

**Dendro Resource Management, Inc.**  
*provides audit, security and consulting services  
designed to raise the theft and fraud prevention stance of the timber industry.*



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### About Us

With over 23 years' experience in the forest products industry, Dendro Resource Management, Inc. (DRM) is a leader in timber audit services. DRM is committed to supporting the integrity of the forest industry by providing independent analysis and recommendations regarding internal controls as well as actively detecting and documenting theft and fraud incidents. Customer programs can be tailored with your Company's needs in mind. With DRM you are guaranteed

### Ethics: Too Easily Overlooked?

While attending a conference recently, I ran into an old friend and he asked about the current state of the theft and fraud prevention world. After recounting some of the current cases I'm familiar with, this friend passed along a story of having to fire an associate and friend for a conflict of interest/breach of trust issue. He lamented the fact that what we saw as an obvious conflict of interest wasn't apparent to the associate until he was being fired for it.



Many people believe that our society is currently suffering a moral crisis. Behaviors that were once thought reprehensible - lying, cheating, misrepresenting, covering up, even theft and fraud - have become, in many people's eyes, common practices. My friend's story made me think this might be a good time to discuss the important role of ethics in an effective fraud prevention program. Though perhaps not a sexy headline, developing an ethical climate in your organization is the foundation for keeping honest people honest.

The next few months we'll look at some of the ethical issues and dilemmas we face in the timber industry. Although we generally think of employee and contractor behaviors when we think of ethics, we can't overlook the importance of top management - its actions and impact. We'll start with defining ethics and the importance of creating an ethical culture that is communicated, championed and demonstrated by the people at the top.

Then we'll look at the most common ethical issues in the timber industry through examples and case studies. We'll consider hotlines in detail since they play a key role in detection. Finally we'll also consider the important role of supervisors in creating and maintaining an ethical workplace.

*Aaron Gilland  
DRM, Inc.*

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## The Profitable *and* Good Timber Company

Every organization has one simple goal - to survive. Generally that means being profitable. But it has become increasingly clear that for any business to truly survive over the long haul requires balancing the profit drivers with consideration of the interests of all stakeholders in that organization.

Can an organization operate in a manner that allows it to do the "right" thing and still make money? How does a business decide what is the right thing? Most importantly, how can a business balance profits and the responsibility to society?



Ethics commonly refers to the rules or principles that define right and wrong conduct. It specifies what is and is not appropriate behavior in a given situation. As in the case above, conflict of interest situations between various stakeholders can be the most common and most difficult ethical decisions to make. Ethics isn't so much designed to provide right answers as to help individuals and companies ask the right questions. Most issues deal with business basics: do we treat our employees right, do we treat our customers right, do we make honest sales practices, do we consider the environmental impact of our work, do we provide quality products, do we honor commitments? These are vital business practices that great companies never lose sight of.

Although many people link the two, ethics doesn't always relate to a moral issue. Morality relates broadly to human life rather than specific professional business conduct and decision making. Morality tends to come from religious upbringing and belief. Ethics came out of philosophy and more specifically addresses how people interact with each other in ways that are seen as fair. As a result, ethics can often change with the times and the situation and the way an organization and its stakeholders view appropriate behavior.

### Ethical Conduct Starts at the Top

Every organization needs a written code of conduct that reflects their ethics and values. But it can't just be on paper. Management must take that code to heart. Like any aspect of

company culture, expectations regarding ethical behavior need to be communicated, understood, supported and demonstrated from the top down in a consistent and continuous manner, year in and year out.

In addition, ethical decision making is increasingly important in determining the everyday activities of all natural resource specialists, especially foresters and wildlife managers who have dual roles of dealing with forests and people. The days of working independently in the woods and relying principally on technical and operational skills are over and are unlikely to return.

Professional codes of ethics play a key role in guiding these activities and in influencing decisions. Those of you who are Certified Foresters and Registered Foresters are aware that ethics is being emphasized in many of the programs required for recertification, as it is in many professions.

### **Deciding Ethical and Unethical Conduct**

A traditional process for determining ethical conduct follows four primary perspectives on how to view and evaluate ethical decisions. These perspectives guide the decision process through a series of questions:

- **Is the decision legal?** Some ethical decisions are mandated by state and federal law and policy including financial record-keeping, customer relationships, human resource processes, supplier contracts and purchasing relationships to name a few.
- **Does the decision provide the greatest good for the greatest number of people?** This perspective dominates business decision-making. It's consistent with goals such as efficiency, productivity and high profits. By maximizing profits, an executive will argue, he/she is securing the greatest good for the greatest number.
- **Does it respect the rights of the individuals affected?** These include rights such as privacy, free speech and due process, handling problem employees and protecting whistleblowers. Oftentimes these rights are defined under state or local laws or regulations.
- **Is it fair and equitable?** Impose and enforce rules fairly, so there is an equitable distribution of benefits and costs. This question is the foundation for pay practices, purchasing and contracting processes.

### **Establishing a code of conduct to promote ethical decision-making**

Armed with this framework for naming unethical behavior, top leadership can begin to develop policies and practices that will reduce or even eliminate most problems. At least when those policies and practices are created and publicized, employees who practice unethical behavior will do it deliberately and not out of misunderstanding and can be treated accordingly.

Key elements of an Employee Code of Conduct include:

- The rights of the employee and the organization
- The responsibility of all employees to work within the law, be respectful and responsible.
- The responsibility of all employees to report conflicts of interest, fraud, and health and safety concerns
- Infringement information giving specific examples of company policy on handling typical ethical situations faced each day in the workplace
- Employee agreements.

To maximize its effectiveness, an organization should ensure its Code includes the following best practices:

- A message from top management
- An explanation of why the company has a Code of Conduct, who has to follow it, and what happens if they don't
- Accessibility including prominent visibility, readability, messages in their own language and attractive, well-organized communications
- Accessibility to more detailed policies about complex situations
- Company-specific examples that are relevant to employee experiences and changing to address new issues that face employees each day (including FAQ and avenues for asking questions)

Ethics is an ever changing perspective and must be reviewed periodically to ensure it is current. Old, outdated, ambiguous and ill-conceived policies and practices will signal employees and others that ethical behavior isn't a primary concern of management.

## Conclusion

Ethics has been discussed and debated since Aristotle walked the earth. While some of our ancestors viewed the land and its many resources as a gift from God to be used for the good of mankind, others have viewed the land as a means to enrich themselves. Today, the discussions may change but we continue to debate the right way to do things.

Overall, professional codes of ethics not only encourages appropriate behavior within the natural resource professions and the global environment, but they also seek to improve relationships with employers, clients, other professional colleagues, forest resource users, and the public in general. The latter two groups are particularly important as they can influence forest policy through contact with legislators. Oftentimes they have little knowledge of the technical aspects of forestry and wildlife management. Good relationships and decisions hinge on trust, understanding, communications and facts. Without active and thoughtful involvement in ethical discussions, natural resource professionals are likely to find that their interests will be overlooked and others will dictate their

policies.

Ethical management, relevant policies, effective communication plans that are reviewed on a regular basis, and training programs that target an employee's specific work will go a long way in creating an ethical culture throughout. Continuously improving ethical codes and providing training in their application will reduce the ambiguity about what is ethical behavior and will go a long way in establishing a culture and system that will prevent the need to fire employees who didn't see the connection between their actions and good business practice.