Training Session on Ethics

The Bridge. From Well-built Projects to Markets

21.1.2013
Outline of the presentation

• What is ethics?
• Ethics in research
• Ethics in business
• Ethics in finance
Ethic(s): definition

1. the discipline dealing with what is good and bad and with moral duty and obligation
2. a set of moral principles: a theory or system of moral values
3. the principles of conduct governing an individual or a group
4. a guiding philosophy
5. a consciousness of moral importance
6. a set of moral issues or aspects (as rightness)
"commonly used interchangeably with 'morality' ... and sometimes it is used more narrowly to mean the moral principles of a particular tradition, group, or individual."

- The Cambridge Dictionary of Philosophy
Ethics

• The standards by which behaviors are evaluated for their morality - their rightness or wrongness.

• Values are our measures of importance, where as ethics represent our judgments about right and wrong" (Shockley-Zalabak 1999)
Good people act ethically, but…

• The environment where people live and work affect on behavior. If values and ethical behavior are not respected by the organization, “good” people do bad things if they believe they have don’t have any choice.

• “Bad Apples – Bad Barrels (Treviño and Youngblood, 1990)
Ethics in research

Savage Chickens

AT LAST! I’VE ISOLATED THE GENE THAT CAUSES PEOPLE TO WORRY ABOUT GENETIC ETHICS!
Unethical behavior in research

• Plagiarism (watch out also for self-plagiarism!)
• Multiple submissions
• Redundant publications
• Authorship (improper author contribution)
• Peer review
• Conflicts of interest
• Data management, fabrication and falsification
• Improper use of human subjects and animals in research
• Research misconduct
Plagiarism

“Plagiarism is the appropriation of another person’s ideas, processes, results, or words without giving appropriate credit, including those obtained through confidential review of others’ research proposals and manuscripts”
Federal Office of Science and Technology Policy, 1999

• Serious consequences that will harm you - take it seriously.
• http://plagiarism.org/
• http://retractionwatch.wordpress.com/
Ethics in business

Code of ethics

http://www.alexcormack.com/PPME_Engineering_Ethics_Chapter.html
CHEAT ON YOUR GIRLFRIEND, NOT ON YOUR WORKOUT
Unethical behavior in business

• Environment
• Product safety
• Advertising and sales promotion issues (methods and messages)
• Spreading misinformation
• Financial transactions
• Accounting and auditing
• Control of information
• Human rights
• Animal rights
• Labor standards
(Some) companies that have been claimed to have acted unethically
Customer behavior

Ethical Awareness

<table>
<thead>
<tr>
<th>High</th>
<th>Low</th>
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</thead>
<tbody>
<tr>
<td>High</td>
<td>Caring and Ethical</td>
</tr>
<tr>
<td>Low</td>
<td>Cynical and Disinterested</td>
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</tbody>
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Carrigan & Attalla (2001)
Ethical behavior in a company

• Professional Integrity
  – Financial ethics require that a department head or lower-level staff acts with honesty, integrity and independence when performing duties. These ethical guidelines also require that employees avoid conflicts of interest between personal and professional relationships.

• Financial Accuracy
  – A finance professional must ensure that corporate accounting reports are complete and free of material misstatements. In accounting parlance, material means substantial. A misstatement is an error that may change the judgment of an analyst if known publicly. Complete financial statements include a balance sheet, statement of profit and loss, statement of cash flows and statement of retained earnings.

• Regulatory Compliance
  – Financial ethical guidelines require that professionals conform to laws and regulations when performing tasks. These regulations include Securities and Exchange Commission rules and Internal Revenue Service guidelines. A corporate ethics officer ensures that employees abide by regulations.
Why to act ethically?

- Customer interest
- Stakeholder interest
- Trust among partners
- Laws and regulations
- Company reputation
  - Business importance of perceived ethical behavior
- Your personal reputation
“Trust is the lifeline of finance – building trust is essential”
-Professor Tamar Frankel, Boston University School of Law

“Financial markets will become more ethical if and only if financial theorists and practitioners broaden their value base.”
-Professor John Dobson, Orfalea College of Business, Cal Poly State University
Code of Ethics by JPMorgan

• Engage in and promote ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and to disclose to the Office of the Secretary any material transaction or relationship that reasonably could be expected to give rise to such a conflict.

• Carry out your responsibilities honestly, in good faith and with integrity, due care and diligence, exercising at all times the best independent judgment.

• Assist in the production of full, fair, accurate, timely and understandable disclosure in reports and documents that the firm and its subsidiaries file with, or submit to, the Securities and Exchange Commission and other regulators and in other public communications made by the firm.

• Comply with applicable government laws, rules and regulations of federal, state and local governments and other appropriate regulatory agencies.

• Promptly report (anonymously, if you wish to do so) to the Audit Committee of the Board of Directors any violation of this Code of Ethics or any other matters that would compromise the integrity of the firm's financial statements.

• Never to take, directly or indirectly, any action to coerce, manipulate, mislead or fraudulently influence the firm's independent auditors in the performance of their audit or review of the firm's financial statements.
"Innovative Ideas to Promote Ethics in Finance”.

Aims to encourage and promote:

- Awareness of the fundamental role of ethics in the world of finance;
- Precise identification of ethical issues in financial activities and institutions, in both the public and private sectors;
- Proposals for implementation of initiatives and projects concerning teaching and regulating for ethics in finance.


Target public: young people, under the age of 35

http://www.robincosgroveprize.org/
References and further reading

- Gillespie, David F. *Ethical Issues in Research* [www.uncp.edu/home/marson/ethical_issues.html](http://www.uncp.edu/home/marson/ethical_issues.html)
Resources and further reading

• Institute of Business Ethics [http://www.ibe.org.uk/](http://www.ibe.org.uk/)
• Seven Pillars Institute (SPI): [http://sevenpillarsinstitute.org/](http://sevenpillarsinstitute.org/)
• *Finance Ethics – the rationality of virtue.* By Dobson, John
• You company Code of Ethics, or other instructions
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