 Executive Education

# Resolving Ethical Conflicts

Do the Right Thing and Keep Your Job


Written by  
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## About the Author

John is a former management consultant and CFO. He began doing ethics seminars two weeks before the Enron scandal became news. He is the author of ***Pricing for Profitability*** published by Wiley & Sons, Inc. and a novel, ***Tool & Die***.



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## Objectives

- Provide tools for resolving ethical conflicts.
- Topics covered include:
  - Process for resolving conflicts.
  - How to talk about difficult subjects without having the discussion blow up.



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## An Accountant's Priority

- Priority of Stakeholders
  - The Public
  - The Profession
  - The Client/Employer
  - The Professional (Self)
- Important Ethical *Principle*
- Principles are not enforceable



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## Many Sources of Guidance

- **AICPA Code of Professional Conduct**
- **IMA Statement of Ethical Professional Practice**
- **IIA Code of Ethics**
- Canadian CPA bodies
- FEI, ISACA, other professional associations



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## AICPA Ethics Codification

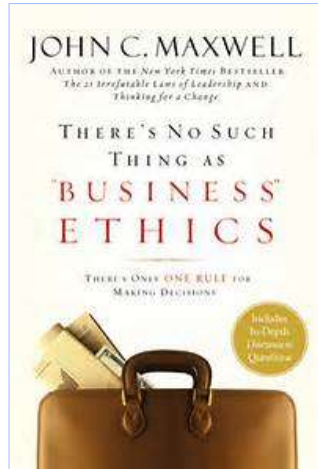
- Focuses on threats to rules compliance
  - Adverse interest threat
  - Advocacy threat
  - Familiarity threat
  - Self-interest threat
  - Self-review threat
  - Undue influence threat



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## Other Sources of Guidance



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## What is an Ethical Conflict?

- **Ethical Conflict:**
  - When obstacles exist to following an appropriate course of action due to internal or external pressures
  - Conflicts exist in applying appropriate professional or legal standards



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## Resolution of Ethical Conflict

- General steps:
  - Take issue up the chain of command
  - Consult your lawyer
  - Consider resigning



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## Obtaining Advice

- Codes suggest talking with your attorney
- Consider ethics committee first
  - Members have considerable experience
  - No charge



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**Case #2**

# Personal Expenses

How do you handle this situation?

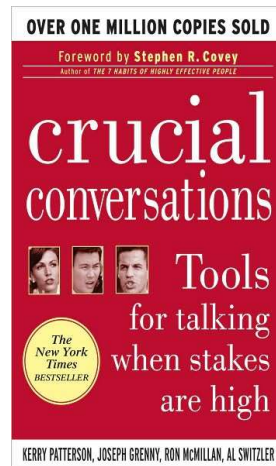


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# Holding a Tough Conversation

Read ***Crucial Conversations***  
or ***Crucial Accountability***



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## Work on “Me” First

- Avoid the “suckers choice”
- Master your stories
  - Am I making up a “clever” story?
  - Why would a reasonable, decent person do this?
  - Is there more that I don’t know?
  - Do I have a role in creating the conflict?



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## Work on “Me” First (cont’d)

- Start with the Heart:
  - What do I really **want**?
    - For me?
    - For others?
    - For the relationship?
  - What do I **not** want?



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## Confront With Safety

- Ask permission to converse
  - If they refuse, you must discuss that issue first.
- Contrast to establish safety
  - What you **do not** want
  - What you **do** want



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## Confront With Safety (cont'd)

- Describe the gap
- Talk tentatively
- Share your facts
- Invite other party to share their facts
- Share your story as a story, not as a fact



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## Action and Mutual Purpose

- Most conflicts over 5-10% of facts
- Agree where you can agree
- Decide how you will decide
- Establish a plan to move forward



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## When Talking Fails

- Key question:
  - Does the conflict break the law or your professional code of conduct?
  - If yes, you should resign **or** report the violation.
  - If no, your actions are your personal choice.



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## When to Resign?

- Can you defer resigning until you find a new job?
- Give two weeks notice?
- Should you make a “noisy withdrawal”?



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## Whistleblower Protection

- At least 50 federal laws with whistleblower protection features.
- Sarbanes-Oxley Act.
- Dodd-Frank Act
- Many state and local laws.
- Patchwork coverage.



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## Whistleblowers

- Hero or a “snitch”?
- Matter of perspective.
- Whistleblower protection continues to expand.
- Best practice requires feedback channels all the way to the board.



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## The Whistleblowers

- Hero accountants named as ***Time Magazine***'s 2002 “Persons of the Year”
  - Cynthia Cooper, V.P.-Internal Audit at WorldCom
  - Sherron Watkins, V.P. Enron



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# Our Image



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# The Accountant



Anna Kendrick

Ben Affleck



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**the 4 Way Test**

Of the things we think, say or do:

1. Is it the **TRUTH**?
2. Is it **FAIR** to **ALL** Concerned?
3. Will it Build **GOODWILL** and Better Friendships?
4. Will it Be **BENEFICIAL** to **ALL** concerned?

I WILL DO MY BEST  
TO DO MY DUTY TO GOD  
AND MY COUNTRY  
AND TO OBEY  
THE SCOUT LAW  
TO KEEP THE PEOPLE  
PHYSICALLY FITTING

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**Thank You!**

Please share your thoughts and comments:

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