

Ethics and Conduct - Beyond Legality

Presented by

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“If you have integrity, nothing else matters.
If you don’t have integrity, nothing else
matters.” – Alan K. Simpson, US Senator,
1979 -1997

“Laws control the lesser man.
Right conduct controls the greater one.” –
Chinese Proverb

The Importance of Ethical Practices

Self-Regulation

- Example: Despite having 2 industry associations – Singapore Accredited Estate Agencies and Institute of Estate Agents – Without self-regulation, these associations can only do so much to regulate a company
- Prompted government intervention
- If MLM companies do not self-regulate, it may be a matter of time before the government intervenes

The Importance of Ethical Practices

Time Share – Examples of Unethical Practices

- Reeling in prospective customers with promises of expensive prizes, conditional upon attending short presentations

The Reality:

- Presentations would drag on for hours.
- Some presentations have lasted well beyond midnight.
- Pressure tactics employed.

*Source: Time-share companies operating in Singapore Petition
(available at <http://www.petitiononline.com/hcspore3/petition.html>)*

The Importance of Ethical Practices

Time Share – Examples of Unethical Practices

- Untruthful claims e.g. buyers would be entitled to certain minimum nights of accommodation, and products would be excellent investments which could be sold at a profit in the future

The Reality:

- Accommodation difficult to book as “subject to availability”
- Resorts denied affiliation with time-share companies
- Products were sold at different prices according to what each buyer could bear
- Those who wanted to terminate the agreements were pressured into continuing

*Source: Time-share companies operating in Singapore Petition
(available at <http://www.petitiononline.com/hcspore3/petition.html>)*

The Importance of Ethical Practices

Time Share – Implications of Unethical Practices

Increased Regulation & Government Intervention

- The Ministry of Trade and Industry was asked by Mr. Lim Biow Chuan (Marine Parade GRC) and Mr. Yeo Guat Kwang (Marine Parade GRC) to consider implementing a law to regulate time share operators

Source: Extract of Parliamentary Report 9 February 2009, available at <http://www.pap.org.sg/articleview.php?id=4400&cid=84>

The Importance of Ethical Practices

The Minister for Trade and Industry Mr. Lee Li Shyan's response:

- Strengthening of the Consumer Protection (Fair Trading) Act
 - ❑ Cooling-off period extended from 3 days to 5 days to counter pressure selling, and this extends to businesses that claim to help consumers resell their rights under timeshare contracts
 - ❑ 60-day refund period for contracts cancelled within cooling-off period
- Investigation by police if there are allegations of cheating or other criminal offences

The Importance of Ethical Practices

Why have a Code of Ethics?

- to define acceptable behaviour
- to promote high standards of practice
- to provide a benchmark for self evaluation
- to establish a framework for greater professionalism
- as a vehicle for corporate identity
- as a mark of occupational maturity

The Importance of Ethical Practices

Codes of Ethics mean different things to different people

- to the *auditors*: codes must be specific enough so that compliance is measurable
- to the *philosophers*: ethics is a process - a continuing dialogue on dilemmas in which a formal code plays only a very small part
- to the *consultants*: codes of conduct definitely require associated training programs to be developed and paid for

The Importance of Ethical Practices

For the MLM industry:-

- The law does not just look at the substance of your marketing plans, but at conduct too
- Multi-Level Marketing and Pyramid Selling (Excluded Schemes and Arrangements) Order

Condition (vi): A promoter of the scheme shall not, and shall take reasonable steps to ensure that participants in the scheme do not make false representations, omit material particulars or engage in misleading conduct relating to the scheme or the commodity in question or use fraud, coercion, harassment, or unconscionable or unlawful means to promote the scheme or the commodity

The Importance of Ethical Practices

Damage to reputation

- Unethical practices may lead to irreparable damage to your company's reputation
- Example of Sunshine Empire – damage to reputation of entire industry
- Having a Code of Ethics & Conduct will safeguard your company's reputation and reflects your company's core values

The Importance of Ethical Practices

Complaint management

- Having a Code of Ethics & Conduct allows the company to regulate complaints made against distributors, and to give consumers peace of mind.
- Less likely for consumers to take their complaints elsewhere

Structure of the DSAS Code of Ethics & Conduct

- The DSAS Code of Ethics & Conduct is similar to the World Direct Selling Code of Conduct towards Direct Sellers, between Direct Sellers and between Companies, and the World Direct Selling Code of Conduct towards Consumers
- Imports international best practices into Singapore, between:-
 - MLM companies;
 - MLM companies and their distributors; and
 - MLM companies, distributors and the end-consumer

The DSAS Code of Ethics & Conduct: Going the Extra Mile

- Example: 7-day cooling off statement
 - Requirement under the Consumer Protection Fair Trading (Cancellation of Contracts) Regulations 2009 is 5 days

In evaluating people, you look for three qualities: integrity, intelligence, and energy. If you don't have the first, the other two will kill you.

Source: The Warren Buffet Way

~ **End** ~