviors.
- No retaliation for reporting violations.
- Start at the hiring process. First impressions are powerful. Organizations values should be discussed.

Creating A Culture of Ethics

4. Enforcement

- Clear expectations of what is ok and not ok
- Annual Training/Policy Review
- Give employees the tools to be successful. Appropriate training, supervision, consultation and modeling behaviors
- Praise Positive Behavior. It is equally important to praise your employees for following best practices. Make it a point to acknowledge individuals who live up to expectations. Doing so should serve as positive reinforcement, which can have some long-term benefits for your business.

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