

**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

**Ethical Issues Worthy of Discussion**

This month we will continue our discussion of ethics in organizations by exploring some of the ethical issues that can develop. There are three primary categories of ethical issues -- legal, professional and general ethics.

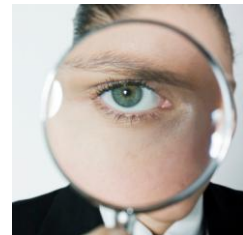
Legal issues come from society's beliefs about right and wrong that are so dominant they have been legitimized through the legal system. These include such diverse areas as discrimination, environmental protection, Occupational Health and Safety, standard accounting practices, etc. Any analysis of an ethics related problem starts with the obvious question, "Is it legal?"

We discussed professional issues in the last newsletter and stressed the importance of establishing a code of conduct and supporting that code through policies, procedures and practices that ultimately create an ethical environment through the organization. The Code of Conduct for the ACFE can be found [here](#) and can give a sample of the types of issues included. Codes of Conduct put people on notice about right and wrong behaviors.

However, at other times more is needed.

General ethics questions address those gray areas where oftentimes there is a conflict between values and rules. Is it ok to steal if I have unexpected

medical expenses and the company won't notice? Is it ok to use company contacts to build a personal business that has nothing to do with the company? Is it ok for employees to lie about what they know in order to protect co-workers from getting caught? Is it OK not to report theft or embezzlement because I don't want to be a snitch? Is it OK for managers or employees to overlook safety and/or quality standards and guidelines in order to meet productivity goals? Is it ok for managers to overlook or play down a serious company violation when it pertains to "good" employees or personal friends?



In this issue, we will attempt to heighten your awareness of some of those hard to define ethical issues. We won't try to define whether certain actions are ethical or not, but instead show that there are issues worthy of moral discussion and evaluation. We'll also look at common ethical decisions faced in key functions of the organization.

With that in mind, let's get started.

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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[ACFE \(Association of Certified Fraud Examiners\)](#)

[Society of American Foresters](#)

[Optic-Solutions, Inc.](#)

[National Federation of Independent Business](#)

[South Carolina Forestry Association](#)

Sample Codes of Ethics

*As follow up to our last article, here are some samples of Code of Ethics policies:*

Thanks to my colleagues at the Packaging Corporation of America for sharing their [PCA Code of Ethics](#)

The Code of Ethics for the Association of Certified Fraud Examiners is here [ACFE Code of Ethics](#)

**Aaron Gilland**  
**DRM, Inc.**

## Just Hire Ethical People...and other Wishful Thinking

Often we think if we simply hire good people with strong ethical values, then we won't have any ethical issues. Unfortunately the values most employees learn from family, religion and school may not address complex business decisions. In business, people find themselves making decisions about product quality, advertising, pricing, purchasing, hiring practices and conflicts of interest between parties. These aren't the stuff of personal ethics and morality. What may seem perfectly legitimate from a personal standpoint can be very questionable if put in a different context. A purchasing person who accepts a gift from a supplier may be confident it won't influence his buying decision. However, when all the bids are similar, how do you choose? In any case, it's difficult to explain your decision to other bidders who see the accepted gift as a successful bribe.



Because of this naivety with business ethics, many employees learn their ethical standards from company ethical codes and actual business practices. But when rules and values conflict we would like to think employees will simply "Let their conscience be their guide." But consciences are built on values and experiences. Those values can be based on wisdom, insight, and adherence to custom or an authoritative code or they can be based on whims, immaturity, rationalization, ignorance, stubbornness, self-interest or misunderstanding.

## What are Typical Ethical Issues?

Although not always clear cut, ethical issues tend to fall in one of four categories.

### Conflict of Interest

A conflict of interest exists when an individual must choose whether to advance his or her own interests above those of the organization or some other group. To avoid conflict of interest situations an employee or company must separate private interests from business dealings.

There are many ways this can happen. Here are some examples:

- Employees should not accept bribes, personal payments, gifts or special favors from people who hope to influence the outcome of a decision. This issue becomes more complicated when dealing with international business as, in some countries, bribes are considered acceptable behavior.
- Employees cannot use company property, including equipment, materials, software, customer and supplier lists and proprietary information for their own personal gain, even when leaving the company.
- Purchasing agents cannot purchase services from friends and family members without ensuring a clear and fair bidding process.
- Companies shouldn't utilize outside consultants and/or auditors who have a vested interest in the company
- Employees are asked to voluntarily override safety and quality standards in order to meet productivity deadlines.

### Honesty and Fairness

Honesty refers to truthfulness, integrity and trustworthiness. Fairness is the quality of being just, equitable and impartial. Obviously, at a minimum, companies and employees should follow all applicable laws and regulations and

any well-established industry standards. In addition, they should not knowingly harm customers, clients, employees or competitors through deception, misrepresentation, or coercion. Although people in business often act in their own economic self-interest, ethical business relations should be grounded on fairness, justice and trust. Buyers should be able to trust sellers; lenders should be able to trust borrowers. Employees should be able to trust management and management should be able to trust employees. This becomes a critical problem when business is seen as a game where the end justifies the means and the final financial results are the only criteria for measuring performance and success. Other examples of ethical issues around honesty and fairness include:

- Notifying employees of layoff or other business changes that impact them in a timely manner
- Having sound employment, promotion, pay and termination policies and following them
- Employees giving a fair days work for a fair days pay.
- Accounting making decisions to pay suppliers in 60 days but expecting 30 days for accounts receivable.
- Disgruntled employees sabotaging company products, processes and reputation

### Communications

Communication refers to the transmission of information and the sharing of meaning. Ethical issues in communications generally center on lying and/or misleading. Lying causes ethical predicaments in both external and internal communications because it destroys trust. Some examples include:

- False and deceptive advertising, news releases, announcements, financial reports or management reports can range from exaggerated claims and concealed facts to outright lying.
- Employees voluntarily, or are asked, to lie to government investigators to avoid fines or citations.
- Managers ask questions of interviewees that invade personal privacy.
- Managers don't provide proper notice of plant layoffs and/or closings.

### Organizational Relationships

Organizational relationships relates to the behavior of organization members towards customers, suppliers, subordinates, superiors, peers and others. Ethical employees try to maintain confidentiality in relationships, meet obligations and responsibilities, and avoid putting undue pressure on others that might encourage them to behave unethically.

- Employees following established procedures and policies to avoid security breaches and/or provide documentation as proof
- Management and employees condone harassing environments either by participating or looking the other way.
- Employees don't notify management of safety, security or other violations in an attempt to "stay out of it."
- A company misleads employees, customers and suppliers about the company's financial viability and inflates sales and profits results in order to mislead for its own advantage.
- Collusion, price fixing, financial reporting all seriously erode organizational relationships with the general public.

### Critical Questions to Consider in Making Ethical Decisions

Since not all ethical issues can be addressed in a stated policy and situations vary, perhaps the test of an ethical environment within a company is whether employees talk about ethical decisions as they come up. Perhaps the function of ethical principles and rules isn't to have all the answers but to simply provide guidelines and then create an open environment to talk about it. Once we can talk about it we have started an ethical decision-making process and have supported an ethical environment. If we don't want to do that, then perhaps ethical decisions aren't a priority or one party just doesn't want to know the answer. Be careful, this type of environment will end up costing the organization money in one way or another.

Finally, consider this final test of ethical decision-making - how would the

action look if it were on the evening news. How would publicity about this reflect on my colleagues, on the profession, on the company and on my own personal and professional reputation? That should give you a good idea about the rightness of the decision.