

Pharmaceutical Society of South Africa 2017 Conference

5 October 2017

**ETHICS AND DISPELLING THE MYTHS
AROUND INDUSTRY**

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WHAT IS ETHICS?

Any issue that concerns moral right or wrong

Any issue that affects another person

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BUSINESS ETHICS?

The study of business situations, activities, and decisions where issues of right and wrong are addressed

(Crane & Matten, 2010)

- ethics > law
- business > commercial business

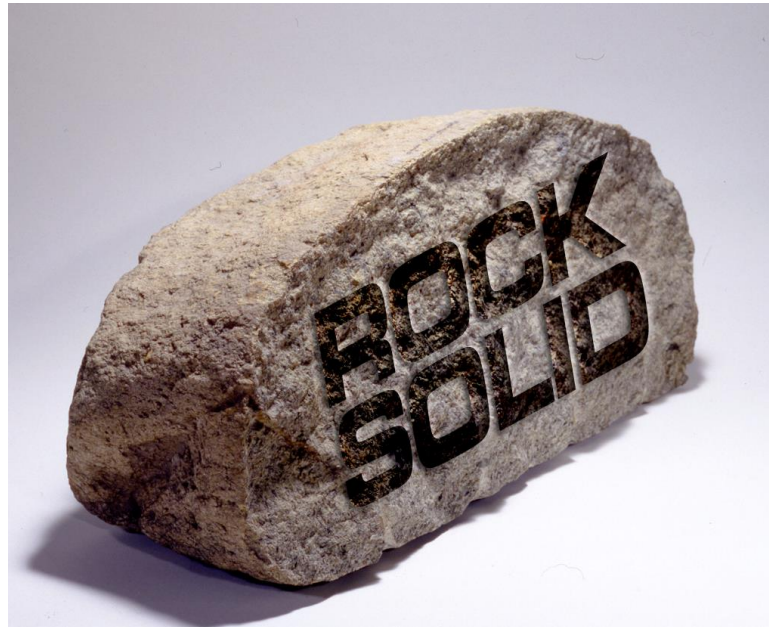
WHY DO ETHICS MATTER?

- Fulfil obligations as a Director
- Create a work environment we respect
- Create a work environment beyond legal compliance
- Be a good corporate citizen
- Focus on our work
- Avoid negative public relations
- Build corporate image
- Increase customer loyalty
- Increase employee loyalty



WHATEVER HAPPENED TO BUSINESS ETHICS?

How would you describe the state of ethics in business today? Wonderful? Rock Solid? No, I think most people are disgusted with it. They are sick of dishonesty and unethical dealings.



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AN UNETHICAL DILEMMA CAN BE DEFINED AS AN UNDESIRABLE OR UNPLEASANT CHOICE RELATING TO A MORAL PRINCIPLE OR PRACTICE

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**"Whenever you see
a successful business,
someone once made
a courageous decision."**

- Peter F. Drucker

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MANY PEOPLE BELIEVE THAT EMBRACING ETHICS WOULD LIMIT THEIR
OPTIONS, THEIR OPPORTUNITIES, THEIR VERY ABILITY TO SUCCEED IN
BUSINESS

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THE SAME PERSON WHO CHEATS ON HIS TAXES OR STEALS OFFICE SUPPLIES
WANTS HONESTY AND INTEGRITY FROM THE COMPANY WHOSE STOCK HE
BUYS, THE POLITICIAN HE VOTES FOR, AND THE CLIENT HE DEALS WITH IN HIS
OWN BUSINESS

THE BOTTOM LINE ON ETHICS

COMPANIES THAT ARE DEDICATED TO DOING THE RIGHT THING, HAVE A WRITTEN COMMITMENT TO SOCIAL RESPONSIBILITY, AND ACT ON IT CONSISTENTLY ARE MORE PROFITABLE THAN THOSE WHO DON'T



WHY THIS RULE IS GOLDEN?



1. I am always ethical
2. I am mostly ethical
3. I am somewhat ethical
4. I am seldom ethical
5. I an never ethical

**THERE ARE REALLY ONLY TWO IMPORTANT POINTS WHEN IT COMES
TO ETHICS. THE FIRST IS A STANDARD TO FOLLOW. THE SECOND IS
THE WILL TO FOLLOW IT**

WHAT IS ETHICAL LEADERSHIP?

- Doing the right thing
- Easier said than done
- Often not obvious
- Hard right vs. the easy wrong
- Often unpopular
- May be short term losses
- Requires courage and conviction



"My question is: Are we making an impact?"

WHAT BE AN ETHICAL LEADER?

- Congruence: personal values
- Congruence: organisational values & rules
- An Africa for the 21st century
 - shared growth
 - sustainable prosperity
 - leads on global issues: climate change, sustainability
- Reputation
- Loyalty
- Long term value add
- Legacy

WHAT ARE THE KEY ISSUES?

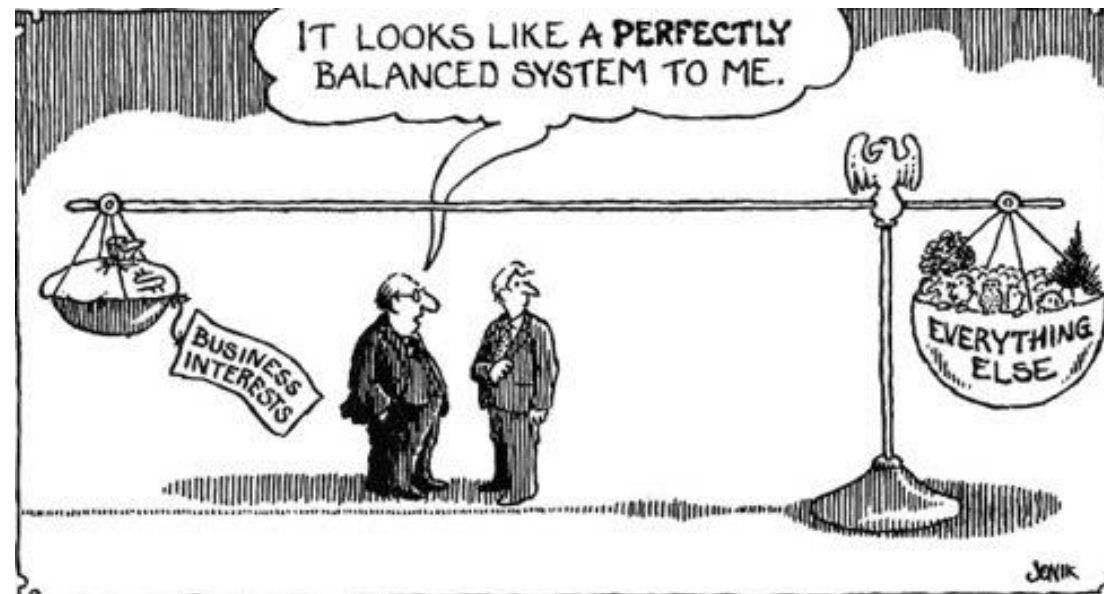
- Gifts
- Entertainment
- Compensation
- Procurement

- Avoid
 - ✓ Conflicts of interest
 - ✓ Litigation
 - ✓ Misconduct



WHAT IS CONFLICT OF INTEREST?

A conflict of interest arises any time that your ability to act independently and in the interest of the company and shareholders is undermined.



WHY ARE CONFLICTS OF INTEREST A PROBLEM?

When there is a conflict of interest, the director may act in his/her interest, instead of the best interests of the company

- a violation of fiduciary duty as a director



HOW ARE CONFLICTS OF INTEREST MANAGED?

- Disclose actual conflicts
- Disclose appearance of conflict
- Document recusal from decision
- Resign if independence is impossible

HOW DO I LEAD ETHICALLY?

- Be clear: your values
- Be clear: organisation's values & rules
- Clash of values?
If significant, should I be here?
If insignificant, can I live with the organisation's values?
- Values vs. competitive disadvantage?



be
clear.
get
results.

LEARN THE VALUES AND RULES – AND LIVE THEM

You are free to make
whatever choice you
want, but you are not
free from the
consequences
of the choice.

- Make the organisation's values clear
- Make the organisation's rules clear
- Act on them
- Ensure consequences for failure to comply
- Incentivise compliance

ETHICAL DECISION MAKING

What drives your decisions and conduct?

Are you making a rational decision?

Or

Are you making a rationalisation?



ETHICAL DECISION MAKING – A METHODOLOGY

Remember

- Bell
- Book
- Sun

NO RULE: HOW DO I DECIDE ETHICALLY?

- What core values?
- Clash of core values?
- What stakeholders affected?
- How serious?
- Create the greatest good, greatest number



BE ETHICALLY SAVVY

- Ethics issue – bell rings
- Rational, not a rationalisation
- If a matter involves an organisational value, is there an ethical concern?
 - If yes, decide rationally based on rules and values
 - good front page news?
- Seek advice
 - In house counsel
 - Ethics officer
 - Compliance officer

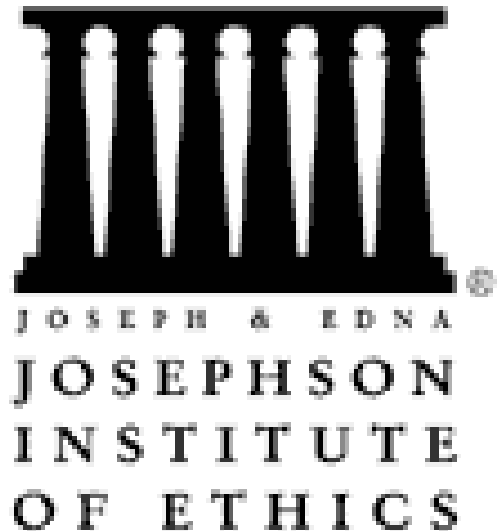
SUSTAINABLE LEADERSHIP: KNOW, BE, LOVE THYSELF

- Self-care
- Not: self only
- Yes: self first
- No
- Dream team
- Develop your personal board of directors
- Keep it social

“Your relationship with yourself sets the tone for every other relationship you have.”

THE GOLDEN RULE OF ETHICS

“ETHICS IS ABOUT HOW WE MEET THE CHALLENGE OF DOING THE RIGHT
THING WHEN THAT WILL COST MORE THAN WHAT WE WANT TO PAY”
- THE JOSEPHSON INSTITUTE OF ETHICS



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**“THERE’S HARMONY AND INNER PEACE TO BE FOUND IN FOLLOWING A
MORAL COMPASS THAT POINTS IN THE SAME DIRECTION REGARDLESS OF
FASHION OR TREND”**

- TED KOPPEL

THE GOLDEN RULE BEGINS WITH YOU

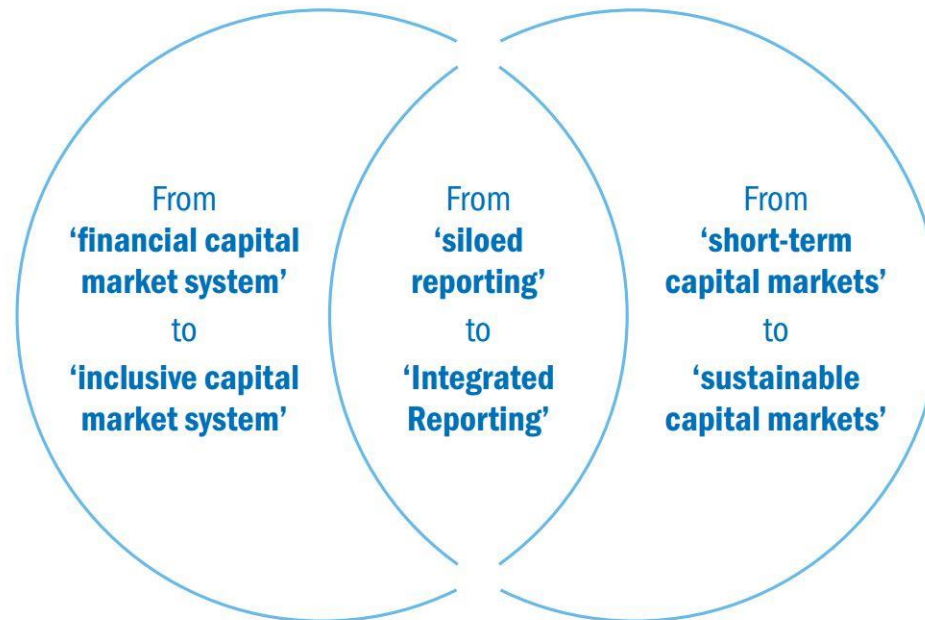
How do you want to be treated?

1. I want to be valued
2. I want to be appreciated
3. I want to be trusted
4. I want to be respected
5. I want to be understood
6. I do not want others to take advantage of me

What do
YOU
want?

THE THREE SHIFTS IN THE CORPORATE WORLD

- From financial capitalism to indecisive capitalism
- From short-term capital markets to long-term, sustainable capital markets
- From siloed reporting to integrated reporting



STAKEHOLDER MANAGEMENT



- Know and understand the legitimate and reasonable needs, interests and expectations of an organisation's major stakeholders
- Management needs an ongoing relationship with the stakeholders

ETHICAL LEADERSHIP

Ethical Leadership is exemplified by integrity, competence, responsibility, accountability, fairness and transparency. It involves the anticipation and prevention, or otherwise amelioration, of the negative consequences of the organisation's activities and outputs on the economy, society and the environment and the capitals that it uses and affects.

Ethical Leadership is results-driven. It is about achieving strategic objectives and positive outcomes. Effective leadership includes, but goes beyond, an internal focus on effective and efficient execution.

ETHICAL LEADERSHIP

Steers and sets strategic direction with regards to both:

- The organisation's strategy, and
- The way in which specific governance areas are to be approached, addressed and conducted

Approves policy and planning that give effect to the strategy and the set direction

Governing Body's Primary Governance Role and Responsibilities

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graph TD; A["Governing Body's Primary Governance Role and Responsibilities"] --> B["Steers and sets strategic direction"]; A --> C["Approves policy and planning"]; A --> D["Oversees and monitors implementation and execution"]; A --> E["Ensures accountability for organisational performance"];
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Ensures accountability for organisational performance by means of, among others, reporting and disclosure

Oversees and monitors implementation and execution by management

KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Principle 1: The governing body should lead ethically and effectively.

RECOMMENDED PRACTICES

1. Members should individually and collectively cultivate the following characteristics and exhibit them in their conduct:
 - a. Integrity
 - i. Must act in good faith and in the best interests of the organisation.
 - ii. Should avoid conflicts of interest. In cases where a conflict cannot be avoided, it should be disclosed in full at the earliest opportunity, and then proactively managed as determined by the governing body and subject to legal provisions.
 - iii. Should act ethically beyond mere legal compliance.
 - iv. Should set the tone for an ethical organisational culture.

KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

INTEGRITY
IS DOING THE
RIGHT THING.
EVEN WHEN
NO ONE IS
WATCHING.

C.S. LEWIS

b. Integrity

- i. Should take steps to ensure that they have sufficient working knowledge of the organisation, its industry, the triple context in which it operates, the capital it uses and affects as well as the key laws, rules, codes and standards applicable to the organisation.
- ii. Must act with due care, skill and diligence, and take reasonably diligent steps to become informed about matters for decision.
- iii. Should continuously develop their competence to lead effectively.

KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

- c. Responsibility
 - i. Should assume collective responsibility for steering and setting the direction for the organisation; approving policy and planning; overseeing and monitoring of implementation and execution by management; and ensuring accountability for organisational performance.
 - ii. Should exercise courage in taking risks and capturing opportunities, but in doing so in a responsible manner and in the best interests of the organisation.
 - iii. Should take responsibility for anticipating, preventing or otherwise ameliorating the negative outcomes of the organisation's activities and outputs in the triple context in which it operates, and the capitals that it uses and affects.
 - iv. Should attend meetings of the governing body and its committees, and devote sufficient time and effort to prepare for those meetings.

KING IV
LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

- d. Accountability
 - i. Should be willing to answer for the execution of their responsibilities, even when these were delegated.



KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

- e. Accountability
 - i. Should adopt a stakeholder-inclusive approach in the execution of their governance roles and responsibilities.
 - ii. Should direct the organisation in such a way that it does not adversely affect a natural environment, society or future generations.

ACCOUNTABILITY

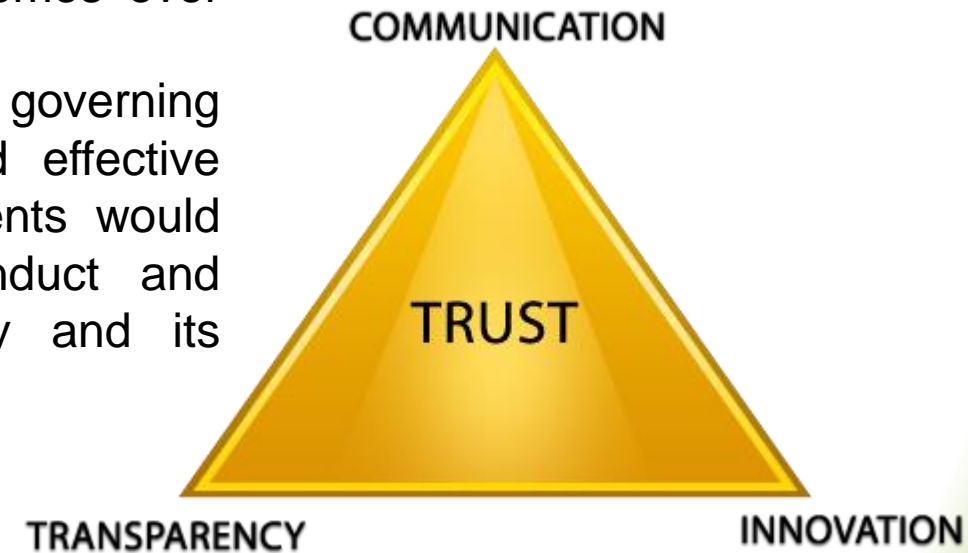
is the glue that ties

COMMITMENT

to **RESULTS**

KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

- f. Transparency
 - i. Should be transparent in the manner in which they exercise their governance roles and responsibilities.
- 2. The governing body should embody the above ethical characteristics in order to offer effective leadership that results in achieving strategic objectives and positive outcomes over time.
- 3. The arrangements by which the members of the governing body are being held to account for ethical and effective leadership should be disclosed. These arrangements would include, but are not limited to, codes of conduct and performance evaluations of the governing body and its members.



KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

ORGANISATIONAL ETHICS

Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

RECOMMENDED PRACTICES

4. Assume responsibility for the governance of ethics by setting the direction for how ethics should be approached and addressed by the organisation.
5. Should approve codes of conduct and ethics policies that articulate and give effect to its direction on organisational ethics.
6. Should ensure that codes of conduct and ethics policies:
 - a. Encompass the organisation's interaction with both internal and external stakeholders and the broader society; and
 - b. Address the key ethical risks of the organisation.

KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

7. Should ensure that the codes of conduct and ethics policies provide for arrangements that familiarise employees and other stakeholders with the organisation's ethical standards. These arrangements should include:
 - a. Publishing the organisation's codes of conduct and policies on the organisation's website, or on other platforms or through other media as is appropriate;
 - b. The incorporation by reference, or otherwise, of the relevant codes of conduct and policies in supplier and employee contracts, and
 - c. Including the codes of conduct and ethics policies in employees induction and training programmes,
 - d. Address the key ethical risks of the organisation.
8. should delegate to management the responsibility for implementation and execution of the codes of conduct and ethics policies.

KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

9. Should exercise ongoing oversight of the management of ethics and, in particular, oversee that it results in the following:
 - a. Application of the organisation's ethical standards to the processes for the recruitment, evaluation of performance and reward of employees, as well as the sourcing of suppliers.
 - b. Having sanctions and remedies in place for when the organisation's ethical standards are breached.
 - c. The use of protected disclosure or whistle-blowing mechanisms to detect breaches of ethical standards and dealing with such disclosures appropriately.
 - d. The monitoring of adherence to the organisation's ethical standards by employees and other stakeholders through, among other, periodic independent assessments.

KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

10. The following should be disclosed in relation to organisational ethics:
- An overview of the arrangements for governing and managing ethics.
 - Key areas of focus during the reporting period.
 - Measures taken to monitor organisational ethics and how the outcomes were addressed.
 - Planned areas of future focus.



"What's all this 'naughty or nice' jazz? — Haven't you ever heard of situational ethics?"

KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

RESPONSIBLE CORPORATE CITIZENSHIP

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

RECOMMENDED PRACTICES

11. Should assume responsibility for corporate citizenship by setting the direction for how it should be approached and addressed by the organisation.
12. Should oversee that the organisation's responsible corporate citizenship efforts include compliance with the Constitution of South Africa (including the Bill of Rights), the law, leading standards, and adherence to its own codes of conduct and policies.
13. Should oversee that the organisation's core purpose and values, strategy and conduct are congruent with it being a responsible corporate citizen.

KING IV LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

11. Should oversee and monitor, on an ongoing basis, how the consequences of the organisation's activities and outputs affect its status as a responsible corporate citizen. This oversight and monitoring should be performed against measures and targets agreed with management in all of the following areas:
 - a. Workplace (including employment equity; fair remuneration; and the safety, health, dignity and development of employees).
 - b. Economy (including economic transformation; prevention, detection and response to fraud and corruption; and responsible and transparent tax policy).
 - c. Society (including public health and safety; consumer protection; community development; and protection of human rights).
 - d. Environment (including responsibilities in respect of pollution and waste disposal; and protection of biodiversity).

CONCLUSION

If we are willing to be ourselves and allow our difference to be an advantage, to give ourselves permission to have drive and ambition, and to make our voices and perspectives count – I believe that we, as women, have the potential and power to change the world in ways that matter and perhaps have the kind of impact that none of us have dared imagine.”

(Sharmla Chetty, Regional MD, Africa Duke CE)



ISSUES

QUESTIONS

DISCUSSION

CONTACT

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Thank You