Economic Development
Ethics Training

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL
734 15th Street NW Suite 900
Washington DC 20005
www.iedconline.org
# Table of Contents

I. Introduction ........................................................................................................................................... 3  
   Brief History of the Development of IEDC Code of Ethics ................................................................. 3  
   Ethical Behavior .................................................................................................................................. 4  
   Making Ethical Decisions .................................................................................................................. 4  
   Focusing on Values ............................................................................................................................ 5  

II. Promoting an Ethical Culture ............................................................................................................. 6  
   Reasons for Unethical Behavior .......................................................................................................... 6  
   Promoting Ethical Behavior ................................................................................................................ 6  
      Code of Conduct .............................................................................................................................. 7  
      Ethics Education ............................................................................................................................. 7  
      Performance Assessment .................................................................................................................. 7  

III. The IEDC Code of Ethics .................................................................................................................. 9  

IV. Case studies ....................................................................................................................................... 14  

V. Working with Ethics Violations ......................................................................................................... 29  
   Reviewing Ethical Violations ................................................................................................................ 29
I. Introduction

The economic development profession is evolving and as the profession matures, establishing codes of conduct become paramount to the long term viability of the profession. The Board of Directors of the International Economic Development Council (IEDC), the premier organization representing those in economic development and allied fields, realized such a need for establishing a professional standard to guide economic developers. IEDC adopted the Code of Ethics in October 2008 as the gold standard for professional conduct in the economic development industry. This training manual and accompanying materials provide guidance on the importance of personal and professional integrity in decision making, provide tools for making ethical decisions, as well as brief discussion on the ten tenets of the IEDC Code of Ethics.

Brief History of the Development of IEDC Code of Ethics

The process started in early 2008 when the IEDC Board of Directors charged their Performance, Oversight and Monitoring (POM) Committee to develop a Code of Ethics for the economic development profession. A task force was established within the POM Committee to spearhead the development of the code. Following lengthy discussions and deliberations with the IEDC legal counsel and members of the task force, the IEDC Code of Ethics was presented to the Board of Directors as an aspirational statement at the 2008 Annual Conference. This meant that the code spelled out the standards of professional conduct in the economic development profession. However, in case of a violation, IEDC did not have a mechanism to formally process that complaint and determine sanction(s) on the violator(s), if proved. The task force strongly felt that the IEDC membership needs to be first better educated about the code itself and its purpose before enforcement. The aspirational Code of Ethics was adopted by the Board of Directors in October, 2008.

The next step was research. It was primarily focused on two parts:

- What are the policies and procedures in place for organizations similar to IEDC that enforce their codes of ethics? The International City Manager’s Association (ICMA) and the American Planning Association (APA) were studied in detail.
- What are the financial repercussions for IEDC in enforcing the code of ethics? Taking disciplinary action against a member could make IEDC vulnerable to lawsuits or other kinds of liability. Therefore, adequate insurance coverage would be needed before the ethics code was fully enforced.

This research was conducted by the Ethics Task Force in FY2009. The detailed research regarding ICMA and APA ethics policies helped inform the development of the IEDC Policies and Procedures Manual for Ethics Enforcement. The latest version of that document can be downloaded from the IEDC website, www.iedconline.org. The task force corroborated the recommendations from the previous year that
education needs to be the most important part of the ethics enforcement process. The staff was charged with developing an ethics curriculum and start offering training sessions at IEDC courses and conferences in 2010. This manual and accompanying training materials are a culmination of the research under the guidance of the Ethics Task Force.

Ethical Behavior

Ethical behavior is conduct that is beyond reproach and is in accordance to the laid down standards of a society, institution or organization. The standards of conduct may not always be written and adopted formally by the institution or organization. They also change as organizations and institutions evolve, underscoring the need for regular education about acceptable conduct in the profession and the organization.

Fundamentally, ethics is about choices that people make about ordinary (as well as extraordinary) decisions in day-to-day life. The choice to act one way vs. another has an impact on the outcomes and the method adopted to get to those outcomes. Choices are often impacted by personal and professional values. Many leaders use their personal lives as a moral compass for their professional conduct. Values that we learn when young often guide us in our adult, professional lives. While values are non-negotiable, practices may need to be adapted to the situation at hand, or from time to time. Aligning actions with values will ensure that they are being incorporated into the operations of the organization from the highest to the lowest level, ensuring overall success.

It is important to note that there may be a difference between ethical behavior and legal or illegal actions. Ethical conduct is not about upholding the law. It is about upholding higher standards of conduct than simply adhering to the rules or the law. It may not always be easy to adhere to these higher standards, especially in difficult situations. It takes courage, moral integrity, and a keen sense of commitment to ethical standards to make the right decisions.

Making Ethical Decisions

When faced with ethical dilemmas, individuals and organizations need to carefully consider all options regarding actions, methodologies and outcomes. The International City Managers Association (ICMA) has identified a list of ten questions that should be asked during the decision making process:

1. Is it legal?
2. Does it violate the spirit of the law?
3. Does it comply with our rules and regulations?
4. Is it consistent with our organizational values?
5. Does it match our stated commitments?
6. Am I the only or primary beneficiary?
7. Will I feel okay and guilt free if I do this?
8. Is bias or emotion clouding my judgment?
9. Would I do it to my family and friends (or myself)?
10. Would the most ethical person I know do this?

Answers to these questions can be a quick guide to ethical decision making in most situations.

**Focusing on Values**

The fundamentals of a strong ethical behavior lie in strong values. Organizations need to:

1. Clearly establish organizational values. This can be achieved through a mission or vision statement that spells the values cherished by the organization
2. Integrate them into operations and provide support systems for upholding the values
3. Promote them through effective communication with the members, outside stakeholders, media, general public, etc.
4. Connect them with policies and decision making processes
II. Promoting an Ethical Culture

Ethical behavior needs to be promoted from the top and supported with policies and adequate resources that enable employees and peers to make ethical decisions. Organizational leadership needs to be a model of ethical decision making in order to reinforce the importance of ethical behavior throughout the organization. They need to lead by example. An established code of ethics, education and training, and a defined process for reviewing violations are all tools that help support an ethical culture in an organization.

For those economic development organizations that may not be able to devote the resources for the preparation of a more customized ethics code, they may use the IEDC Code of Ethics as a model.

Reasons for Unethical Behavior

The process of promoting an ethical culture needs to start with understanding what causes unethical behavior. Better policies and procedures can then be designed to prevent unethical decisions and mitigate their adverse impacts on the organization and/or the community.

Unethical behavior can result from the following, singularly or in combination:

- Pressure to perform (unrealistic business/organization goals, deadlines, etc.)
- Pressure from peers
- Lack of understanding of consequences for one’s actions
- Uncharted territory
- Personal loyalties
- Lack of long term perspective or failure to see it at the time
- Personal costs for doing the right thing may be too high
- Poor judgment
- Lack of clear understanding of expected organizational/professional code of conduct
- Improper and/or inadequate training

While many of the above reasons may be beyond the span of control of leadership, every effort should be made by leaders and top executives to address the last two – they need to clearly establish guidelines for professional conduct in an organization (whether formally laid out or otherwise understood) and provide adequate training on a regular basis.

Promoting Ethical Behavior

An ethical culture should start from the top and cascade down. Organizations should provide ethics education programs for all employees. These programs should:
• explain the underlying ethical principles
• clarify proper ethical behavior
• differentiate between ethical behavior and legal/illegal actions
• present practical ways of carrying out procedural guidelines

This can be broken down into three components:

1. Code of conduct
2. Ethics education
3. Performance assessment

**Code of Conduct**

- **Written Code of Conduct** - Develop a written code of conduct. The code needs to reflect the values that are important to the organization and may be reflected as part of the organizational mission or vision. Clearly define what ethics in the organization and/or profession means, and distribute a copy to all members of the organization.
- **Written Policies and Procedures for Investigation** – An important component of an effective code of conduct is clearly defining consequences for serious and repeated violations. A detailed process for review and sanctions needs to be developed in conjunction with the ethics code. It is paramount that people understand the level of importance accorded to ethical behavior in an organization.

**Ethics Education**

- **Involve the Staff** - Involve the employees, whenever you have a review of the codes. This will serve as training in itself.
- **Be a Role Model** - Practice what you preach! Senior managers and the CEO should themselves be morally upright, and present oneself, in such a way as is exemplary of ethical behavior.
- **Incentives for Ethical Behavior** - Formulate such policies that reward ethical behavior on the part of the employees. Put in place some consequences for unethical behavior too. In performance appraisals, use ethical performance as criteria for judging the employee's work and decide pay hikes and incentives accordingly.

**Performance Assessment**

- **Discussions and Debates** - Have regular discussions or seminars on the subject of business ethics and business etiquette. The main idea behind these debates and discussions is to make the employees think about their conduct in the office and take corrective measures if needed.
• Role Plays - Conducting role plays by using real life situations can make the ethics training program interesting and encourage active participation. Give real life situations to your employees and ask them to show their course of action in those scenarios. After role plays, present before them the consequences of these actions. Thus, conducting such sessions will make the employees think twice, before committing similar errors in the future.

What can then follow is this useful seven-step checklist that organizations should use to help their employees in dealing with an ethical dilemma:\(^1\):

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?"
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? How would I feel telling me parents/children about it?"
7. Take action.

---

\(^1\) Adapted from 2003 EAC Workshop handout by Michael Davis, Center for Study of Ethics in the Professions, Illinois Institute of Technology, Chicago. Copyright 2003
III. The IEDC Code of Ethics

This section is devoted to understanding the ten tenets of the IEDC Code of Ethics. Each one is discussed briefly below.

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.

Economic developers work in challenging situations always trying to balance public and private goals and objectives with achievable solutions and strategies. Personal integrity is paramount in delivering ethical decisions, especially in difficult situations. It is the purpose of this code to encourage ethical behavior among economic development professionals in a manner that not only enhances the profile of the community but also the profession and the professional at the same time.

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

Economic developers may be placed in positions of trust and confidence by clients, businesses, community leaders and elected officials by virtue of their position or personal integrity. In deciding what is right and just, an economic developer must place the interests of the community ahead of any personal gain. Integrity, which demands honesty and candor, should be used as a benchmark for decision making. Within the definition of integrity, allowance can be made for innocent error and legitimate difference of opinion; but integrity cannot coincide with deceit or compromise of one’s principles. At the same time, it is important that professionals take responsibility for errors and take corrective action in order to minimize negative impacts on the community.
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.

Economic development as a profession requires impartiality, intellectual honesty, and disclosure of conflict(s) of interest(s). A conflict may occur when a professional’s personal or professional interest interferes or appears to interfere, in any way, with their ability to perform their duties as an economic developer. Conflict of interest, whether actual or perceived, needs to be addressed without delay.

Economic developers should ask about and adhere to their organizations’ requirements for identifying, disclosing, and managing conflict(s) of interest(s).

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

The economic developer’s primary responsibility is to serve the community interest, which includes public, private, non-for-profit, social and material interests at the same time. Engaging the community through continuous and open debate is a way of ensuring success down the line. Representing the overall community interest can build a stronger relationship within communities that connect people, information and ideas for effective action. This relationship will enable economic developers to work in new ways that increase impact and foster success.
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.

The work of economic developers frequently require public approval, input from community leaders or the community as a whole, endorsements from boards or directors, etc. Sharing pertinent information with these engaged stakeholders is important to ensure the proper functioning of checks and balances in promoting the economic growth of the community. Economic developers should encourage the sharing of relevant information such that the integrity of process is maintained without divulging confidential information that may derail the process of business development and overall economic growth of the community.

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.

As part of routine professional responsibilities, economic developers may become privy to confidential information regarding businesses, organizations or other clients. An effective relationship between the economic developer and client can only foster upon the understanding that information shared with the economic developer will be kept confidential. In order to provide services efficiently and to protect the client’s privacy, the assurance of confidentiality is vital. The economic developer may need to clarify on each end of the deal what information can be shared and what cannot be shared. Trust should be maintained at each end of the deal.

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.

The profession as a whole should respect, support, and study government constitutions and laws that define responsibilities of public agencies, employees, and all citizens. Economic developers should provide clients with
accurate disclosure information concerning their dealings and practices, in accordance with guidelines developed by the established governing body. Sharing information with appropriate parties allows the economic developer to promote lawful principles of equality, fairness, responsiveness and due process. By approaching all governing body issues with an open mind, prepared to make the best decision for their constituents both the economic developer and the profession will flourish.

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.

The profession as a whole will grow when its constituents’ abilities and knowledge grows. It is therefore important that economic developers devote time and resources towards their own professional development as well as the development of their peers. Leaders in the economic development profession should cooperate in the betterment of the profession through improved techniques, practices and policies. By partaking in training and educational opportunities economic developers can meet their personal and professional goals, while at the same time keeping up-to-date on emerging issues as they pertain to economic development.

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 or marital status.
It is essential that economic developers uphold the values of equality, tolerance, respect for others, and the principles of justice in their passion for the economic growth of the community. Assuring equal opportunity involves recognizing, respecting, understanding, and accepting the differences of others. Community resources should be used for the betterment of the community and not a particular individual or organization, thus ensuring that no individual or organization is discriminated against.

10. Professional economic developers shall abide by the principles established in this code and comply with the rules of professional conduct as promulgated by IEDC.

This Code of Ethics is a guide to the ethical conduct expected of members of the International Economic Development Council. The Code also aims to inform the public of the principles to which professional economic developers are committed, irrespective of their membership with IEDC. By adhering to this established code economic developers promote merit principles that protect against arbitrary and impulsive actions, ultimately endorsing ethical behavior that holds individuals and organizations accountable for their actions.
IV. Case studies

Case Study #1

Part I

After enjoying several years of success with the City of Anytown, John Doe decided to start his own economic development consulting business. After discussing it with fellow colleagues and upper management, he decided to remain in his full time position with the city, and run his consulting firm on the side.

At first John worked on his business on the weekends and in his spare time; but soon the stress of working full time, and trying to run his own business started to affect him. Between trying to appease his own clients and fulfill all obligations for his employer, there just wasn’t enough time in the day.

Johns’ full time job frequently went through cycles, periods of rapid heavy workload directly followed by more lax periods. When work at his full time job began to slow, he decided to utilize that extra time at work to focus on his own business. When John travelled for business trips on behalf of his employer, he utilized the opportunity to meet with existing and prospective clients of his own business because it would help him with keeping costs down and he was going to that location anyway. It has been his dream to start his own business and he was determined to see it through to fruition.

Questions to Consider:

1. Is this an ethical dilemma?
2. What if he is using city property – computers and other office supplies?

Part II

A couple of years later John Doe, moved to a different community. While John is no longer employed by the City of Anytown, he still works full time on his own consulting business. John is in the midst of a lengthy negotiation process with another developer to invest in his business. The developer expresses to John that he is looking for an ATM provider to place machines in his business, and asks John if he has any suggestions. Coincidently, John’s wife provides ATM machines to several local business so he immediately suggests her. John gives the developer his wife’s contact information to discuss further negotiation of the deal.

Questions to Consider:

1. Is there a conflict of interest here?
2. If you were John how would you justify your actions in both instances?
Additional Information:

If an employee is thinking about entrepreneurship, they've probably heard that they should start their business before they quit their day job. Its good advice, but as demonstrated in this case study it is not always practical.

Depending on how many hours you must put in at work, you may have very little time left for your own business. In order to be a successful full-time business owner, you have to build up your business so that you'll still be able to pay your bills. It can be daunting to give up the security of a regular paycheck to pursue your dream of being an entrepreneur.

Perhaps the employee might not want their boss to know that they have started their own business on the side. They don't want to appear less dedicated or expendable, so they choose to keep their business under wraps as much as possible.

In contrast, that also means that an employee shouldn't conduct their business at work, no matter how tempted they may be to bring their side business into the workplace. With advanced technology such as computer use monitoring becoming more pervasive, it will probably be disclosed sooner or later if the employee uses company equipment for personal use.

Moving from employee to entrepreneur

If an employee wants to leave their job and run their own business, here are some steps to think about.

1. Pick a date, and be realistic when looking at the calendar for when you'd like to make the move into running your business full time. The date should feel comfortable and be something that you truly think you can attain.

2. Develop a plan for what you want to accomplish in your business. Whether you use a strategic business plan or a mission statement, have a clear idea of what your business will entail and why you're doing it. It's not enough to start your own business because you don't want to work for someone else.

Keeping your side business on the side

For some, having a side business is part of a long-term plan, not an interim step. Here are some suggestions to balance the new side business with your full time job.

1. Set clear boundaries. Your clients may desire more of your time, but your priority is your day job. Be clear about when your business hours are and don’t deter from them. If you end up working long nights, you won’t have the energy to accomplish what’s required on your job.

2. Be cautious about how you use social media. It’s much more common these days for employers to check up on what their employees are doing online. Depending on what type of business you have and the services you provide, promoting your side business on your social media profile may raise red flags.
Case Study #2
Travel Expense Fraud, and Confidentiality

Jane Doe is a senior economic developer for a city. Jane told the city council that she was working toward becoming a Certified Economic Developer (CEcD), and over the course of a year registered for several training courses and conferences paid for by the city. Three years into the process, the city questioned her on the status of the CEcD and courses/conferences that she had attended. Jane was unable to provide certificates of completion to the city council.

During this time Jane also received more than $2,500 in travel and expense reimbursements for courses and other work related trips. When questioned by her supervisor, Jane was unclear and inconsistent with her explanation of the circumstances and details of her work related travel, but maintained that she did attend these courses and further reassured the supervisor of her desire to become a CEcD.

Although all steps to maintain confidentiality were taken Jane’s colleagues soon found out about the situation, and her character and ability to do work began to be questioned. Although no formal complaints were filed, and no formal investigation was underway, rumors ran rampant. Jane, who still intends to fulfill all requirements in order to become a CEcD, must now deal with this unhealthy working environment.

Questions to Consider:

1. Is this an ethical dilemma?
2. If you were Jane’s employer what would be your next step?
3. Does Jane have a right to seek legal counsel in regards to breach of confidentiality?

Additional Information:

Unfortunately, travel and expense frauds are among the most frequent kinds of employee misconduct.

Reasons are many. More often than not, it is far too easy for employees to disguise personal expenses for meals and hotel costs as business expenses. In many companies the volume of travel and expense reimbursement claims is simply too great to allow for thorough review, allowing dishonest employees to take advantage of the system. In many companies, travel and expense related fraud losses are passed on to their clients, either directly or indirectly, depending on the services provided.

Travel and related expenses represent one of the largest expenditures for many organizations. Weak expense reporting controls and manual processes make a company vulnerable to fraud and errors related to cost and budget allocation.
Case Study #3
Investing in Cities where you Work

John Smith, an economic developer that works for the Chamber of Commerce in a suburban town, Smalltown, has been contemplating investing in the community. John has great hopes for a particular neighborhood in the town, and views some potential real estate investments as profitable because of its location close to Bigtown. After much thought and advice from fellow colleagues, John decided to purchase two units in two separate rental communities.

As a prominent and well respected economic developer, John was recently nominated and later elected as a member of a regional economic development board. Among the boards first matters at hand was to address the allotment of grants and funding throughout the region. Projects in the two neighborhoods that he invested in are up for consideration as well. The neighborhoods are truly in need of this funding; and in the long term this money would increase property values in addition to improving the quality of life. John intends to campaign for these neighborhoods because he believes that the community as a whole are in much need of it.

Questions to consider:

1. Is there a potential conflict of interest here?
2. What should John’s next step be?

Case Study #4
Gift Giving

Jane is a senior economic developer professional in Yourcity. One day while in the office she hears a shout from John next door in the Purchasing Department: “Woo hoo! Look at what our vendors at Office Accessories Corp. just sent me!” John waves the gift over the cubicle wall. “It’s a newly released cell phone accessory that extends battery life, and it’s sold out everywhere. My wife is going to love this!”

Not wanting to completely deflate his balloon, Jane asks quietly: “Don’t we have a policy or something that says we can’t accept gifts from clients or vendors?”

“Yes,” John says, “but there’s a $50 limit and I know for sure this thing sells for $49.99. I went to every Wal-Mart in town last week trying to find one with no luck and now Office Accessories has made my day. I love those guys!”

Jane checks the policy and it is true – Yourcity employees are allowed to accept gifts of up to $50. Over the course of the next few months, Jane thinks that she is seeing a lot of office supplies from Office Accessories. She is not sure if this is just her thinking or if there is an actual increase the amount of office supplies from this particular vendor.
Questions to consider:

1. Is there an ethical dilemma here?
2. If you were Jane what course of action would you take?

Case Study #5

Is It Sexual Harassment?

John is a newly promoted senior economic developer for a county, and he will be supervising a work unit of eleven people. It’s his first supervisory position. One day Jane, a newly hired employee in his unit, finds a note from John on her desk. It says, "I am interested in having more than just a professional relationship with you. Would you like to go out sometime soon and get to know each other better?"

Jane has no interest and says nothing to John about the note. John subsequently ceases all personal communication with Jane. He directs all verbal communication through coworkers and begins to make assignments and critique her work through written memos. As time passes the situation begins to grow worse, John begins to call staff meetings when Jane is out of the office, and she subsequently does not learn of policy and procedural changes.

Soon after an error is found within Jane’s work, for which she receives a written reprimand. The increased stress and anxiety is leading to other small lapses in Jane’s work responsibilities, and even causes here to take some time off. As a result she is given 30 days of probation because of attendance and performance problems. She files a formal complaint of sexual harassment and retaliation with the department supervisor.

Questions to Consider:

1. If you were the department supervisor given responsibility for dealing with Jane’s complaint, what would you do?
2. What, if any, would be appropriate remedy for Jane? What, if any, would be appropriate action to take against John?
3. If you were Jane, what would you have done differently?
4. What might this organization do to prevent a recurrence of the problem?

Part II

A few months later, John attends a regional economic development conference. On the last night of the conference, a reception is given for all the professional attendees and the staff members of the organization running the conference. Alcohol is available at this reception, and John drinks a little bit too...
much. He asks for sexual favors from some of the female staff members of the conference who are mortified by his request.

Questions to consider:

1. If you were an economic development professional who witnessed this event, how would you react?
2. Should John’s place of work be notified of this event?
3. What repercussions will this bring to John back at his place of work?

Case Study #6
A Suspected Victim of Domestic Violence

She sits across at the cubical adjacent to mine. She’s attractive, in her early to mid 30s. Her boyfriend works here as well, and happens to be the director of economic development. She’s been in the emergency room at least five times in the past eight months, and those are just the times she has admitted to. Occasionally you notice that when she comes in, she sits there, weeping, with bruises, sometimes fresh ones, but mostly old, yellowish bruises. Occurring in odd places like the back of her leg, her ribs, her shoulders, even a black eye, and once a broken foot.

You remember a year and a half ago when she had her spleen removed because of injuries she sustained when she “fell off a horse.” But the bruises continue. The lacerations become more numerous. And her boyfriend, also your supervisor, is always there, never letting you ask the questions you want to ask, the questions you need to ask. Other employees have become accustomed to her stories and whenever they ask the inevitable question, she adamantly denies it.

Other employees know what is going on, but she won’t allow anyone to help her. The situation is even more frustrating because you know state law requires you to report any suspected domestic violence or abuse, but how can you if she refuses to speak about it, and when her boyfriend (your supervisor) won’t leave her side?

Questions to be considered:

1. If you were an employee observing the woman in question, what would you do?
2. Despite being a non-workplace matter do you have an ethical obligation to report such behavior?
Case Study #7
My Boss Asked Me To

John Smith is a senior economic developer for the city. Part of his job responsibilities it to wine and dine potential vendors and other clients during business meals. He has been with the same organization for 15 years, and is undoubtedly the best at what he does. Jane is a newly hired administrative assistant; she was ecstatic to get the job and greatly respects John, her boss.

One day after John returned from a scheduled business lunch, he asked Jane to fill out a reimbursement form - something she had done on his behalf several times in the past. This time however, John asked her to conceal an alcohol charge because John’s business associate ordered an alcoholic beverage and John did not deem it appropriate to stop him. Jane knows that company policy prohibits the use of funds for the purchase of alcohol, but she also knows that the alcoholic beverage was not consumed by John but rather his business associate who is in talks to sign a lucrative deal with the organization.

Questions to be considered:

1. What course of action should Jane take?
2. How could this situation have been avoided?

Case Study #8
Bribe or Finders Fee?

An economic developer at a non-profit organization in a large city sent an email to local bloggers and other editors who cover economic development and other pertinent issues. It reads as follows: “I would like to make an offer to you that could be mutually beneficial in the event that this is of interest. Writers may come in contact with emerging (and/or expanding) companies that are looking for community information and consultation. My offer is this: if you recommend a prospective client to our organization and they sign a contract with us, we would in turn provide you with a generous finder’s fee.”

The economic developer carefully selected the bloggers and other media elicited in the email because he saw them as much more receptive to such an arrangement - both because they’re less restricted by employer regulations and because many of them earn minimal income from their writing. The economic developer viewed his correspondence with these selected individuals as an attractive offer for them and a win-win situation for both parties, and has received only positive responses to the email.

Questions to Consider:

1. Is this a bribe or just creative marketing?
2. What ethical principles should be adhered to in economic development marketing?
Case Study #9
Shopping the Project Around

A manufacturing entrepreneur approaches a local economic developer saying he wants to locate a new venture in his county. The entrepreneur has a large customer in the area and believes the county to have the necessary building, infrastructure and location to support his business. The community proceeds to locate a suitable building (which the entrepreneur approves) and develop an incentive and financing package. In the process of gaining approval from various governmental bodies the project becomes public knowledge due to freedom of information requirements. The entrepreneur then realizes that he needs help in closing the deal. He hires an economic development consultant who then proceeds to begin shopping the project to other communities. This sets off a firestorm of competition between various communities vying for the project.

Questions to consider:

1. Has the consultant committed an ethical breech? If so, what should be done to avoid such a situation?
2. Should the local economic developer report the consultant for shopping the project after the location decision has seemingly been made by the owner?

Case Study #10
Start-Up Development Company2

One female and four males resign their lower level positions with Joe Schmoe & Associates, a large economic development consulting firm on the west coast, to venture off on their own to create their own small company, Metroplex Economic Development Company. During the first year of operation all five worked diligently and creatively, and as a result were able to secure an exciting and lucrative development contract to renovate the downtown area of Spokane, Washington.

During their second year of operations, a large company on the East coast became aware of their success and was interested in buying-out the small company. In the later stages of the negotiation process a representative of the larger company was scheduled to visit and assess the small firm. The agenda of the representative was to fly in on Friday to look at the area, and then on Monday, the representative was to meet the five partners and consider the buy-out option. Successful completion of this negotiation could make all five members of the group extremely wealthy, and also provide them with countless opportunities. In order to ensure that the negotiations went well, three of the four males felt that it would be wise to have the representative from the East well-entertained the weekend prior

2 International City/County Management Association (ICMA) - http://icma.org/en/icma/ethics/issues
to the meeting. They asked the female member of the group if she would volunteer to be an escort, and ensure the representative had an enjoyable time.

Questions to Consider:

1. Is there an ethical dilemma here?
2. Is this an instance of unconscious sexism?
3. What would you do if you were the female in the group?

Additional Information:

In the early 90s, the term sexism came to the forefront and companies enacted policies on how individuals were to behave with one another. Even before this term was defined, organizations made strides to form a cooperative bond between male and female workers. Although we've come a long way, subtle sexism still exists.

Sexism comes in several different forms; it can range from the unconscious, to the subtle, to the blatantly overt. Blatant sexism is the obvious unequal and unfair treatment of women relative to their male counterparts. In contrast, subtle and unconscious sexism is the unequal and unfair treatment of women that is not purposefully or bluntly laid out.

Sexism in the workplace can make for a very tense and uncomfortable work environment causing people to walk on egg shells; second guessing all their words and actions. This code of ethics encourages economic developers to have a heightened awareness of their language and behavior as not to engage in any form of sexiest behavior.

Case Study#11

Padding your Resume³

Grim & Carson Developers were hiring a considerable number of new employees and interns, which had put a real strain on the human resources department. Part of this department’s responsibilities was to contact all references, and verify all resumes received by all applicants. After several weeks, and a series of final interviews, Jane Smith was hired as the new junior economic developer at the company. From the beginning Jane asked a large amount questions about software that her resume indicated proficiency in using. It was also noticed that Jane learned quickly and didn’t ask the same question twice. Jane was very diligent, well liked by her fellow employees and was performing her job well, but she still continued to ask several questions.

John, her supervisor, had a monthly performance evaluation with Jane and talked with her about all

³ International City/County Management Association (ICMA) - http://icma.org/en/icma/ethics/issues
these questions. During the evaluation John challenged Jane, and Jane admitted that she had lied about her experience and skills on her resume. There were several software programs that she had no experience with but had indicated proficiency in her resume. However Jane’s performance had proven that she learned quickly and was a good employee.

Questions to Consider:

1. Should Jane be fired on the spot 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, and if so to what extent?
4. What should John do? What are his options?

Additional Information:

Job applicants sometimes exaggerate or lie on their job applications or resumes in order to get a position. Such actions can lead to the withdrawal of a job offer or termination if the employer discovers the lie after the employee has been hired. If a supervisor suspects an employee or potential employee of padding a resume or lying on an application, the supervisor may go as far as calling references, checking claimed degrees, credentials, writings and awards.

Consequences of Padding

The following are the possible consequences of padding your resume:

- Cause damage to your reputation, may cause damage to your character and ability to succeed on the job
- Humiliation when you are caught
- Assignment to projects that you do not have the necessary skills to complete
- Could set into motion a series of lies to cover up the initial lie
- Termination from job

Application Falsification Policy

Employers often times have a policy that disqualifies job applicants who falsify material information, such as lying about work experience, on their resumes or applications. As long as such a policy is equally applied to all potential employees, it is permissible. Applications should, and many times do, contain a warning, usually near the signature line, advising the applicant of such a policy.

Statement of Accuracy

Prospective employers will often times have an applicant sign a statement of accuracy. The statement may contain some of the following:
An application is not valid unless the applicant reads and endorses the Statement of Accuracy.

The applicant certifies that all information provided in the application as well as any documents attached to the application, such as a resume, transcript, or list of references are complete and accurate.

Fabrication of the application or giving incomplete information on the application as well as falsification of other attached documents may result in the withdrawal of any employment offer and immediate termination of employment at any time.

**What can an employee who has been fired for lying do?**

As long as the termination was not used as justification for firing an employee discriminatorily and didn't breach any employment contract where oral or written assurances of job security were made, employees who misrepresent themselves on applications and resumes generally can't retaliate by filing a lawsuit for wrongful termination or discrimination.

**Case Study #12**

**The Out-Of-State Developer**

Jane Smith, a developer from Seattle, Washington, has enjoyed incredible success in that market over the last ten years, but now the market is saturated, and she is looking for opportunities elsewhere. One area that has caught her eye is the Wasatch Front (an undeveloped tract of land in the watershed of an ex-farming community that is quickly becoming a thriving community of Salt Lake City, Utah).

Normally, this tract of land would be public/government property, but is owned by an irrigation company set up several years ago to serve the water needs of the farmers and poultry producers. This particular tract of land is rich in riparian habitat, and in recent years the area has also served as a recreation area for local hikers, equestrians, and picnickers. Since there is no longer the need for irrigation, the company is interested in selling the parcel. Because the land is so large, the small town government cannot at this time afford to buy it. Jane, however, has the required capital.

Jane hires a consultant to map out several development options. The consultant comes up with two main options:

1. Buy the land and develop it to the maximum legal density. There will be an outcry from environmentalists and locals at the loss of publicly-assessable land, but the area should thrive nonetheless, and since you live in Washington, you will not have to deal with the criticism. This

---

option yields large profits, although with the loss of the open space, the quality of life will diminish, thus lowering the overall community property values.

2. Buy the land, selling the critical riparian habitat to the town under a ten-year plan, which the town can afford. This option allows you to only develop the periphery, and yields less profits. In regards to the town of Wasatch, the overall quality of life will remain high due to the public accessibility of the land for community recreation use, and property values will remain high, which may ultimately lead to growth and success of your businesses.

**Questions to Consider:**

1. Which option would you choose? Why?
2. If you were the economic developer for the Wasatch Front, what would you do?

**Case Study # 13**

**Managing Conflicts of Interest**

After going through an extensive design development phase, the proposal to rehabilitate a historic section of a downtown area went to the planning commission for approval. The development phase was quite lengthy because city leadership was committed to engaging all stakeholders in an effort to reach consensus on a long list of design issues.

Despite the city’s best efforts to appease all stakeholders, the historic preservation groups and the business community still disagreed over a number of issues. Soon after, despite the disagreements between parties, the planning commission granted its approval. A local newspaper disclosed that a highly respected member of the planning commission who actively participated in discussions on the issue and voted to approve the development plans had a conflict of interest as a result of his financial dealings with the lead developer for the project.

The member’s employment as a senior vice president of a bank was public knowledge. However, the fact that the bank recently approved a significant loan to that developer was not. The planning commission member was offended that anyone would question his integrity, especially because he had sought legal advice from the city attorney before partaking in the development process and voting on the plan.

The city attorney had advised him that his participation in the planning commission’s deliberation and vote did not violate city or state law because he had no direct financial ownership or investment in, or benefit from the development. The historic preservation groups were outraged and angered and

---

thought the whole processes was tainted in conspiracy. City leadership was embarrassed and troubled by the probability that this could happen again.

Two historical preservation groups filed suit against the city as well as the planning commission member in question. Historical preservation groups saw the matter as a grave injustice, and wanted all guilty players held accountable.

**Questions to Consider:**

1. Is there a conflict of interest here?
2. Was the lawsuit filed by historic preservation groups appropriate or was it extreme?
3. The planning commission member sought legal counsel before partaking in the vote. What else could he have done to further avoid the appearance of a conflict on interest?

**Additional Information:**

There is a significant gap between what the law defines as a conflict of interest for a public official and what a reasonable person may perceive to be a conflict of interest. Most state ethics laws are purely financial disclosure regulations that require public officials to file annual reports detailing all sources of income, debts, other business interests, and real estate investments.

Disclosure of such information helps to promote transparency allowing economic developers to build strong relationships with the public. The public interest is best served by engaged economic developers and officials who are knowledgeable about their community. When an economic developer’s private life intersects with their public duties they should take steps to ensure that they act in the best interests of the public that they serve and in a manner that promotes confidence in their abilities.

If economic developers find themselves in a similar situation, they should first discern whether there is any connection between the official action they are about to take, and their personal life. Seek counsel from their peers and supervisors to have a clear understanding of their legal obligations. If their participation meets the legal test, consider next whether it will meet the ethical test.

The IEDC Code of Ethics sets clear standards for disclosure of any personal relationship in any instance where there could be the appearance of a conflict of interest. If the conflict is significant enough that a rational person would question whether you are acting in the public’s best interest, consider disengaging from the process early on.

Orientations for new employees are a great opportunity to raise awareness about the complexity of conflicts of interest and their potential to undermine constituents, colleagues, and the confidence they have in economic developers’ abilities.
Case Study #14
Respecting Roles and Responsibilities\(^6\)

During the annual board meeting of the city-supported economic development foundation, the discussion of efforts to promote the region soon turned into a critique of city council’s leadership. The economic development director, who serves in the city’s slot on the board, was the only city representative in attendance that day. A CEO from one of the largest corporations in the city took the lead in expressing disappointment over the mayor’s leadership in efforts to garner support from the state and federal government for considerable growth of local small businesses.

The dynamic of the meeting quickly changed from an organized meeting to a lynch mob. Additional comments began to flow from other board members about the lack of leadership from council members and even their fitness to hold office. At this point, the economic development director said that it was inappropriate for him to be engaged in a discussion or evaluation of the council’s or mayor’s performance. When the comments continued, he left the meeting.

Questions to Consider:
1. What would you have done if you were the economic developer?
2. What would be your next steps?

Case Study # 15
Acceptance & Withdrawal\(^7\)

John Doe, an economic developer, recently accepted a supervisory position for a city in Vermont. John had visited the city several times; he was becoming familiar with the policies and his role and responsibilities, and he had also introduced himself to several staff members. The wheels were very much in motion, and the local city government felt confident in John’s ability to do the job effectively. Ten days before John was to begin his full-time position with the city he withdrew his acceptance of the job without providing any explanation. Shortly there after, he accepted and began working as the director of economic development for another community in Connecticut.

City officials in Vermont could not understand John’s decision because they viewed John’s oral acceptance as binding. City officials had spent several months interviewing candidates for the position, and were upset about having to resume that process.

\(^6\) International City/County Management Association (ICMA)-http://icma.org/en/icma/ethics/issues

\(^7\) ibid
Questions to Consider:

1. Did John commit an ethical violation?
2. Should the city of Vermont take action against John? If so what?
V. Working with Ethics Violations

Unfortunately ethical violations can never be eliminated. Therefore, in addition to promoting ethical cultures and ethics training, there is a need to have procedures in place that enables leadership and peers to review alleged violations and determine sanctions, if proved.

IEDC has adopted a Policies and Procedures Manual that provides details on the process that will be followed for violations of this code brought to the attention of IEDC. In consultation with their own legal advisors, members and other economic development organizations can utilize the manual as the basis for reviewing ethics violations brought to their attention or as a basis for building more customized policies and procedures for their own community or organization.

Reviewing Ethical Violations

When reviewing alleged ethical violations, it is important to establish and follow a fair process that allows parties on both ends to present information, cross-examine and be heard in an impartial environment. The process also includes affording the person(s) against whom the violations are being investigated to appeal the decision to a higher authority. Typically, the main components of reviewing ethics violations include the following steps:

1. Initial review of the complaint to determine whether the alleged conduct will constitute a violation of one or more tenets of an established code of conduct
2. If yes, an independent and detailed investigation of the case should be conducted. A Fact Finding Committee or similar group of individuals can be established to gather information including information from the person accused of a violation, and giving that person an opportunity to review and comment.
3. If the allegations are found to be true and constitute an ethics violation, the organization may decide to impose sanctions of the person(s) depending upon the level of violation.

It is important to engage the person(s) against whom the alleged violations are being investigated at all stages of the review process. Written documentation should be maintained and every effort should be made to keep the review process impartial and honest. Conflict(s) of interest, whether apparent or perceived, should be addressed as soon as determined. As mentioned earlier, an appeals process should also be established. Organizations considering disciplinary actions against violator(s) may need to seek legal counsel before taking formal action.