

Ethics in Economic Development Workshop

IEDC Annual Conference

September 25-28, 2016

Cleveland, OH

Ethics Case Studies

Excerpted from IEDC Ethics Training Manual – pages 16-23

Case Study 1: 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, historic preservation groups and the business community still disagreed over a number of issues. Despite the disagreements, the planning commission approved the proposal. Soon after, a local newspaper disclosed that a highly respected member of the planning commission who voted to approve the development plan had 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 did not violate city or state law because he had no direct financial ownership of, investment in or benefit from the development. The historic preservation groups were outraged and thought the whole process was tainted with conspiracy. City leadership was embarrassed and troubled by the possibility that this could happen again.

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

Sources

International City/County Management Association (ICMA) - <http://icma.org/en/icma/ethics/issues>

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 mitigate his risks and any conflict of interest?

Case Study 2: Padding your Resume

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 resumes received from 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 of questions about software that her resume indicated she had proficiency in using. However, 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 questions.

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

Sources:

International City/County Management Association (ICMA) - <http://icma.org/en/icma/ethics/issues>

Questions to Consider:

1. Should Jane be fired 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?
4. If yes, to what extent should Jane be reprimanded?
5. What should John do? What are his options?

Case Study 6: Politics, Politics

Gary is the president of the chamber of commerce in Controvercity, a medium-size city with high aspirations to grow. Controvercity has been debating how to best fund redevelopment of a large brownfield plot that could be the city's next major industrial park. However, the recession has cut the city's funds short, and in order to raise money for redevelopment, the city has proposed dipping into the education budget. The proposal has the support of the majority of Gary's board, who sees the establishment of an industrial park as creating future opportunity for all of Controvercity's citizens (not to mention a possible new customer base.)

However, Gary has been confronted by one particular board member, Sue, who expresses strong opposition to the proposal. Sue is the president of a local business that contracts with the Controvercity school system. The school system, in fact, is her largest client. Sue is pressuring Gary to steer the chamber against the proposal, which would pit Gary against his other board members.

At the same time, Gary's vice president, Ann, is not pleased with the proposal and that it is likely to go forward. Ann was a schoolteacher in the Controvercity school system before coming to the chamber, and supporting public education is a very personal issue for her. Gary needs all his staff on board in order to undertake a successful campaign, especially senior leadership. Ann has expressed to him her personal loyalties and her wish to abstain from the campaign.

Questions to consider:

1. What is Gary's role in trying to convince Sue?
2. Is Ann justified in expressing her wish to abstain from the campaign?
3. What should Gary expect from Ann?

Case Study 8: My Boss Asked Me To

John Smith is a senior economic developer for the city. Part of his job responsibilities is 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 city policy prohibits the use of its 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 ethical dilemma have been avoided?

Case Study 9: Bribe or Finder's 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 like you 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, I would in turn provide you with a generous finder's fee."

The economic developer carefully selected the bloggers and other media solicited 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 10: Respecting Roles and Responsibilities

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 garnering support from the state and federal government for 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.

Sources

Questions to Consider:

1. Should the ED director have remained in order to hear the comments and take it back to his council?
2. Should he offer his input?

Special Case Study: Disaster-impacted Business

An EF5 tornado touched down in the central business corridor of the City of Greatville. The tornado killed 11 people, injured 30 others, and destroyed many of the commercial buildings along its path. While Greatville’s residents and business owners banded together, business recovery assistance was slow and many small business owners struggled to rebound and re-open their businesses.

A few weeks after the tornado struck, Holston Doe, the business attraction manager for a neighboring EDO in New Haven, received a voicemail from one of Greatville’s business owners. On the recording, the business owner shared his frustration with Greatville’s slow recovery process and expressed possible interest in relocating to New Haven. The business owner explained that he saw one of the New Haven ads in a local paper and thought relocating to New Haven would help him to keep close to his customer base and get his business up and running again.

As Holston was nearing the end of an unsuccessful attraction campaign, the relocation would help his numbers but the very idea of the relocation was unsettling. Holston sat at his desk and decided to think things through before returning the business owner’s call.

Questions to Consider:

1. How do you respond to this request?
2. What is your responsibility to the impacted community and impacted businesses?