Economic Development Ethics

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INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

Principle and Objectives for the Class

- Provide guidance on the importance of integrity in decision making

- Provide tools for making ethical decisions

- Discuss the tenets of the IEDC Code of Ethics

- Use case studies to demonstrate ethical decision making in difficult situations

- Describe the Policies and Procedures adopted by the Committee on Professional Conduct (CPC) for IEDC Code of Ethics enforcement

History of the IEDC Code of Ethics

- Developed by the IEDC Board of Directors
- Adopted as the Code of Ethics in October 2008 as an **aspirational** statement
    - IEDC membership must be educated about the code before enforcement
- Studied policies and procedures
    - International City Managers Association (ICMA)
    - American Planning Association (APA)

History of the IEDC Code of Ethics (cont.)

- Evaluated insurance costs for enforcement
- Began ethics curriculum and training in 2010
- Begin enforcement January 1, 2011
- Committee on Professional Conduct (CPC) responsible for enforcement

The Impact of Our Profession

"The economic development profession has one of the most profound impacts on human life and highly effective EDOs can help author those impacts."

- IEDC White Paper on High Performing EDOs

What is Ethics?

What is Ethics?

- Ethics has to do with what my feelings tell me is right or wrong"
- "Ethics has to do with my religious beliefs"
- "Being ethical is doing what the law requires"
- "Ethics consists of the standards of behavior our society accepts"
- "I don't know what the word means"

In a recent Wall Street Journal article, Psychology professor Steven Davis says that cheating by high school students has increased from about 20 percent in the 1940's to 75 percent today.

"Students say cheating in high school is for grades; cheating in college is for a career."

Defining "Right"

"Ethics is knowing the difference between what you <u>have a right</u> to do and <u>what is right</u> to do"

Potter Stewart

Ten Universal Values

1. Honesty
2. Integrity
3. Promise Keeping
4. Fidelity
5. Fairness

6. Caring
7. Respect for Others
8. Responsible Citizenship
9. Pursuit of Excellence
10. Accountability

Ethics Is...

- How we act as individuals
- How we structure our organizations and their work
- How we structure our society, our laws, and our systems

Ethics

- Ethics is about choices that people make about ordinary and extraordinary decisions in day-to-day life

- Ethics is about upholding higher standards of conduct than simply adhering to the rules or the law

Two Ethical Questions

- It is a Question of Action
  - **How should I act?**
- It is a Question of Character
  - **What kind of person should I be?**

Our overriding thought is with the question of character

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Ethics is Not

- Just feelings or conscience
- The same as religion
- Just following the law
- Following "what everybody does"
- Technology or science - i.e. what can be done

Can Ethics Be Taught?

"To educate a person in mind and not in morals is to educate a menace to society"

-Theodore Roosevelt

If we want to produce people who share the values of a democratic culture, they must be taught those values and not be left to acquire them by chance.

- Cal Thomas, *The Death of Ethics in America*

Case Studies – Round I

Read the case study in the training manual and answer the questions as they appear on the screen for each case study.

Think of similar situations that you have faced in your life

Case Study 1: Managing Conflicts of Interest

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1) Is there a conflict of interest here?

2) Was the lawsuit filed by historic preservation groups appropriate or extreme?

3) The planning commission member sought legal counsel before partaking in the vote. What else could have been done to further mitigate his risks and any conflict of interest?

Case Study 2: Padding Your Resume

Case Study 2: Padding Your Resume

1. Should Jane be fired for being dishonest?

2. Because she has proven to be a good employee, should the incident be overlooked and kept between John and Jane?

3. Is a reprimand in order?

4. If yes, to what extent should Jane be reprimanded?

5. What should John do? What are his options?

Case Study 4: Re-grading an RFP

Case Study 4: Re-grading an RFP

1) Is this an ethical dilemma for Susan?

2) Is there a conflict between Susan's commitment to the community and her responsibility to the company?

3) What course of action should she take?

4) What measures should Aspiratown take to regain its credibility with the site selector and Susan's office?

Top 3 Ethics Issues Economic Developers Typically Face

Confidentiality   **90%**

Communicating Truthfully   **82%**

Conflicts of Interest   **76%**

Reasons for Unethical Behavior at our Workplace?

Reasons for Unethical Behavior

- Pressure to perform
- Pressure from peers
- Lack of understanding of consequences for one's actions
- Uncharted territory
- Personal loyalties
- Poor judgment

HUMANS MAKE MISTAKES

Reasons for Unethical Behavior

- Personal costs for doing the right thing may be high
- Lack of clear understanding of expected organizational/professional code of conduct
- Lack of long term perspective or failure to see it
- Improper and/or inadequate training

HUMANS MAKE MISTAKES

Critical Questions
for Organizational Health

- Why do we exist?

- How do we behave?

- What do we do?

- How will we succeed?

- What is most important, right now?

- Who must do what?

Source: Patrick Lencioni, "The Advantage: Why Organizational Health Trumps Everything Else in Business."

The Call for Leadership

"Leadership is lifting a person's vision to higher sights, the raising of a person's performance to a higher standard."

- Peter Drucker

5 Levels of Leadership

PEOPLE FOLLOW YOU BECAUSE OF WHO YOU ARE AND WHAT YOU REPRESENT.

People follow because of what you have done for them.

People follow because of what you have done for the organization.

People follow you because they want to.

People follow you because they have to.

Source: John Maxwell, "The 5 Levels of Leadership."

The Call for Leadership

"Management is doing things right. Leadership is doing the right thing."

- Peter Drucker

5 Ways to Think Ethically

1. Analyze whether the proposed behavior or standard of behavior promotes the GREATEST GOOD or the greatest human welfare

2. Identify the legitimate RIGHTS or HUMAN RIGHTS of individuals or groups affected, and the duties of the actors

3. Analyze whether all parties are treated FAIRLY- that is equally or differently only if there is a legitimate reason

4. Analyze whether the proposed behavior is consistent with recognized VIRTUES (i.e. fairness, honesty, integrity)

5. Ask whether the COMMON GOOD is adequately served

Making Ethical Decisions

- Is it legal?
- Does it violate the spirit of the law?
- Does it comply with our rules and regulations?
- Is it consistent with our organizational values?
- Does it match our stated commitments?

Making Ethical Decisions

- Am I the only or primary beneficiary?
- Will I feel okay and guilt free if I do this?
- Is bias or emotion clouding my judgment?
- Would I do this to my family and friends (or myself)?
- Would the most ethical person I know do this?

7 Step Checklist for Ethical Dilemmas

1. Recognize and clarify the predicament
2. Gather all essential facts
3. List all of your options
4. Analyze each option by asking yourself: "Is it legal? Is it right? Is it beneficial?"

7 Step Checklist for Ethical Dilemmas

5. Draw your conclusions, and make your decision.

6. Double check your decision by asking yourself: "How would I feel if my peers and superiors found out about this? How would I feel if my decision was made public by the media?"

7. Take action.

"A nation or a culture cannot endure for long unless it is undergirded by common values such as valor, public spiritedness, respect for others and for the law; It cannot stand unless it is populated by people who will act on the motives superior to their own immediate interest."

-Chuck Colson, Against the Night

Promoting an Ethical Culture

- Ethical behavior needs to be promoted by the most senior officials in the organization

- Policies should enable employees to make ethical decisions

- Tools that help support an ethical culture:
  - Established Code of Ethics
  - Education and training
  - A defined process for reviewing violations

IEDC's Code of Ethics can be used as a model for organizations.

Focus on Strong Values

- Organizations need to:
  - Clearly establish organizational values
  - Integrate them into operations and provide support systems for upholding the values
  - Promote them through effective communication with the members, outside stakeholders, media, general public, etc.
  - Connect them with policies and decision making processes

Two Approaches to Developing a Code of Conduct

- **Legal approach** – establishes a strict set of guidelines associated with the legal code

- **Values/Customs-based approach** – establishes a set of guiding principles that are agreed upon by participating stakeholders

Components of an Ethics Program

1. Code of Conduct
   - Written code of conduct
   - Written policies and procedures for investigation
2. Ethics education
   - Involve the staff
   - Be a role model
   - Benefits for ethical behavior
3. Performance assessment
   - Discussions and debates, Role play

Developing a Code of Conduct

1. Find a champion
2. Engage legal counsel
3. Form an ethics task force/committee
4. Draft a policy & engage staff in the process
5. Present draft policy to board/city council
6. Repeat previous steps as necessary
7. Publish, train staff and implement
8. Revisit the code and revise as necessary

If integrity is second to any of the alternatives, then it is subject to sacrifice in situations where a choice must be made. Such situations will inevitably occur in every person's life.

Case Studies – Round II

Case Study 5: Social (Media) Mores

Case Study 5:
Social (Media) Mores

1) Is this an ethical dilemma?

2) Is there a certain amount of social media usage at work that is appropriate?

3) What types of work matters should and shouldn't be discussed via social media?

4) What about personal opinions for or against certain city programs or elected officials?

5) How should Ann deal with Brian, the media and the potential fallout from the call center client?

Case Study 7: Who's Your Boss

Case Study 7:
Who's Your Boss?

1) Is this an ethical dilemma?

2) What if he is using city property – computers and other supplies?

3) John's employer discovered he was holding meetings with his own clients while on travel for the city. Should his supervisor confront him?

4) Is corrective action necessary here? If so, what?

What ethical principles should be adhered to in economic development marketing?

Ethics in Marketing & Communications

Materials should:

- Be truthful
- Use research results or quotations of individuals accurately.
- Communicate information effectively to affect a customer's decisions

Materials should NOT:

- Be misleading
- Offend standards of decency
- Play on fear, exploit misfortune or condone unlawful behavior

Ethics in Marketing & Communications

Do's

- Have evidence to support marketing claims
- Keep comparisons fair with facts that can be substantiated and competitors fairly selected.
- Use testimonial or endorsements that are genuine, verifiable and relevant
- Make advertisements recognizable

Don'ts

- Attack or criticize any person, group of persons, organization or community.

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Ethics in Marketing & Communications

- Be creative! Steer clear of marketing communications that imitate those of another marketer.

- Have a written privacy policy that is readily available to customers when collecting data.

- Include a full disclosure statement in any communication channel when putting an opinion forward that could lead to an action that will financially benefit the author (or employer).

Case Studies – Round III

Case Study 10:
Respecting Roles & Responsibilities

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Respecting Roles and Responsibilities

1) Should the ED director have remained in order to hear the comments and take it back to his council?

2) Should he offer his input?

Special Case:
Disaster Impacted Business

Special Case:
Disaster Impacted Business

1) How do you respond to this request?

2) What is your responsibility to the impacted community and impacted businesses?

Ethics in Business Recruitment: Avoid Poaching from Disaster-Impacted Communities

- Natural disasters can cause severe economic and physical impacts to a community that are mostly outside of the community's control.

- Is it fair play to take businesses away from a community when they are down? Avoid taking advantage of their bad situation and misfortunes.

Statement on Gulf Recovery

"IEDC is concerned that some economic developers and the communities they represent might seek to recruit companies from the Gulf Coast while they undertake to recover from Hurricanes Katrina and Rita. IEDC would consider highly unethical any such efforts to take advantage of the Gulf Coast communities during this period of great weakness and need.

-Approved by the IEDC Board of Directors on Sept 28, 2005

Ethics in Business Recruitment: Avoid Poaching from Disaster-Impacted Communities

- Follow the Golden Rule: Treat others as you want to be treated.

- IEDC Board leadership considers it highly unethical to poach business from a disaster impacted community.

Working with Ethics Violations

- Chances of violations can never be eliminated
- In addition to promoting ethical cultures and training, establish procedures that enable review and sanctions, if proved.

Reviewing Ethical Violations

- Main components of reviewing ethics violations:
  - Initial review of the complaint to determine violation or not
  - If yes, conduct an independent and detailed investigation of the case
  - If violation found, the organization may impose sanctions of the person(s)
- Important to engage all parties in an impartial environment, maintain written documentation, and allow for an appeals process

IEDC POLICIES AND PROCEDURES ENFORCEMENT

IEDC Ethics Violations Review

- Committee of Professional Conduct (CPC) reviews and investigates alleged violations, as well as determines sanctions, if proved.

- Peer-review process
  - Staff support provided to CPC as needed

Committee on Professional Conduct

- Structure
  - IEDC Vice Chairman of the Board
  - Immediate Past Chair
  - Past Chair who is also a CEcD
  - Private sector representative of the Board appointed by the Chair
  - Public sector representative of the Board appointed by the IEDC Chair
- At any given time, there are at least 2 CEcDs on the CPC.

Filing an Ethical Violation Complaint

- Avenues to bring complaint
  - IEDC Board Member, Board Chair or President & CEO
  - CPC
- Complaints can also be initiated by CPC or at the request of the Board Chair or CEO
- Complaint must be submitted in writing with substantial written or electronic documentation to support the allegation

Review of Alleged Violation

- Step I – Due Diligence (Information Review)
- Step II – Initial Review of the Complaint
  - Is there sufficient information and details to merit a full review? And…
  - Does the alleged violation constitute a violation of the IEDC Code of Ethics?

Review of Alleged Violation

- Step III – Detailed Review of the Complaint
  - Fact Finding Committee (FFC)
  - Review by CPC
  - Hearings
- Appeals submitted to IEDC Governance Committee in writing

Sanctions

- Private Censure

- Public Censure

- Suspension of Membership (time limits)

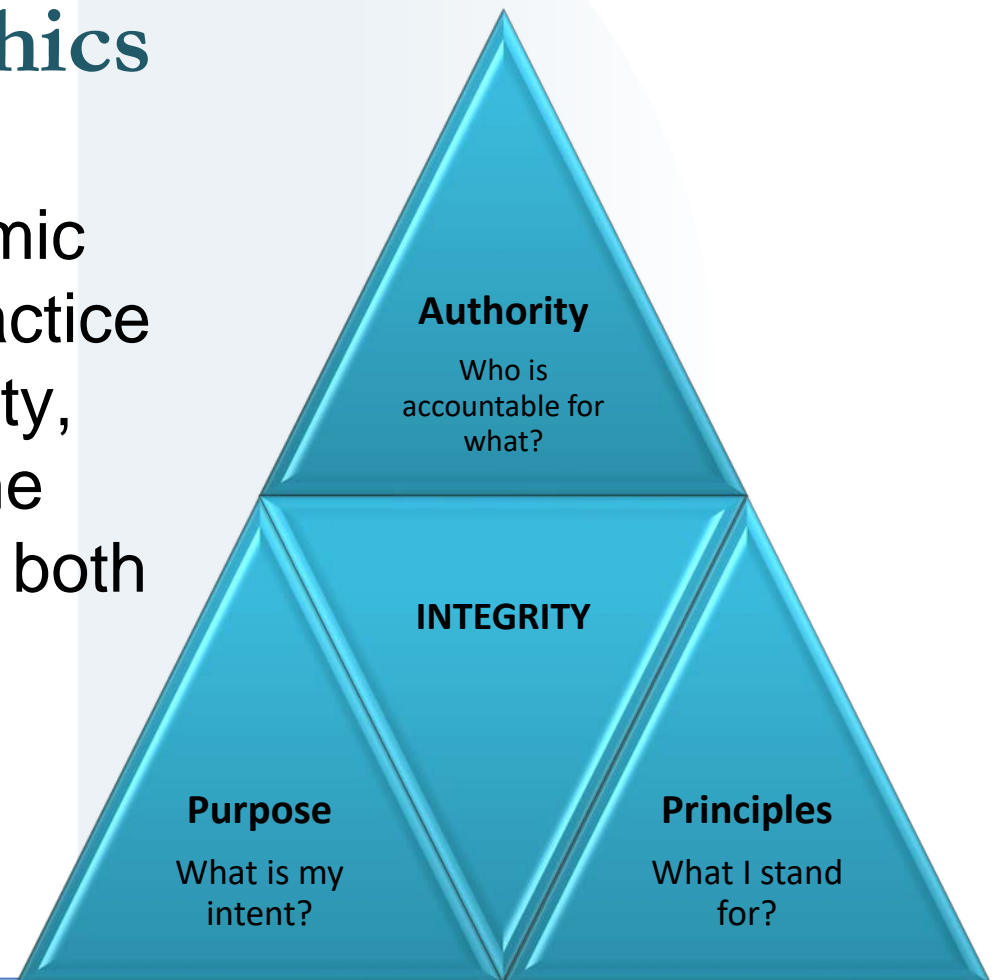- Termination of IEDC Membership / Cancelation of CEcD Certification / Removal from IEDC Board of Directors

IEDC Code of Ethics

1. Professional economic developers shall carry out their responsibilities in a manner to bring respect to the profession, the economic developer, and the economic developer's constituencies.
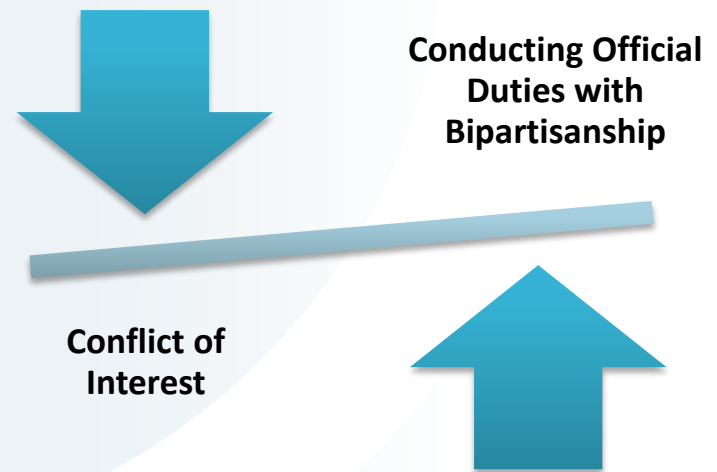
IEDC Code of Ethics

2. Professional economic developers shall practice with integrity, honesty, and adherence to the trust placed in them both in fact and in appearance.

Authority
Who is accountable for what?

INTEGRITY

Purpose
What is my intent?

Principles
What I stand for?
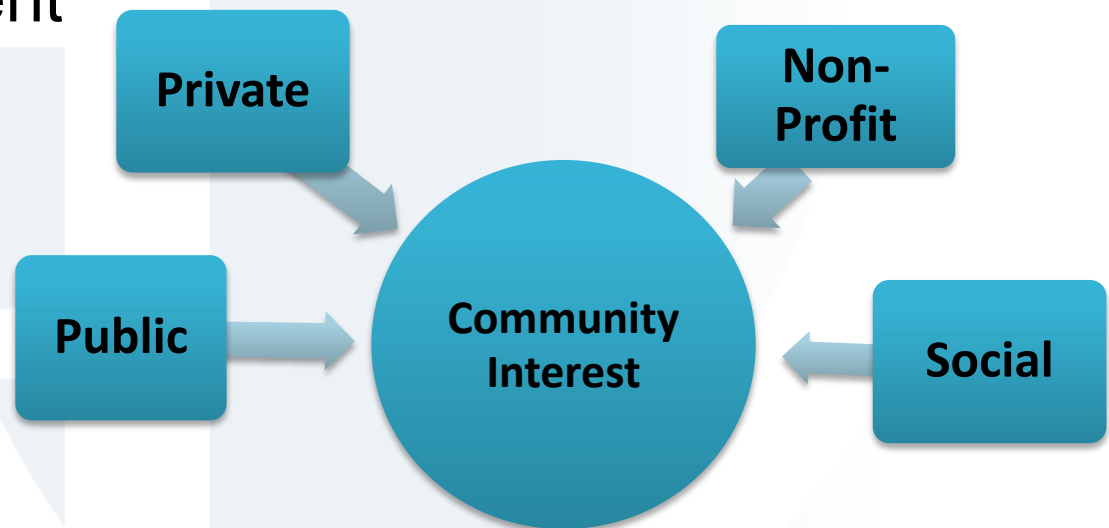
IEDC Code of Ethics

3. Professional economic developers will hold themselves free of any interest, influence, or relationship in respect to any professional activity when dealing with clients which could impair professional judgment or objectivity or which in the reasonable view of the observer, has that effect.

Conducting Official Duties with Bipartisanship

Conflict of Interest

IEDC Code of Ethics

4. Professional economic developers are mindful that they are representatives of the community and shall represent the overall community interest.
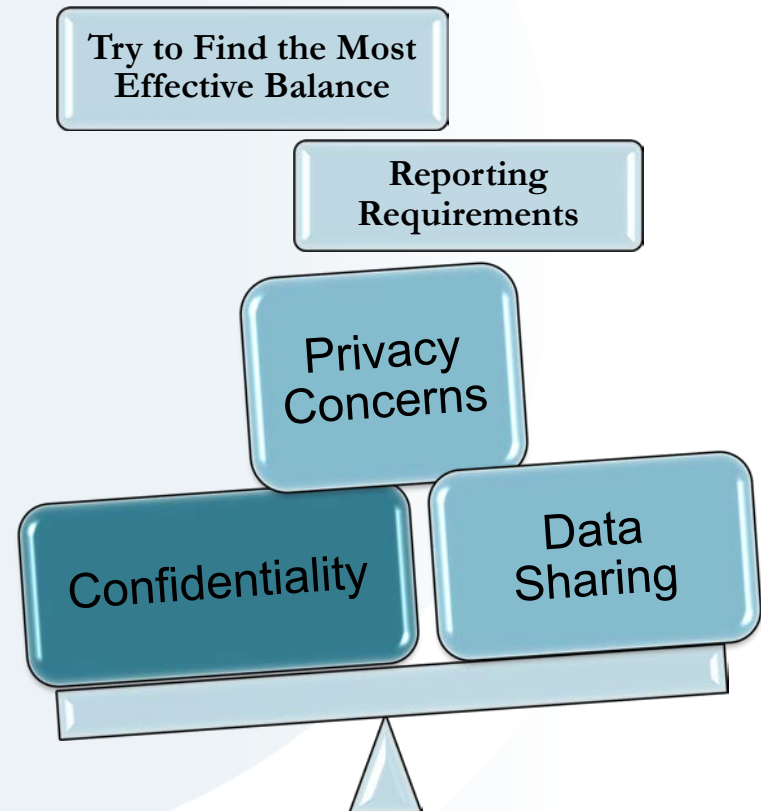
IEDC Code of Ethics

5. Professional economic developers shall keep the community, elected officials, boards and other stakeholders informed about the progress and efforts of the area's economic development program.

IEDC Code of Ethics

6. Professional economic developers shall maintain in confidence the affairs of any client, colleague or organization and shall not disclose confidential information obtained in the course of professional activities.
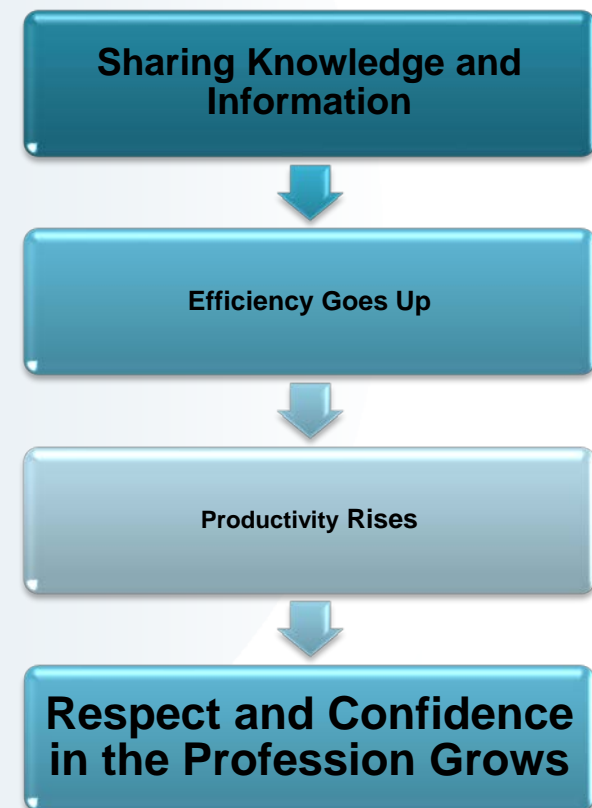
Try to Find the Most Effective Balance

Reporting Requirements

Privacy Concerns

Confidentiality

Data Sharing

IEDC Code of Ethics

7. Professional economic developers shall openly share information with the governing body according to protocols established by that body. Such protocols shall be disclosed to clients and the public.

IEDC Code of Ethics

8. Professional economic developers shall cooperate with peers to the betterment of economic development technique, ability, and practice, and to strive to perfect themselves in their professional abilities through training and educational opportunities.

Sharing Knowledge and Information

⬇

Efficiency Goes Up

⬇

Productivity Rises

⬇

Respect and Confidence in the Profession Grows

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IEDC Code of Ethics

9. Professional economic developers shall assure that all economic development activities are conducted with equality of opportunity for all segments of the community without regard to race, religion, sex, sexual orientation, national origin, political affiliation, disability, age, socio-economic status or marital status.

IEDC Code of Ethics

10. Professional economic developers shall refrain from sexual harassment. Sexual harassment is defined as any unwelcome conduct of a sexual nature.

IEDC Code of Ethics

11. Professional economic developers do not exploit the misfortune of federally declared disaster-impacted regions. This includes actively recruiting businesses from an affected community.

When in doubt, follow the Golden Rule: Treat others as you want to be treated.

IEDC Code of Ethics

12. Professional economic developers shall abide by the principles established in this code and comply with the rules of professional conduct as promulgated by IEDC.
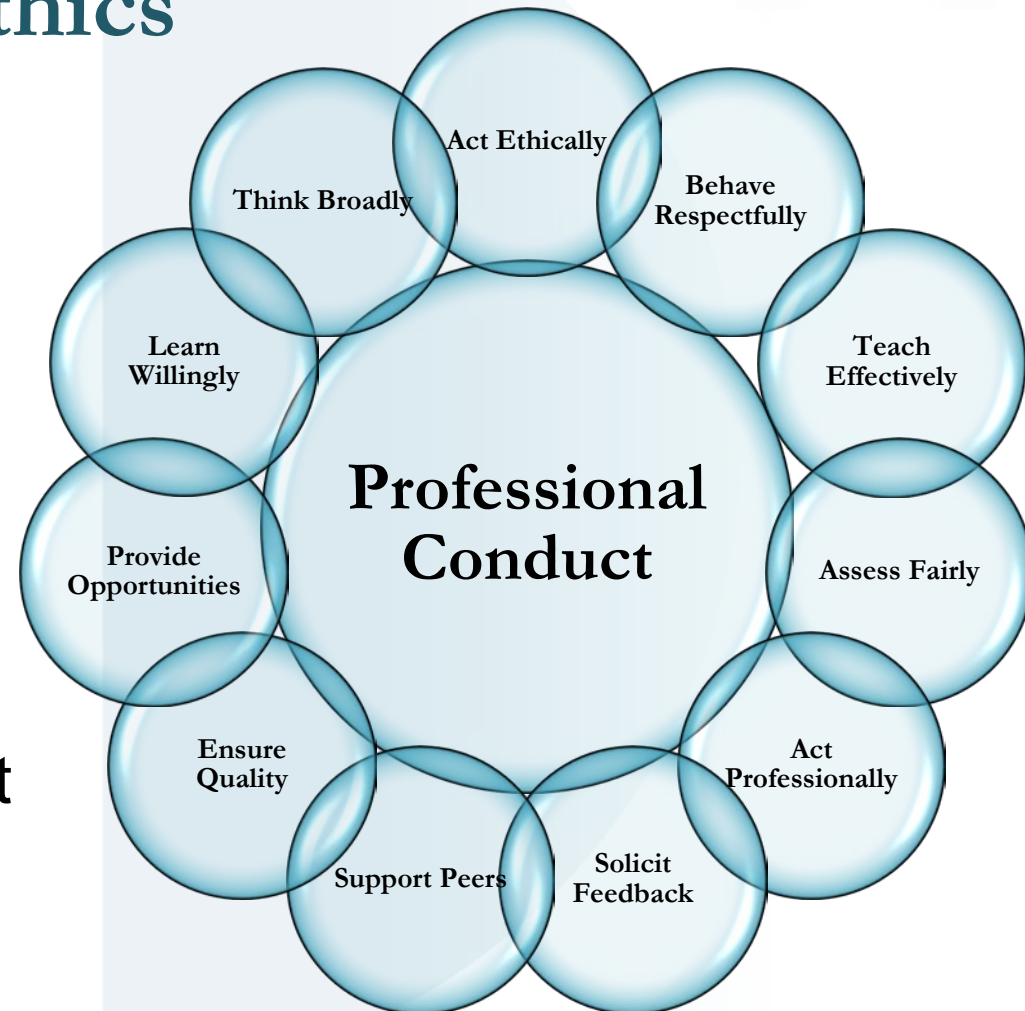
"The reputation of a thousand years may be determined by the conduct of one hour"

-Japanese Proverb