



# Codes of Ethics

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# Codes of Ethics

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ethics ( ` e-thiks)

1. The analysis of morals according to given principles, values and/or according to a specific method of reasons.
2. Moral rules or patterns expected within certain groups (e.g. professions, religious communities) or by virtue of holding a specific role.

Working Definitions in Ethics –

<http://www.ssu.missouri.edu/courses/agec156/ethicsdefinitions.htm>

- Old concept
- Has become popular again post-Sarbanes-Oxley
- How and where does it apply in academe?



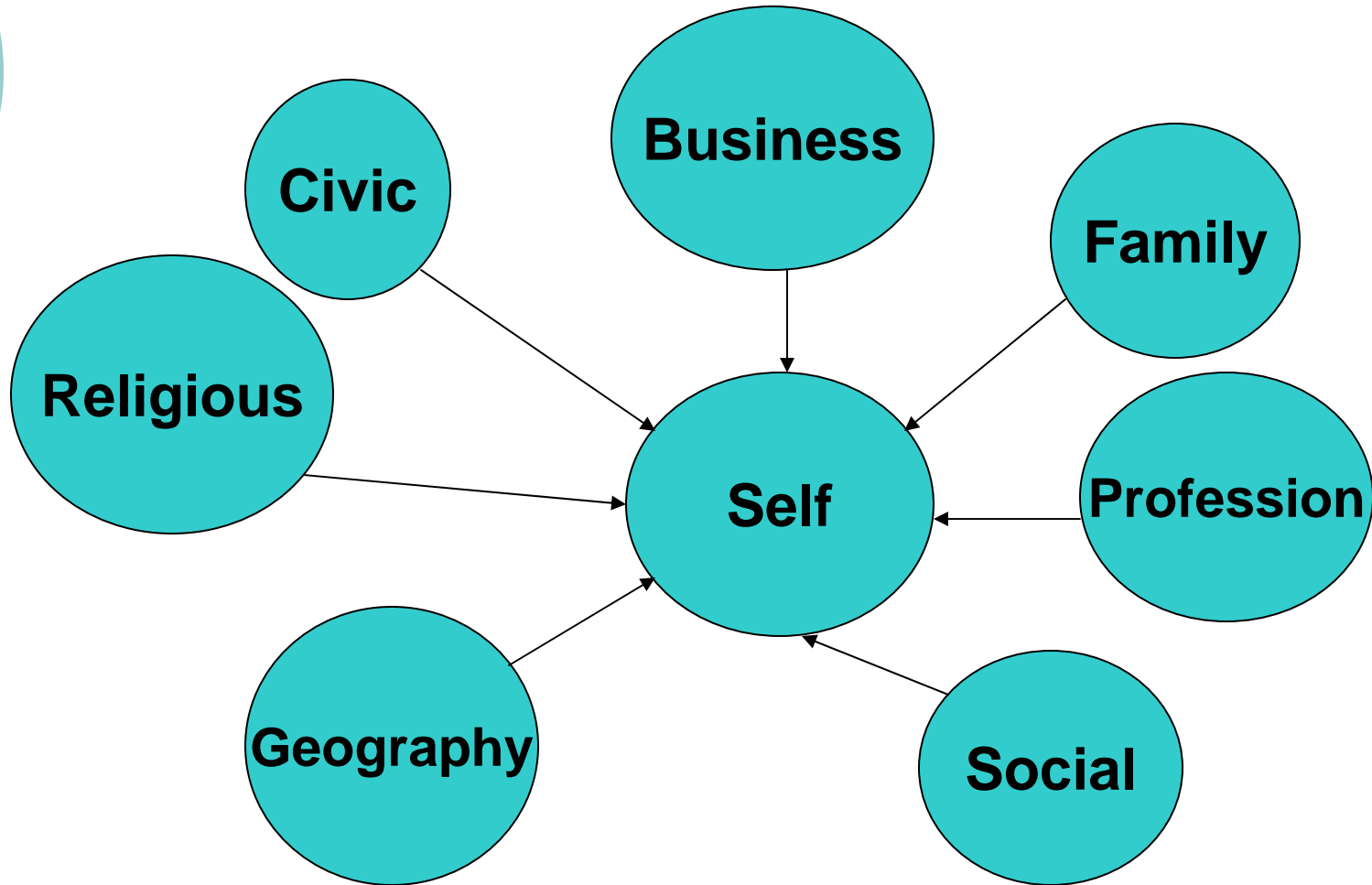
# The Questions

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- How is it that so many respected people, even respected leaders in various Higher Educational leadership positions and respected corporations, find themselves embroiled in the tangled webs they wove?
- What are the ethical principles they should have embraced?

# Cultural Influences

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## Sarbanes-Oxley Act

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“ . . . to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes.”



# Sarbanes-Oxley Act

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- **Encourages** (but does not require) the adoption of a code of ethics for executive and senior financial officers
- Designed to promote full, fair, accurate, timely and understandable **financial reports** for the protection of stockholders
- Expresses **hope** that such codes will promote honest and ethical conduct generally
- Sentencing guidelines allow **reduction in penalties** where effective compliance and ethics programs are in place prior to the violation



# SEC Definition of Codes of Ethics

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Collection of standards that are reasonably necessary to deter wrongdoing and promote:

- honest and ethical conduct
- accurate and timely financial disclosures
- compliance with the law
- prompt reporting of code violations
- accountability for adherence to the code



# Do Codes of Ethics Work?

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- Is it possible to legislate good behavior?
- How does an institution enforce ethical requirements?



# Where do Codes of Ethics Fit in Academic Institutions?

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- Governing Boards
- Financial Officers
- Faculty
- All Employees
- Students
- Conflict of interest (financial) codes



# Governing Boards

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- Conflict of (financial) interest codes
- College Policies

“The boards of trustees of community colleges as bodies corporate are authorized to do all things necessary and proper to organize and operate colleges consistent with the law and the rules of the State Board.”

NCGS Chapter 115D and NCAC 23.2:2C.0101

- Legal Compliance
- Administrative Integrity
- Business and Professional ethics
- Protection of Assets



# Code of Professional Ethics Financial Officers December 2005

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- Personal Standards
- Responsibility as Public Officials
- Professional Development
- Professional Integrity-Information
- Professional Integrity-Relationships
- Conflict of Interest
- Broad Distribution of Memo



# Faculty

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- AAUP Statement on Professional Ethics
  - Speak and state the truth
  - Encourage the free pursuit of learning
  - Obligations to community of scholars
  - Effective teaching and scholarship
  - Obligations of citizenship

[www.aaup.org/statements/Redbook/Rbethics.htm](http://www.aaup.org/statements/Redbook/Rbethics.htm)
- Other Professional Standards
- Statements in Faculty Handbooks



# All Employees

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- Central Piedmont Community College Conflict of Interest --- applicable to all “members” of the college community.

The College expects its employees to discharge their duties in the best interest of the College and public, avoiding conflict of interest. To that end, no employee shall have any interest, financial or otherwise, direct or indirect, or engage in any business transaction or professional activity or incur any obligation of any nature that is, as determined by the College, in substantial conflict with the proper discharge of his/her official College responsibilities.

<http://inside.cpcc.edu/P&PManual/ppm4-0/ppm4o40.htm>



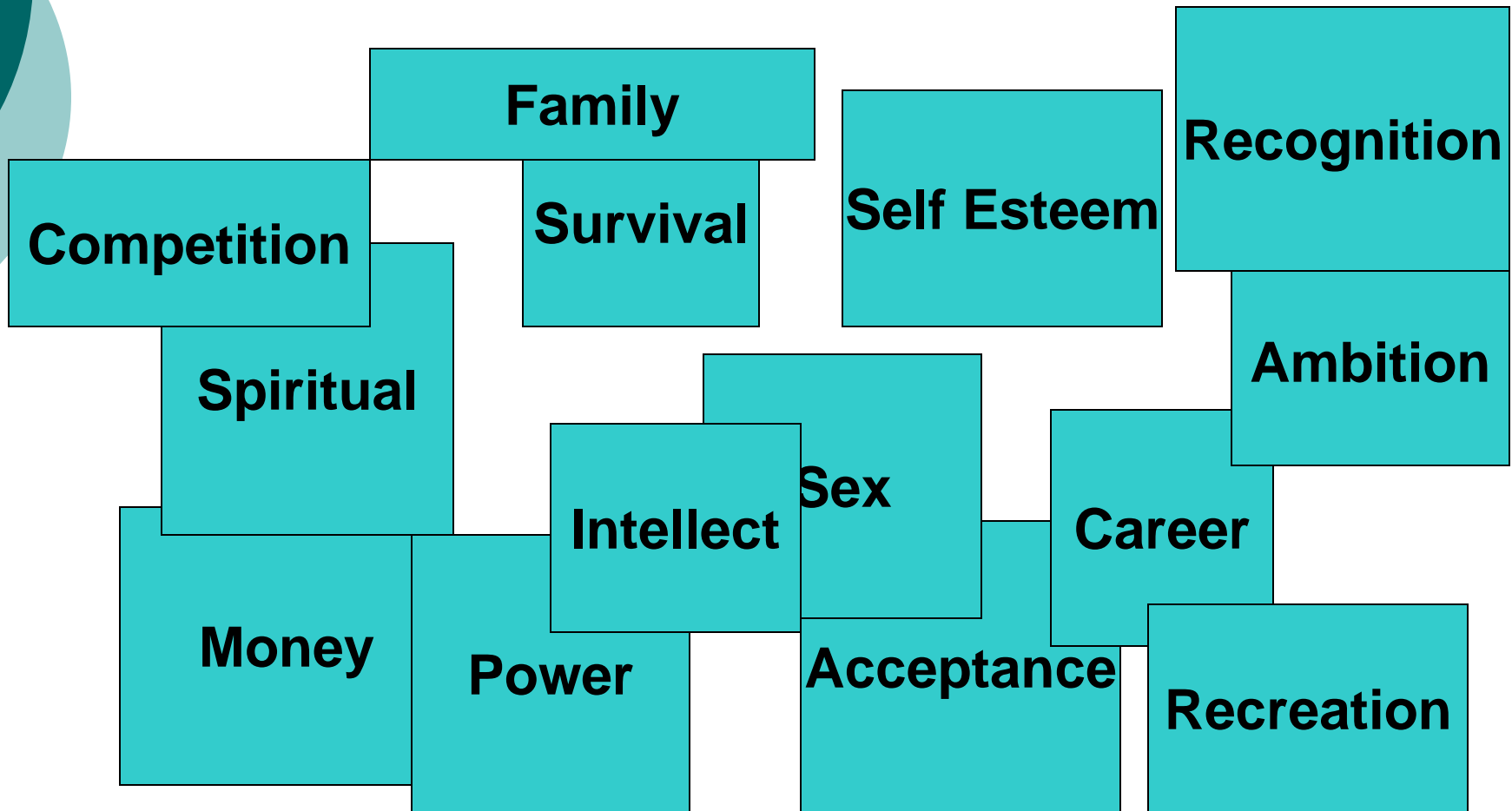
# Students

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- Discipline codes and Student Academic Integrity Policies are becoming **codes of ethics**
- CPEC State of Positive Expectation  
“Students, as members of the College’s academic community, are obligated to take an active role in the preservation of the standards of **academic honest and integrity, encouraging others to respect those standards.** CPEC students are expected to maintain absolute integrity and high standards of individual honor in their academic work.”

# In Most Cases One of the Below will be the Culprit

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## Codes of Ethics Are One Part of Creating and Preserving an Institutional Culture That Values and Rewards Ethical Conduct

- Establish minimum expectations
- But they don't matter at all unless we have leaders who are willing to walk the talk



# Case Study 1



# The Case of the Reluctant Engineer

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A production engineer discovers a flaw in the mechanical design of the company's number one product. This flaw could cause the product to fail in 27% of the products sold during the next three months if the problem is not fixed. The product failure will result in inconvenience only. Failure will not cause the product to harm the individual using the product at the time of failure.

Retooling to fix the problem would not be a major problem, but it will cause two valuable weeks of production to be lost. Losing two weeks of production will keep the firm from meeting its Easter shipping schedules. Failure to meet the promised delivery schedules will result in, not only loss of sales, but will incur monetary penalties for late delivery under the sales contracts. The CFO advises the CEO that a recall coupled with the delay in production will bankrupt the company. The entire executive team holds stock in the company. Your company employs 100 employees. The company is located in an economically depressed area and any employee laid off will not have a good probability of finding another job in the near term. It is Easter!

1. If the company does not announce a recall and stop production to retool, is this simply a business decision, or is it also an ethical decision?
2. If you were the CEO, what would you do? What issues would you consider? Why? How would you justify it to yourself? The public? Your employees?
3. Would your analysis be different if product failure would cause bodily injury?



# Six Steps for Remediating Contemporary Ethical Problems

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1. Leadership from the top
2. Forming ethical communities
  - Perception
  - Decision Making
  - Action



# Six Steps for Remediating Contemporary Ethical Problems

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3. Defining inviolable principles
  - Respect for rights and dignity of others
  - Be honest
  - Be fair
4. Asking the right questions during the decision-making process



# Six Steps for Remediating Contemporary Ethical Problems

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5. A four-step method
  - Examine full range of precedents
  - Subject that range to the “smell” test
  - Subject full range to the ethical questions formulated above
  - When truly perplexed, retain and consult with similar principles
6. A mechanism for responding to questions



## Where do we go from here?

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- Establish an environment where ethical behavior is expected and encouraged
- Question the intent of an action as well as the action itself
- Have a sounding board
- Be a sounding board
- Hire ethical people



# QUESTIONS?

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*"True character is defined by what you do when no one is looking."*

*Anon*