

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 independence and confidentiality.

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Wrapping up Ethics: The Manager's Role

We started this series with a general discussion of ethics and the importance of establishing an ethical culture within a company, starting at the top with a company code of



ethics that is well communicated and supported. We further discussed specific ethical issues common to the timber industry. Then we looked at hotlines as an excellent supplement to internal and external audits for gathering tips about problems.

We'll wrap up this series with a discussion of the importance of the manager (or supervisor) in supporting and reinforcing a company's climate of ethical conduct. The manager is challenged to be the principled leader who sets the tone for ethical behavior through his or her words, actions and practices in everyday situations. Without the manager's support and integrity, a code of ethics is only a piece of paper.

In this newsletter we will focus on managerial ethics in three areas:

- How work is done
- How employees are treated
- How outsiders are treated.

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Managerial Ethics: Doing the Right Thing

Supervisors and managers practice principled leadership

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every day with the work they do and the work they guide their employees to do. It's all about who they are.

Actions and attitudes speak louder than words in telling employees the importance of ethical behavior. Even a manager's indifference sends a message to employees that ethical behavior is optional. The managers' character spreads to all who comes in contact with him. This "leading by example" goes a long way in carrying ethical codes of conduct throughout the organization -- good or bad.



Following established procedures and practices consistently and correctly not only creates a systematic way of deterring and detecting unethical behavior, but also sends a compelling message of discipline and correctness that becomes part of how "we do things around here." Quality work is seen as a commitment to customers and to our own integrity.

Furthermore, completing paperwork accurately and in a timely manner is just as important. No one really likes to do paperwork or keep records, but many fraud and theft cases are perpetrated and/or covered up by employees, contractors and others who go around established policies and procedures. Sloppiness in work habits, paperwork management and process flow can lead to loopholes for perpetrators to "break through."



Diligent managers are disciplined in ensuring all documentation processes and procedures are followed as accurately and as disciplined as doing the work itself. By simply conducting business with integrity, responsibility, accountability and concern for the customer and ensuring that employees do the same, a manager tells employees that these things matter.

But the manager's role in creating an ethical climate goes even further. What are the other pieces of the equation? In addition to ethical work standards, creating an ethical

climate also includes how managers treat their employees and how both employees and managers treat those outside the company. We'll look at both here.

Managerial Ethics: How Employees are Treated

How employees are treated is a fundamental benchmark of the ethical stance of the company and the manager. Since managers are representatives of the company, employees judge a manager's integrity by how they themselves are treated. Integrity and authenticity toward employees goes a long way in establishing a climate of ethical or unethical behavior. Even in tough times and unfortunate situations where managers can't influence or change some bad outcomes for employees, how those employees are treated will make all the difference to them and more importantly to the other employees who are their friends and colleagues watching.

How employees are treated translates into how they treat others. Having a fair, honest and straight-forward way of dealing with all employees not only respects employees as people, but models how employees should treat others. Employees learn what kinds of behaviors do and don't belong here. The dishonest employee becomes the exception rather than the rule and peer pressure is on your side.

How employees are treated includes areas such as:

- Non-discriminatory practices in promotions and work assignments
- Respect for all individuals and zero tolerance for harassment or a hostile work environment
- Clear and well-communicated rules and regulations to let employees know in advance what is and is not acceptable behavior
- A progressive disciplinary process, a chance to be heard when accused of wrong behavior (due process) and a real process for appealing decisions that is fair and neutral
- Fair and equitable pay practices
- Reasonable work hours
- Concern for safety and the environment.

Although these are usually part of every company's policies, managers don't realize that these types of decisions affect standards for ethical conduct. All employees like to know they will be treated fairly and with dignity and respect, even if disciplinary action is required. Remember that rationalization is one of the elements that perpetrators use to justify their actions. When employees are treated equitably, rationalization become more difficult. It's harder to justify stealing when you are treated fairly and the manager practices ethical behaviors.

Both ethical and legal guidelines suggest that hiring and firing decisions should be based solely on an individual's ability to perform the job and not other factors that have no connection to the job, especially those factors that are discriminatory in nature. Even beyond legal considerations, by regularly hiring family friends when other applicants might be just as qualified or even more so may lead to an ethical situation.

Wages, safety, environmental issues and working conditions, although tightly regulated, are also areas for potential controversy. For example , a manager paying an employee less than he deserves, simply because the manager knows the employee cannot afford to quit, might be considered unethical.

Shipping products that don't pass quality standards or recording more output than actually produced to meet month-end numbers will often put employees to compromising positions with their own ethical standards. Either the employee's standards must change or he will leave. Neither decision is good for the employee or the company.

Finally most observers would also agree that a company is obligated to protect the privacy of its employees. A manager divulging to employees that one of their co-workers has AIDS or is having an affair is generally seen as an unethical breach of trust. Likewise, the manner in which an organization addresses sensitive personal issues or employee privacy rights reflects a stance on ethical issues. Privacy rights can include medical conditions, personal absences or sexual harassment

Managers should work closely with human resource personnel to stay in legal compliance but also to evaluate possible unethical behavior and take the proper actions while following established procedures. The partnership between human resources, managers and training can be a good combination to ensure legal and ethical conduct is maintained.

Managerial Ethics: How Outsiders are treated

Managerial ethics also comes into play in the relationship between the company and its outside stakeholders - customers, stockholders, suppliers, dealers and government agents.

Although not always the case, employees tend to respond to outsiders in the same way they are treated. They rationalize, "If it's ok for you to treat me like this then it's ok for me to treat others in the same way." There are studies that show that the best way to get outstanding customer service is for managers to model what outstanding customer service looks like by treating employees in the way you want them to treat customers.

How managers treat suppliers establishes ethical values as well. Not paying suppliers in a reasonable time period or expecting suppliers to carry excessive amounts of inventory or take disproportionate cost reductions because they are dependent on you can be considered an ethical decision.

In the timber industry specifically, there are often many hand-offs and participants in the wood supply chain. How each of those is treated is visible to your employees. Unethical business practices, even though not directly involving most employees, reflects on the image of the company and reflects on how employees see the company. How employees feel about their company will ultimately affect how they treat it.

Sometimes a good measurement of how well a company is performing is how much turnover they have. Although an employee will claim otherwise in exit interviews, most companies recognize now that employee turnover is directly related to the manager in some way. Furthermore, we believe now that good employees will flee an unethical

and sloppy work environment.

I hope your company is the one that everyone longs to be a part of, not the one with a high turnover rate!