

## 12 ETHICAL PRINCIPLES FOR BUSINESS EXECUTIVES

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If recent history teaches us anything is that ethics and character count, especially in business. Huge organizations like Enron, Arthur Andersen and Health South have been destroyed and others were seriously damaged (AIG, Fannie Mae, Freddie Mac) by executives with massive ambition and intelligence but no moral compass. In today's ultra-competitive, high tech, interdependent business world, charisma without conscience and cleverness without character are a recipe for economic and personal failure of epic proportions. As President Theodore Roosevelt said, "To educate the mind without the morals is to educate a menace to society."

Competitiveness, ambition and innovation will always be important to success but they must be regulated by core ethical principles like the ones described below.

Let's start with a basic definition: ethical principles are universal standards of right and wrong prescribing the kind of behavior an ethical company or person should and should not engage in. These principles provide a guide to making decisions but they also establish the criteria by which your decisions will be judged by others. In business, how people judge your character is critical to sustainable success because it is the basis of trust and credibility. Both of these essential assets can be destroyed by actions which are, or are perceived to be unethical. Thus, successful executives must be concerned with both their character and their reputation.

Abraham Lincoln described character as the tree and reputation as the shadow. Your character is what you really are; your reputation is what people think of you. Thus, your reputation is purely a function of perceptions (i.e., do people think your intentions and actions are honorable and ethical) .while your character is determined and defined by your actions (i.e., whether your actions are honorable and ethical according to the 12 ethical principles:

**1. HONESTY. Be honest in all communications and actions.** Ethical executives are, above all, worthy of trust and honesty is the cornerstone of trust. They are not only truthful, they are candid and forthright. Ethical executives do not deliberately mislead or deceive others by misrepresentations, overstatements, partial truths, selective omissions, or any other means and when trust requires it they supply relevant information and correct misapprehensions of fact.

**2. INTEGRITY. Maintain personal integrity.** Ethical executives earn the trust of others through personal integrity. Integrity refers to a wholeness of character demonstrated by consistency between thoughts, words and actions. Maintaining integrity often requires moral courage, the inner strength to do the right thing even when it may cost more than they want to pay. The live by ethical principles despite great pressure to do otherwise. Ethical executives are principled, honorable, upright and scrupulous. They fight for their beliefs and do not sacrifice principle for expediency.

**3. PROMISE-KEEPING. Keep promises and fulfill commitments.** Ethical executives can be trusted because they make every reasonable effort to fulfill the letter and spirit of their promises and commitments. They do not interpret agreements in an unreasonably technical or legalistic manner in order to rationalize non-compliance or create justifications for escaping their commitments.

**4. LOYALTY. Be loyal within the framework of other ethical principles.** Ethical executives justify trust by being loyal to their organization and the people they work with. Ethical executives place a high value on protecting and advancing the lawful and legitimate interests of their companies and their colleagues. They do not, however, put their loyalty above other ethical principles or use loyalty to others as an excuse for unprincipled conduct. Ethical executives demonstrate loyalty by safeguarding their ability to make independent professional judgments. They avoid conflicts of interest and they do not use or disclose information learned in confidence for personal advantage. If they decide to accept other employment, ethical executives provide reasonable notice, respect the proprietary information of their former employer, and refuse to engage in any activities that take undue advantage of their previous positions.

**5. FAIRNESS. Strive to be fair and just in all dealings.** Ethical executives are fundamentally committed to fairness. They do not exercise power arbitrarily nor do they use overreaching or indecent means to gain or maintain any advantage nor take undue advantage of another's mistakes or difficulties. Ethical executives manifest a commitment to justice, the equal treatment of individuals, tolerance for and acceptance of diversity. They are open-minded; willing to admit they are wrong and, where appropriate, they change their positions and beliefs.

**6. CARING. Demonstrate compassion and a genuine concern for the well-being of others.** Ethical executives are caring, compassionate, benevolent and kind. They understand the concept of stakeholders (those who have a stake in a decision because they are affected by it) and they always consider the business, financial and emotional consequences of their actions on all stakeholders. Ethical executives seek to accomplish their business objectives in a manner that causes the least harm and the greatest positive good.

**7. RESPECT FOR OTHERS. Treat everyone with respect.** Ethical executives demonstrate respect for the human dignity, autonomy, privacy, rights, and interests of all those who have a stake in their decisions; they are courteous and treat all people with equal respect and dignity regardless of sex, race or national origin. Ethical executives adhere to the Golden Rule, striving to treat others the way they would like to be treated.

**8. LAW ABIDING. Obey the law.** Ethical executives abide by laws, rules and regulations relating to their business activities.

**9. COMMITMENT TO EXCELLENCE. Pursue excellence all the time in all things.** Ethical executives pursue excellence in performing their duties, are well-informed and prepared, and constantly endeavor to increase their proficiency in all areas of responsibility.

**10. LEADERSHIP. Exemplify honor and ethics.** Ethical executives are conscious of the responsibilities and opportunities of their position of leadership and seek to be positive ethical role models by their own conduct and by helping to create an environment in which principled reasoning and ethical decision making are highly prized.

**11. REPUTATION AND MORALE.** *Build and protect and build the company's good reputation and the morale of its employees.* Ethical executives understand the importance of their own and their company's reputation as well as the importance of the pride and good morale of employees. Thus, they avoid words or actions that that might undermine respect and they take affirmative steps to correct or prevent inappropriate conduct of others.

**12. ACCOUNTABILITY. Be accountable.** Ethical executives acknowledge and accept personal accountability for the ethical quality of their decisions and omissions to themselves, their colleagues, their companies, and their communities.

FISCAL MANAGEMENT GOALS AND OBJECTIVES  
FINANCIAL ETHICS

CAA  
(LOCAL)

All Trustees, employees, vendors, contractors, agents, consultants, volunteers, and any other parties who are involved in the District's financial transactions shall act with integrity and diligence in duties involving the District's fiscal resources.

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- Note:** See the following policies and/or administrative regulations regarding conflicts of interest, ethics, and financial oversight:
- Code of ethics:  
for Board members—BBF  
for employees—DH
  - Financial conflicts of interest:  
for public officials—BBFA  
for all employees—DBD  
for vendors—CHE
  - Compliance with state and federal grant and award requirements: CB, CBB
  - Financial conflicts and gifts and gratuities regarding federal funds: CB, CBB
  - Systems for monitoring the District's investment program: CDA
  - Budget planning and evaluation: CE
  - Compliance with accounting regulations: CFC
  - Activity fund management: CFD
  - Criminal history record information for employees: DBAA, DC
  - Disciplinary action for fraud by employees: DCD, DCE, and DF series

FRAUD AND  
FINANCIAL  
IMPROPRIETY

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The District prohibits fraud and financial impropriety, as defined below, in the actions of its Trustees, employees, vendors, contractors, agents, consultants, volunteers, and others seeking or maintaining a business relationship with the District.

DEFINITION

Fraud and financial impropriety shall include but not be limited to:

1. Forgery or unauthorized alteration of any document or account belonging to the District.
2. Forgery or unauthorized alteration of a check, bank draft, or any other financial document.

FISCAL MANAGEMENT GOALS AND OBJECTIVES  
FINANCIAL ETHICS

CAA  
(LOCAL)

3. Misappropriation of funds, securities, supplies, or other District assets, including employee time.
4. Impropriety in the handling of money or reporting of District financial transactions.
5. Profiteering as a result of insider knowledge of District information or activities.
6. Unauthorized disclosure of confidential or proprietary information to outside parties.
7. Unauthorized disclosure of investment activities engaged in or contemplated by the District.
8. Accepting or seeking anything of material value from contractors, vendors, or other persons providing services or materials to the District, except as otherwise permitted by law or District policy. [See CB, DBD]
9. Inappropriately destroying, removing, or using records, furniture, fixtures, or equipment.
10. Failure to provide financial records required by federal, state, or local entities.
11. Failure to disclose conflicts of interest as required by law or District policy.
12. Any other dishonest act regarding the finances of the District.
13. Failure to comply with requirements imposed by law, the awarding agency, or a pass-through entity for state and federal awards.

FINANCIAL CONTROLS  
AND OVERSIGHT

Each employee who supervises or prepares District financial reports or transactions shall set an example of honest and ethical behavior and shall actively monitor his or her area of responsibility for fraud and financial impropriety.

FRAUD PREVENTION

The Superintendent or designee shall maintain a system of internal controls to deter and monitor for fraud or financial impropriety in the District.

REPORTS

Any person who suspects fraud or financial impropriety in the District shall report the suspicions immediately to any supervisor, the Superintendent or designee, the Board President, or local law enforcement.

Reports of suspected fraud or financial impropriety shall be treated as confidential to the extent permitted by law. Limited disclosure may be necessary to complete a full investigation or to comply with

FISCAL MANAGEMENT GOALS AND OBJECTIVES  
FINANCIAL ETHICS

CAA  
(LOCAL)

	<p>law. All employees involved in an investigation shall be advised to keep information about the investigation confidential.</p>
<p>PROTECTION FROM RETALIATION</p>	<p>Neither the Board nor any District employee shall unlawfully retaliate against a person who in good faith reports perceived fraud or financial impropriety. [See DG]</p>
<p>FRAUD INVESTIGATIONS</p>	<p>In coordination with legal counsel and other internal or external departments or agencies, as appropriate, the Superintendent, Board President, or a designee shall promptly investigate reports of potential fraud or financial impropriety.</p>
<p>RESPONSE</p>	<p>If an investigation substantiates a report of fraud or financial impropriety, the Superintendent or designee shall promptly inform the Board of the report, the investigation, and any responsive action taken or recommended by the administration.</p> <p>If an employee is found to have committed fraud or financial impropriety, the Superintendent or designee shall take or recommend appropriate disciplinary action, which may include termination of employment. If a contractor or vendor is found to have committed fraud or financial impropriety, the District shall take appropriate action, which may include cancellation of the District's relationship with the contractor or vendor.</p> <p>When circumstances warrant, the Board, Superintendent, or designee may refer matters to appropriate law enforcement or regulatory authorities. In cases involving monetary loss to the District, the District may seek to recover lost or misappropriated funds.</p> <p>The final disposition of the matter and any decision to file a criminal complaint or to refer the matter to the appropriate law enforcement or regulatory agency for independent investigation shall be made in consultation with legal counsel.</p>
<p>FEDERAL AWARDS DISCLOSURE</p>	<p>The District shall disclose, in a timely manner in writing to the federal awarding agency or pass-through entity, all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting a federal grant award. [See CBB]</p>
<p>ANALYSIS OF FRAUD</p>	<p>After any investigation substantiates a report of fraud or financial impropriety, the Superintendent or designee shall analyze conditions or factors that may have contributed to the fraudulent or improper activity. The Superintendent or designee shall ensure that appropriate administrative procedures are developed and implemented to prevent future misconduct. These measures shall be presented to the Board for review.</p>

RESTRICTIONS ON  
PUBLIC SERVANTS —  
PENAL CODE

“Public servant” shall mean a person elected, selected, appointed, employed, or otherwise designated as one of the following, even if the person has not yet qualified for office or assumed his or her duties:

1. An officer, employee, or agent of government; or
2. A candidate for nomination or election to public office.

*Penal Code 1.07(a)(41)(A), (E)*

Prohibited activities include, but are not limited to, the following:

BRIBERY

1. A public servant shall not intentionally or knowingly offer, confer, agree to confer on another, solicit, accept, or agree to accept a benefit:
  - a. As consideration for the public servant’s decision, opinion, recommendation, vote, or other exercise of discretion as a public servant.
  - b. As consideration for a violation of a duty imposed on the public servant by law.
  - c. That is a political contribution as defined by Title 15 of the Election Code or an expenditure made and reported as a lobbying expense in accordance with Government Code, Chapter 305, if the benefit was offered, conferred, solicited, accepted, or agreed to pursuant to an express agreement to take or withhold a specific exercise of official discretion, if such exercise of official discretion would not have been taken or withheld but for the benefit.

“Benefit” means anything reasonably regarded as pecuniary gain or pecuniary advantage, including benefit to any other person in whose welfare the beneficiary has a direct and substantial interest.

*Penal Code 36.01(3), .02*

ILLEGAL GIFTS

2. A public servant who exercises discretion in connection with contracts, purchases, payments, claims, or other pecuniary transactions shall not solicit, accept, or agree to accept any benefit from a person the public servant knows is interested in or likely to become interested in any such transactions of the District. *Penal Code 1.07(41)(A), (E), 36.08(d)*

A public servant who receives an unsolicited benefit that the public servant is prohibited from accepting under this section may donate the benefit to a governmental entity that has the

authority to accept the gift or may donate the benefit to a recognized tax exempt charitable organization formed for educational, religious, or scientific purposes. *Penal Code 36.08(i)*

EXCEPTIONS

"Illegal gifts to public servants" does not apply to:

- a. A fee prescribed by law to be received by a public servant or any other benefit to which the public servant is lawfully entitled or for which he or she gives legitimate consideration in a capacity other than as a public servant;
- b. A gift or other benefit conferred on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient;
- c. A benefit to a public servant required to file a statement under Chapter 572, Government Code, or a report under Title 15, Election Code, that is derived from a function in honor or appreciation of the recipient if:
  - (1) The benefit and the source of any benefit in excess of \$50 is reported in the statement; and
  - (2) The benefit is used solely to defray the expenses that accrue in the performance of duties or activities in connection with the office which are nonreimbursable by the state or political subdivision;
- d. A political contribution as defined by Title 15, Election Code;
- e. An item with a value of less than \$50, excluding cash or a negotiable instrument as described by Business and Commerce Code 3.104;
- f. An item issued by a governmental entity that allows the use of property or facilities owned, leased, or operated by the governmental entity; or
- g. Food, lodging, transportation, or entertainment accepted as a guest and, if the donee is required by law to report those items, reported by the donee in accordance with that law.

*Penal Code 36.10*

HONORARIA AND  
EXPENSES

3. A public servant commits a class A misdemeanor offense if he or she solicits, accepts, or agrees to accept an honorarium in consideration for services that the public servant would not



have been requested to provide but for his or her official position or duties. However, a public servant is not prohibited from accepting transportation and lodging expenses or meals in connection with a conference or similar event in which he or she renders services, such as addressing an audience or engaging in a seminar, to the extent those services are more than merely perfunctory. *Penal Code 36.07*

ABUSE OF OFFICE

4. A public servant shall not, with intent to obtain a benefit or with intent to harm or defraud another, intentionally or knowingly violate a law relating to the office or misuse District property, services, personnel, or any other thing of value, belonging to the District, that has come into his or her custody by virtue of his or her office or employment. *Penal Code 39.02(a)*

“Law relating to the office” means a law that specifically applies to a person acting in the capacity of a public servant and that directly or indirectly imposes a duty on the public servant or governs the conduct of the public servant. *Penal Code 39.01(1)*

“Misuse” means to deal with property contrary to:

- a. An agreement under which the public servant holds the property;
- b. A contract of employment or oath of office of a public servant;
- c. A law, including provisions of the General Appropriations Act specifically relating to government property, that prescribes the manner of custody or disposition of the property; or
- d. A limited purpose for which the property is delivered or received.

*Penal Code 39.01(2)*

NEPOTISM

5. Except as provided by law, a public official may not appoint a person to a position that is to be directly or indirectly compensated from public funds or fees of office if:
- a. The person is related to the public official by blood (consanguinity) within the third degree or by marriage (affinity) within the second degree; or
  - b. The public official holds the appointment or confirmation authority as a member of a local board and the person is

related to another member of the board by blood or marriage within a prohibited degree.

*Gov't Code 573.002, .041; Atty. Gen. Op. JC-184 (2000) [See DBE]*

DEFINITION OF  
PUBLIC OFFICIAL

"Public official" shall mean:

- a. An officer of this state or of a district, county, municipality, precinct, school district, or other political subdivision of this state; or
- b. An officer or member of a board of this state or of a district, county, municipality, school district, or other political subdivision of this state.

*Gov't Code 573.001(3)*

The nepotism law governs the hiring of an individual, whether the individual is hired as an employee or an independent contractor. *Atty. Gen. Op. DM-76 (1992)*

A public official may not approve an account or draw or authorize the drawing of a warrant or order to pay the compensation of an ineligible individual if the official knows the individual is ineligible. *Gov't Code 573.083*

COUNTIES WITH  
POPULATION  
35,000 OR MORE

In a district located wholly in, or whose largest part is located in, a county with a population of 35,000 or more, if, under the District's employment policy [see DC], the Board delegates to the Superintendent the final authority to select District personnel:

- a. The Superintendent is a public official for the purposes of the nepotism prohibitions only with respect to a decision made under that delegation of authority; and
- b. Each member of the Board remains subject to the nepotism prohibitions with respect to all District employees.

For purposes of this provision, a person hired by the District before September 1, 2007, is considered to have been in continuous employment [see DBE] and is not prohibited from continuing employment with the District subject to the abstention requirements.

*Education Code 11.1513(f)-(h)*

COUNTIES WITH POPULATION LESS THAN 35,000	<p>In a district located wholly in, or whose largest part is located in, a county with a population of less than 35,000:</p> <ul style="list-style-type: none"><li>a. A member of a board that has delegated to the Superintendent final authority for personnel selection is not subject to the nepotism provisions to the extent of such delegation. <i>Atty. Gen. Op. GA-123 (2003)</i></li><li>b. Nevertheless, a Board member may remain the relevant public official for nepotism purposes concerning some employment decisions, such as renewal. <i>Atty. Gen. Op. GA-177 (2004)</i></li></ul>
FORMER BOARD MEMBER EMPLOYMENT	<p>6. A Board member of the District may not accept employment with the District until the first anniversary of the date the Board member's membership on the Board ends. <i>Education Code 11.063</i></p>
INCOMPATIBILITY OF OFFICE	<p>7. One person may not occupy two legally incompatible offices. Offices are legally incompatible when the faithful and independent exercise of one would necessarily interfere with the faithful and independent exercise of the other. A person may not serve in one branch of government while exercising any powers properly attached to either of the other branches of government. <i>Texas Constitution, Art. II, Sec. 1; State v. Martin, 51 S.W.2d 815 (Tex. Civ. App. 1932); Thomas v. Aberrathy County Line Indep. Sch. Dist., 290 S.W. 152 (Tex. Comm. App. 1927); Turner v. Trinity Indep. Sch. Dist., 700 S.W.2d 1 (Tex. Ct. App. 1983); Atty. Gen. Op. JM-634 (1987)</i></p>
DEPOSITORY CONFLICT	<p>8. A Board member who is a stockholder, officer, director, or employee of a bank that has bid or submitted a proposal to become a depository for the District shall not vote on the awarding of a depository contract to said bank. <i>Education Code 45.204(b)</i></p>
INSTRUCTIONAL MATERIALS VIOLATIONS— COMMISSIONS	<p>9. A Board member commits a class B misdemeanor offense if the Board member receives any commission or rebate on any instructional materials or technological equipment used in the schools with which the Board member is associated. <i>Education Code 31.152(a)</i></p>
INSTRUCTIONAL MATERIALS VIOLATIONS— CONFLICT	<p>10. A Board member commits a class B misdemeanor offense if the Board member accepts a gift, favor, or service that:</p> <ul style="list-style-type: none"><li>a. Is given to the Board member or the Board member's school;</li></ul>

- b. Might reasonably tend to influence the Board member in the selection of instructional materials or technological equipment; and
- c. Could not be lawfully purchased with state instructional materials funds.

“Gift, favor, or service” does not include staff development, in-service, or teacher training; or ancillary materials, such as maps or worksheets, that convey information to the student or otherwise contribute to the learning process.

*Education Code 31.152(b)–(d)*

INSTRUCTIONAL  
MATERIALS  
VIOLATIONS—  
PURCHASE AND  
DISTRIBUTION

- 11. A Board member commits a class C misdemeanor offense if the Board member knowingly violates any law providing for the purchase or distribution of free instructional materials for the public schools. *Education Code 31.153*

RESTRICTIONS ON  
PUBLIC SERVANTS—  
FEDERAL LAW

BRIBERY—  
GENERAL

The term “public official” means a person acting for or on behalf of the United States, or any department, agency, or branch thereof, in any official function, under or by authority of any such department, agency, or branch of government. The term includes any person who has been nominated or appointed to be a public official, or has been officially informed that such person will be so nominated or appointed. *18 U.S.C. 201(a); Dixon v. U.S., 465 U.S. 482, 499 (1984) (holding that employees of a private organization that administered federal housing grants for city were “public officials” because they had some degree of official responsibility for carrying out a federal program or policy); U.S. v. Franco, 632 F.3d 880 (5th Cir. 2011)*

A public official commits an offense if the public official, directly or indirectly, corruptly demands, seeks, receives, accepts, or agrees to receive or accept anything of value personally or for any other person or entity, in return for:

- 1. Being influenced in the performance of any official act;
- 2. Being influenced to commit or aid in committing, or to collude in, or allow, any fraud, or make opportunity for the commission of any fraud, on the United States; or
- 3. Being induced to do or omit to do any act in violation of the official duty of such official or person.

*18 U.S.C. 201(b)(2)*

BRIBERY—  
FEDERAL  
PROGRAMS

The term "agent" means a person authorized to act on behalf of another person or a government. In the case of a government, the term includes a servant or employee, and a partner, director, officer, manager, and representative.

The term "government agency" means a subdivision of the executive, legislative, judicial, or other branch of government, including a department, independent establishment, commission, administration, authority, board, and bureau, and a corporation or other legal entity established, and subject to control, by a government or governments for the execution of a governmental or intergovernmental program.

If the District receives, in any one year period, benefits in excess of \$10,000 under a federal program involving a grant, contract, subsidy, loan, guarantee, insurance, or other form of federal assistance, an agent of the District commits an offense if the agent:

1. Embezzles, steals, obtains by fraud, or otherwise without authority knowingly converts to the use of any person other than the rightful owner or intentionally misapplies, property that:
  - a. Is valued at \$5,000 or more, and
  - b. Is owned by, or is under the care, custody, or control of the District; or
2. Corruptly solicits or demands for the benefit of any person, or accepts or agrees to accept, anything of value from any person, intending to be influenced or rewarded in connection with any business, transaction, or series of transactions of the District involving any thing of value of \$5,000 or more.

This provision does not apply to bona fide salary, wages, fees, or other compensation paid, or expenses paid or reimbursed, in the usual course of business.

*18 U.S.C. 666*