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# **Upholding Ethics and Governance in a Global World**

**California Council for Excellence and the Ukleja Center  
for Ethical Leadership at CSULB**

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# Agenda

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- **Ethical Dilemmas and Pressure**
- **Values and Integrity**
- **Importance of Ethics and Compliance**
- **Boeing Implementation**
- **What Works**
- **Lessons Learned: Leadership**

# Ethics: A Common-Sense Definition

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- Ethical behavior is what you do when no one is looking
- Will you do the right thing even when it is not in your best interest?

*“Whenever you are to do a thing, though it can never be known but to yourself, ask yourself how you would act were all the world looking at you, and act accordingly.”*

Thomas Jefferson



# Ethical Dilemmas

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- On the weekend, you stop at an ATM for \$100. The machine dispenses \$200 to you, but only debits your account for the \$100 you requested
- What do you do now?



# Ethical Dilemmas

- You are going home at 2:00 a.m. and stop for a red light. Looking around, you see no one in any direction as far as the eye can see
- What do you do?



# Ethical Dilemmas

- **The auto body repairman offers to fix damages not caused by your recent collision as part of your insurance claim**
  
- **Would you do it?**



# The Age Factor

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Would you cheat on an important exam?

- Elementary school students 21%
- Middle school students 53%
- High school students 65%
- College students 75%



*Source: 2000/2001 McCabe/Rutgers Survey*



# Risks to Proper Ethical Conduct

- **Work pressures, such as:**
  - **Schedule deadlines**
  - **Sales goals**
  - **Cost reductions**
  - **Quality inspections**
- **Career advancement**
- **Intentional decision / rationalization**
  - **“No one will know”**
  - **“Everyone does it”**
  - **“I didn’t know that was against policy”**
- **Fear of retaliation**
- **Misunderstanding or lacking information**



# Values

What do you value?





2016

VISION

## People working together as a global enterprise for aerospace leadership

### Strategies

- Run healthy core businesses
- Leverage strengths into new products and services
- Open new frontiers

### Core competencies

- Detailed customer knowledge and focus
- Large-scale systems integration
- Lean enterprise

### Values

- Leadership
- Integrity
- Quality
- Customer satisfaction
- People working together
- A diverse and involved team
- Good corporate citizenship
- Enhancing shareholder value

### Integrity is the foundation of Boeing values

*We will always take the high road by practicing the highest ethical standards and by honoring our commitments. We will take personal responsibility for our actions and treat everyone fairly and with trust and respect.*

# Integrity

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**Integrity is about:**

- **Being accountable and responsible**
- **Doing what is right**
- **Doing what we say we are going to do**
- **Demonstrating our personal commitment to ethical behavior in everything we do**

**Ethics must be viewed as a cultural trait regardless of :**

- **Location, program, or team**
- **Level in the organization**

**We must create and maintain an environment  
where ethics and integrity can thrive**

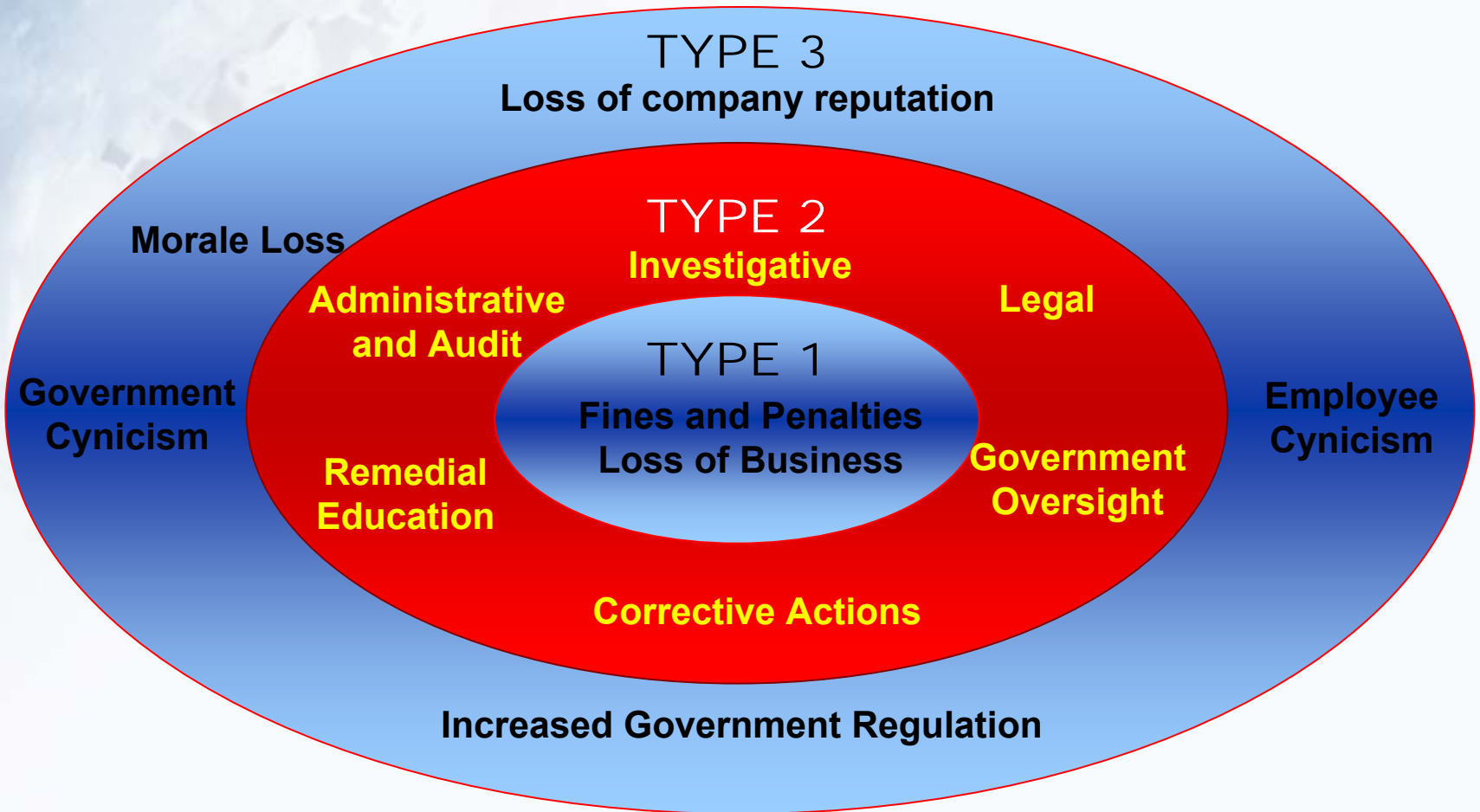
# Why are Ethics and Compliance So Important?

# Effects of Violating Ethical Conduct

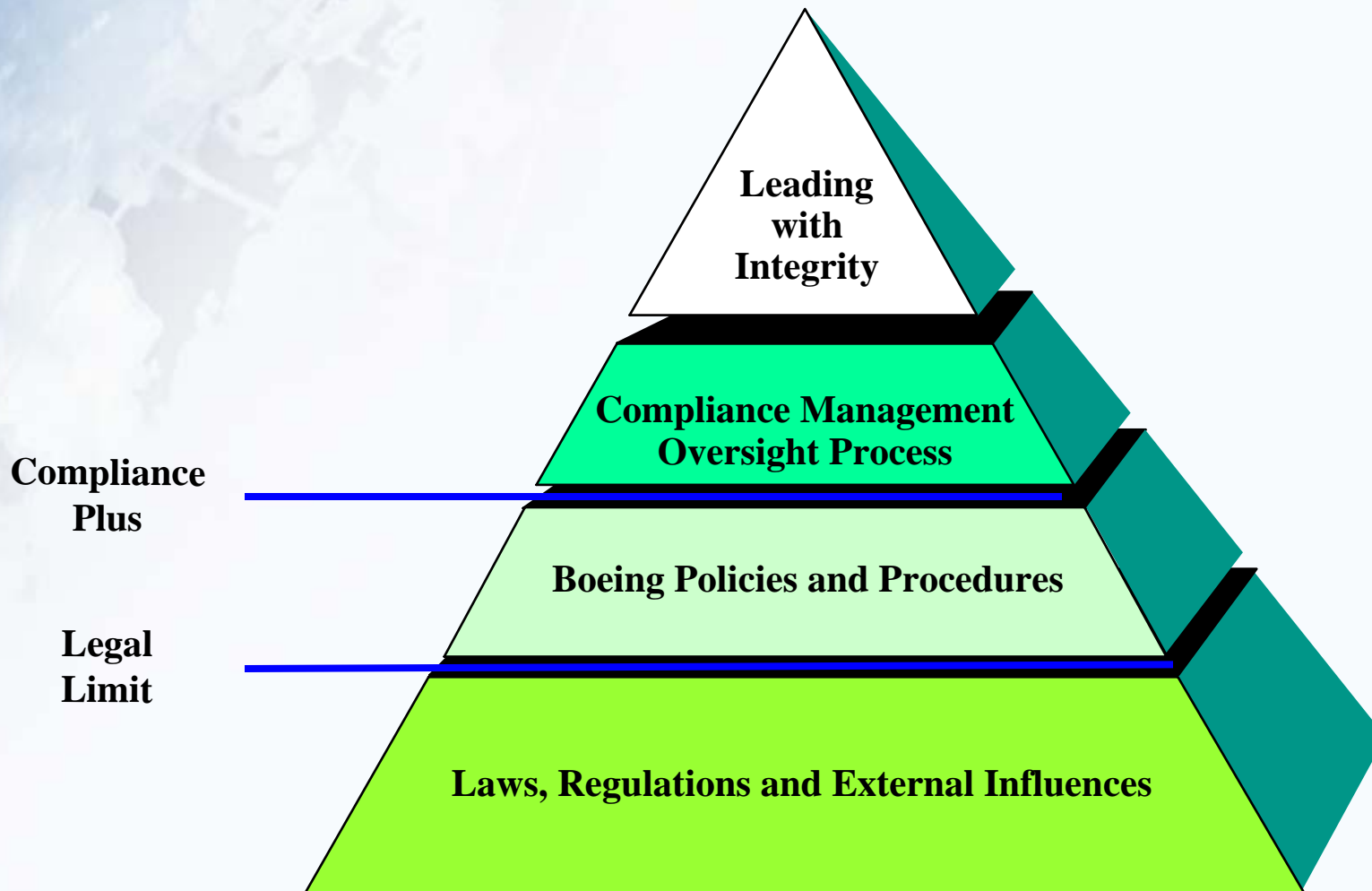
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- **Company Risk**
  - **Loss of contracts**
  - **Restrictions on bidding**
  - **Reputation**
  - **Stock prices (company valuation)**
- **Personal Risk**
  - **Corrective Action**
  - **Loss of employment**
  - **Legal action**

# The Cost of an Ethics Failure

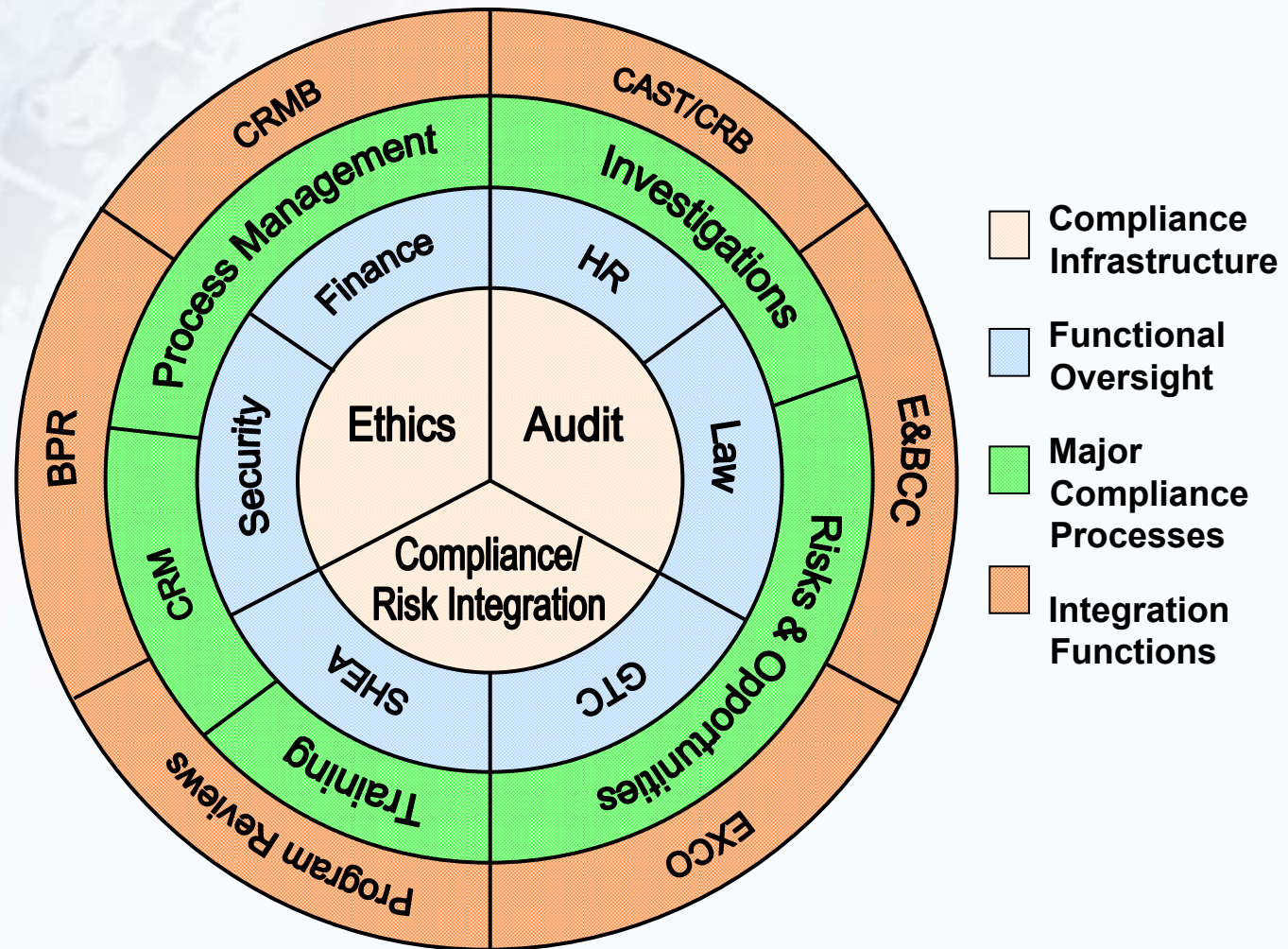


# Levels of Compliance

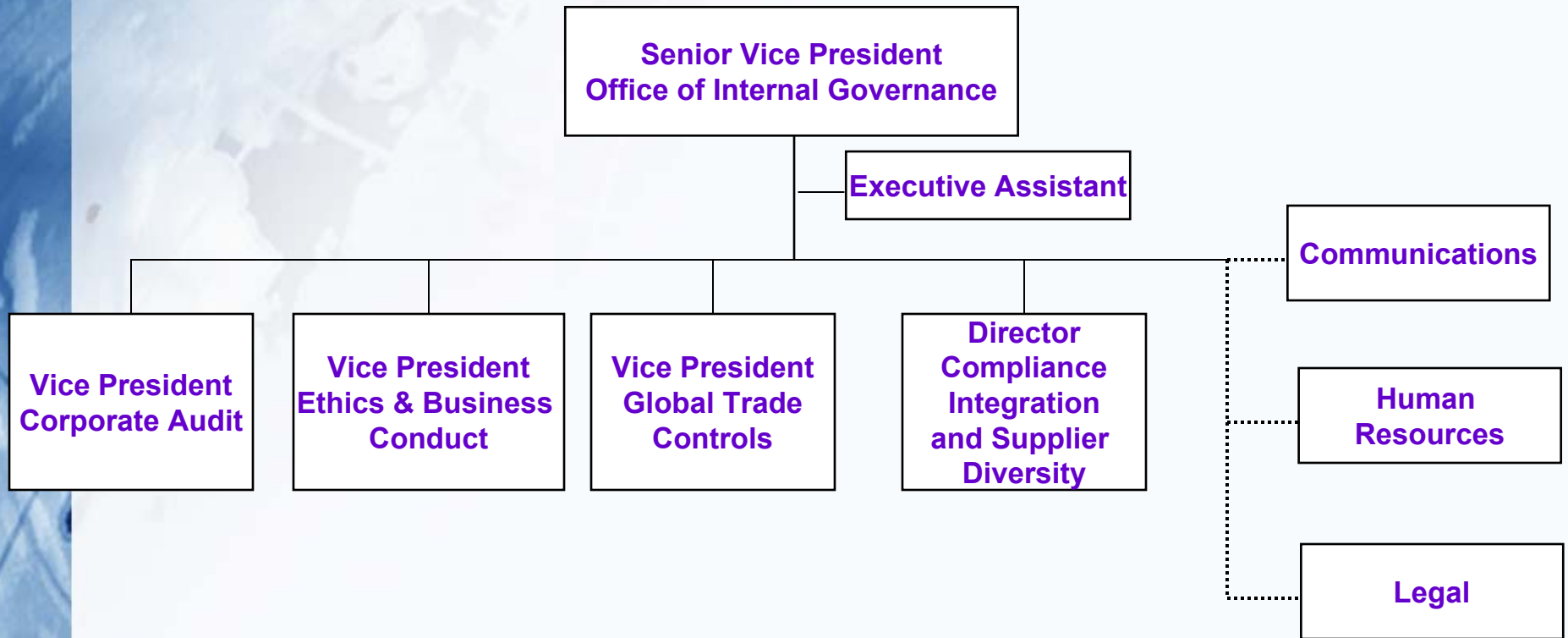


# The Boeing Implementation of Ethics and Compliance

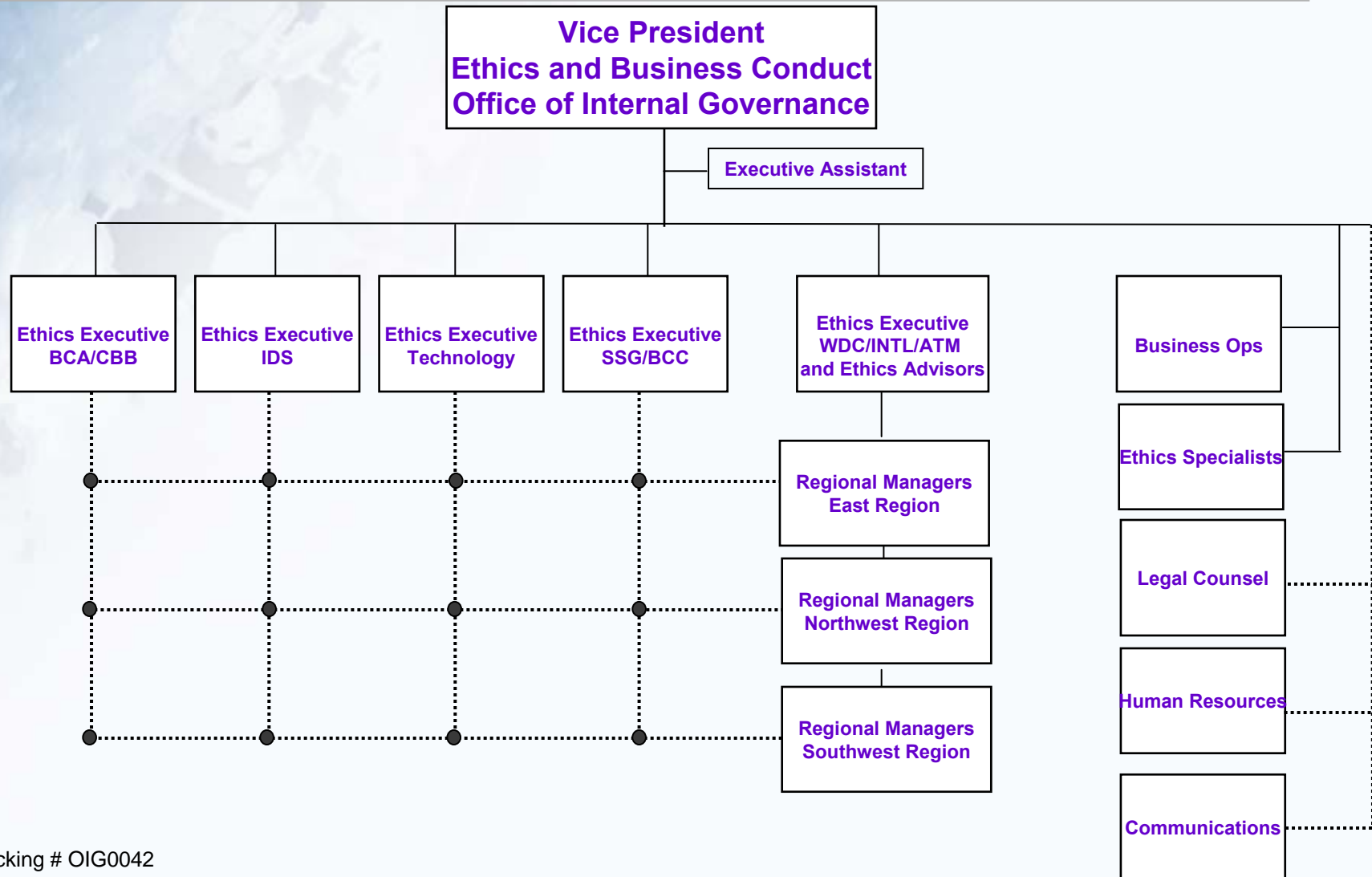
# Strengthening the Boeing Governance Environment



# Office of Internal Governance



# Ethics and Business Conduct



# Ethics and Business Conduct

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## **Vision:**

- **A culture of superior performance driven by integrity, openness and trust**

## **Mission:**

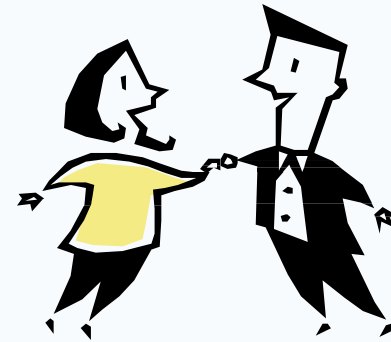
- **Drive an industry-leading Ethics program that inspires a culture of integrity and personal accountability to ensure business success**

# Areas of Ethical Concern



GRATUITIES

**Conflict  
of  
Interest**



**Supplier Relations**



**Proper Marketing**



**Proper Use of  
Company Assets**



**Insider Trading**

# What Works

# Defense Industry Initiative (DII) Requirements

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- **“Each company will have and adhere to a written code of business ethics and conduct”**
  - **Policies and Procedures**
  - **Code of Conduct**
  - **Ethics and Business Conduct Guidelines**

# Boeing Code of Conduct



## Boeing Code of Conduct

The Boeing Code of Conduct outlines expected behaviors for all Boeing employees. Boeing will conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations. In conducting its business, integrity must underlie all company relationships, including those with customers, suppliers, communities and among employees. The highest standards of ethical business conduct are required of Boeing employees in the performance of their company responsibilities. Employees will not engage in conduct or activity that may raise questions as to the company's honesty, impartiality, reputation or otherwise cause embarrassment to the company.

Employees will ensure that:

- They do not engage in any activity that might create a conflict of interest for the company or for themselves individually.
- They do not take advantage of their Boeing position to seek personal gain through the inappropriate use of Boeing or non-public information or abuse of their position. This includes not engaging in insider trading.
- They will follow all restrictions on use and disclosure of information. This includes following all requirements for protecting Boeing information and ensuring that non-Boeing proprietary information is used and disclosed only as authorized by the owner of the information or as otherwise permitted by law.
- They observe that fair dealing is the foundation for all of our transactions and interactions.
- They will protect all company, customer and supplier assets and use them only for appropriate company approved activities.
- Without exception, they will comply with all applicable laws, rules and regulations.
- They will promptly report any illegal or unethical conduct to management or other appropriate authorities (i.e., Ethics, Law, Security, EEO).

Every employee has the responsibility to ask questions, seek guidance and report suspected violations of this Code of Conduct. Retaliation against employees who come forward to raise genuine concerns will not be tolerated.

F70001 NEW (12 MAR 2004)

- Do not engage in conflicts of interest
- Do not abuse Boeing position for personal gain through inappropriate use of inside information
- Protect Boeing and 3<sup>rd</sup> party proprietary information
- Observe fair dealing in all transactions and interactions
- Protect company, customer, supplier assets and use appropriately
- Comply with all laws, rules and regulations
- Report promptly illegal or unethical conduct to management or appropriate authorities

**Every employee has the responsibility to ask questions, seek guidance, and report suspected violations of this Code of Conduct. Retaliation against employees who come forward to raise genuine concerns will not be tolerated.**

# DII Survey Participants

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## 14 Participating Companies:

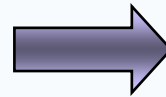
- **BAE Systems, North America, Inc**
- **The Boeing Company**
- **Day & Zimmermann, Inc.**
- **DRS Technologies**
- **General Electric Transportation**
- **Harris Corporation**
- **L-3 Communications Corp.**
- **Lockheed Martin Corporation**
- **Parker Aerospace**
- **Raytheon**
- **Science Applications International Corporation**
- **Thales North America, Inc.**
- **United Defense, LP**
- **United Technologies Corporation**

**Source: Ethics Resource Center**

# Ethical Culture: Results Correlation

## When everyone:

- Talks about ethics in the workplace
- Keeps promise and commitments
- Models ethical behaviors
- Holds each other accountable



## We see:

- Less observed misconduct
- Less pressure to compromise ethical standards
- Increased reporting of misconduct
- Higher satisfaction with response to reported misconduct

**Source:** *Ethics Resource Center*

# Action Counts



Source: National Business Ethics Survey 2003, Ethics Resource Center

Tracking # OIG0042

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# Lessons Learned: It's All About Leadership

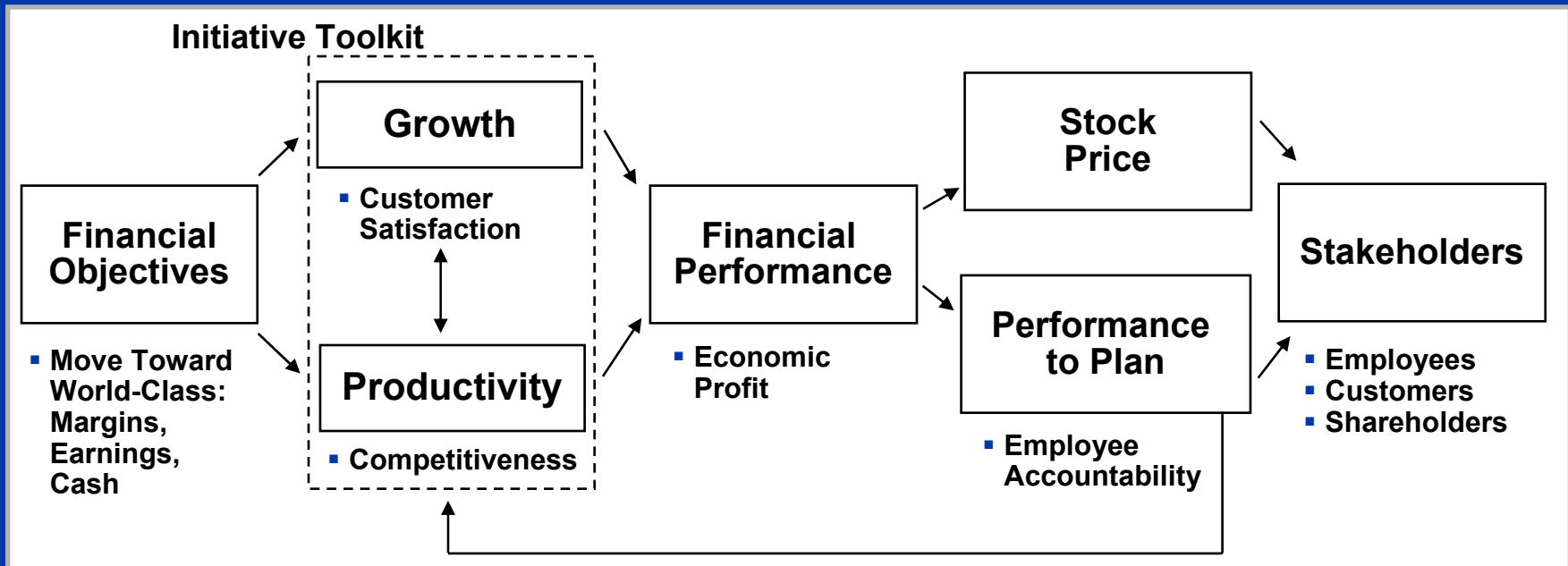
# Boeing's Management Model

CHARTS THE COURSE

SETS HIGH EXPECTATIONS

DELIVERS RESULTS

INSPIRES OTHERS



## Attaining World-Class Growth and Productivity:

- Committed, performance-driven management
- Maximize learning across the enterprise and from outside
- Adapt and apply learnings in clearly defined businesses

LIVES BOEING VALUES

FINDS A WAY

# Set the Tone at the Top

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**Promote an organizational culture that encourages ethical conduct and a commitment to compliance with law**

**How?**

- **Set clear expectations**
- **Demonstrate leadership action**
- **Promote a culture of openness**
- **Use value-based decision making**

**\* *Source: U.S. Sentencing Guidelines***

# Set Clear Expectations

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- **Model and explain:**
  - **Company values**
  - **Desired behaviors**
  - **Code of Conduct**
- **Provide tools and job aids to:**
  - **Enable communication**
  - **Help employees make the “right” decisions**
- **Develop and maintain clear and accessible policies and procedures**
- **Require accountability:**
  - **Link expected behaviors to performance evaluations**

# Demonstrate Leadership Action

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- **Lead activities:**
  - **Ethics training**
  - **Code of Conduct certification**
  - **Conversations about ethics**
- **Model values and desired behaviors**
- **Recognize those who demonstrate desired behaviors**
- **Keep promises and commitments**
- **Ensure the right metrics are in place to run the business and reward desired behaviors**

# Promote a Culture of Openness

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- **Raise the difficult issues**
- **Make it easy and inviting for people to bring up difficult issues**
- **Put intentions on the table — no hidden agendas**
- **Demonstrate that retaliation is not tolerated**
- **Act on issues that are raised — share the results**
  - **Boeing Ethics Report**

# Use Value-Based Decision Making

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- **Apply organizational values for making decisions and taking action**
- **When encountering an ethical dilemma:**
  - **Identify underlying values for each side of the dilemma**
  - **Identify any competing values**
  - **Ask:**
    - **Are the values really competing or is one of the choices just unpleasant?**
  - **If dilemma still exists:**
    - **Step back**
    - **Seek a third alternative that embraces the values associated with each side of the dilemma**

# Summary

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- **Ethics and compliance are good for business**
- **Values drive behavior**
- **Tone at the top is critical**
- **Leadership, leadership, leadership**

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# Questions