As much as possible, I associate my MBA courses directly to my current career and the company for which I work in order to maximize the relevance of furthering my education to advancing my career goals. With that in mind, I chose to interview one of the ethics officers for ALLETE, Inc.

**Compliance Management Committee**

There is not a single person who holds the position of “ethics officer” for our company. Instead ALLETE maintains a Compliance Management Committee (“Committee”) currently comprised of twelve upper management positions, ranging from Chief Counsel to Director-Environmental Services. The Committee develops and maintains the Company’s compliance and ethics program and manages the Company’s Ethics Hotline (see attachments). While the Committee has oversight of the company’s ethics policy, it is management’s expectation that ALL employees are responsible to maintain and enforce the ethics policies.

I interviewed Steve Morris, Director of Internal Audit, and Kathy Sanders, Audit Manager. Mr. Morris is a member of the Compliance Management Committee and both he and Ms. Sanders play a major role in developing the Company’s Ethics Guide (see attachments), perform audits of department compliance programs, and conduct investigations of potential ethics violations.
The Committee meets and reports quarterly to the Board of Directors. At least once per year, every operational area presents their departmental oversight of safety, legal and regulatory compliance, and personnel issues for review by the Committee. At each quarterly Committee meeting, Human Resources presents any personnel disciplinary cases and actions. Additionally, because Minnesota Power (an operating division of ALLETE) is a regulated electric utility for which there are strict regulatory requirements particularly for electric transmission activities, the Vice President of Power Delivery and Transmission discusses compliance with federal regulatory and system operations (MISO) rules. Finally, at every Committee meeting, the members review calls made to the Company’s Ethics Hotline. An independent outside organization operates the hotline in which employees, customers, shareholders, vendors and clients may anonymously (if they so wish) voice a concern or complaint about the company. Generally, the issue is forwarded to General Counsel who will determine the appropriate method for investigating the complaint. All calls and the resolution thereof are reported to the Board of Directors.

**Current Issues**

After discussing the basic structure and role of the Committee, we discussed some of the current issues facing all companies today, not just ALLETE. Mr. Morris believes that one of the most common current ethical issues are those caused by technology, chiefly from the use of cell phones and social media sites such as facebook or myspace. Without realizing the impact, employees can innocently post a comment that divulges private corporate information, such as tipping off investors to a situation or disclosing a
personnel matter. Employees may share inappropriate information about themselves or post pictures of themselves in unbecoming situations.

A second issue facing corporations today is directly related to the economy. Given the current state of the economy and the financial woes of our banking, construction, real estate, and automotive industries, corporations are taking a hit on their image. From financial bailouts to executive compensation, corporate America has become the bad guy and an easy target for blame on the country’s economy. In the case of all utilities, not just Minnesota Power, we are faced with stricter government mandates on controlling emissions and replacing reliance on coal-based generation with renewable-based generation (particularly wind), yet these infrastructure changes cost money, and a lot of it. Asking our regulators for rate increases in a depressed economy does not impress our customers.

Another large issue facing all organizations today is the current economic recession. With a recession comes the cutting of jobs and restructuring of organizations. With a reduction in staffing levels and a focus on “getting the job done”, what will become of ethics? Will internal controls weaken? If a company is operating on a skeleton crew, there will likely be impacts on controls and conflicts of duties. Let’s not forget that these personnel changes go all the way to the top level of organizations. Will the focus of new CEOs and corporate directors be on maintaining an ethical environment or on re-establishing the company’s share price?
Neither Mr. Morris or Ms. Sanders felt that there are any issues waning in importance. Rather, all issues are still important. However, they feel that by developing a committee that meets regularly to review compliance programs and issues, the company has settled into a routine review process allowing for a more proactive, rather than reactive, response.

**Violations of Conduct**

There are multiple ways in which complaints and issues are handled, it all depends on the issue and the personnel involved. Employees are encouraged to bring issues directly to their supervisor or manager. If that is not an option or the employee wishes to remain anonymous, he or she may call the ethics hotline. Upon receiving a complaint through the hotline, General Counsel will determine the appropriate personnel to investigate it. The complaint and the results of the investigation are reported to the Board of Directors.

Employees also participate in an anonymous annual survey regarding the Company’s and management’s adherence and commitment to ethical integrity. This is another avenue in which employees may register a concern or complaint about conduct. Any issues are first reviewed by Internal Audit who will then direct the complaint to the appropriate company officer.

Sanctions for violations vary depending upon the infraction involved including dismissal. There have been both terminations and reprimands due to employee conduct. Rightfully
so, Mr. Morris did not share any specific information, as there are few terminations in the company and it would be easy to identify the individuals involved.

**Other Issues**

One issue which we discussed is management’s trust of employees. Upper management and the executive officers have open praise for the level of trust they have in their employees. This is admirable, but in my opinion could pose issues. As we have learned over the course of the semester, it is easy to be fooled, taken advantage of, or to just plain make a mistake. It is extremely important to maintain some level of skepticism and review of each other to prevent an embarrassing mistake.

**Conclusion**

While I did not learn anything new about the company’s commitment to ethics, this exercise reinforced the level of that commitment. Because it is a regulated entity with a monopoly on customers it is extremely critical that there is no exposure to a violation that harms its reputation. While imperfections will always exist in every organization, ALLETE strives to mitigate if not reduce these imperfections and their impact on employees, customers, and shareholders.