

PERSONNEL NOTEBOOK

For Your Most Important Resource—The Human Resource

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ETHICS IN BUSINESS

Should Your Company Have A Code Of Ethics?

Business Ethics. If you follow the news today, you might think that that's an oxymoron, a contradiction in terms. The media daily bombards us with the concept that greed and negligence is the badge of business. Americans are looking to the government to right these wrongs. A current sentiment is growing that business creates oppression and problems while government creates solutions and prosperity.

How can today's businesses deal with this? Most of us who have worked with thousands of companies over many years know that American businesses are the most ethical and honest in the world. That truly, they are more effectively people oriented than any other element of our society. A few bad apples rise to the top now and then. Very few stay there!

The signs are not good. In researching this subject, I started with the *Washington Post's* highly useful, "**Business Glossary.**" There is no listing for ethics. I went to Scott's "Wall Street Words, the Leading Indicator Of the Language of Wall Street." There is no listing for ethics. I know from the educational reports of the past 10 years that many U.S. universities have long ago eliminated the study of ethics as a required course. Many have eliminated it as an elective course.

A Spring 2002 poll sponsored by the National Association of Scholars, showed that 73% of college seniors and recent graduates stated that their professors teach that there is no difference between right and wrong! It's all a matter of individual values and diversity. "Thou shall not judge another, and thou shall not be judged." Can such a history produce high ethical standards? Maybe not.

Another study was conducted by the Pennsylvania State College of Business. They polled Fortune 500 industrial and service corporations regarding a code of ethics. Ninety-eight percent claimed to have some kind of ethics conduct document, but only 51% required employees on a regular basis to acknowledge compliance with the terms of that code. Almost half of the organizations that actually have codes of behavior apparently use it as a public relations banner. More of the public sees it than employees do! Let's take a look at codes of ethics using the following outline as our guide:

- I. What Are Ethics?
- II Should My Company Have a Code of Ethics?
- III. How Do I Create a Code of Ethics?

I. What Are Ethics?

Wow! If Wall Street, *The Washington Post* and a lot of U.S. universities can't tell us, where do we start?

Well, let's start with the Oxford English Dictionary. "Ethics" is derived from the word "ethos" meaning character, a person's nature. Some say, in literature, "the ideal excellence." Not emotional feelings nor personal or individual preferences or prejudices, not emotional leanings but a firm central fairness to all, an ethical principal.

"Pathos" often considered the opposite to "ethos" is emotional as opposed to the ideal. Your emotions, your personal sympathies rule as opposed to "ethics" which must objectively respect the principles of human duty.

"Ethical right is largely abstract (if compared to) legal right which is mostly concrete. Ethical right and legal right mutually exclude each other. Where one prevails, the other cannot endure. One is founded on power, on might, the other on equality. One appeals to the sword, the other appeals to the judgment of men." *Charles E. Spalding*

George Orwell stated one of the best known opposites of ethics in his "Animal Farm." "All animals are created equal, but some are more equal than others."

Thoroughly confused yet? Of all the people who have spoken well on this subject, probably none is more prominent, profound, and useful to use as a reference point than Thomas Paine, one of our founding fathers often referred to as "the Godfather of America." Thomas Paine was said to have accomplished more for human freedom and the abolition of physical and mental slavery than any other American during his lifetime. Among his many comments on ethics with which he is credited is, "Give to every other human, every right that you claim for yourself."

Ethics can be viewed as the science of morals. The study of the principles of human duty. Your code of ethics can be stated as "Your Contract with Society."

II. Should My Company Have a Code of Ethics?

Opposed:

1) Many believe there is no need because a given, central moral guideline exists in society already. The Ten Commandments, our societal laws, the Golden Rule, Our conscience, etc. Let's just follow them.

2) People will follow it so literally that like today's laws and some extremist religions, it becomes a word sensitive legal or religious stick for zealots to build careers around. It empowers a breed of super sensitive policemen. Let's avoid that.

3) It's just another HR or social exercise in hypocrisy. We meet off site, draw this thing up, put it in all the proper places and forget about it. I don't need another project like this.

In favor:

1) (See 1 above) When religion is no longer taught in the schools where kids spend most of their time, nor in the home where "quality time" is spent on "fun for the kids" activities and society is generally cynical about religion, when societal laws vary so greatly from one court case to another, from one point of geography to another, where schools teach that there is no difference between right and wrong, where is that central code, that moral standard going to come from? Start here! Start now! If not here, where? If not now, when?

2) (See 2 above) Scary thought! But all human endeavor requires nurturing, monitoring. It's not a case of assigning the ethics department to someone and allowing them to build an empire. It must be a dynamic "every man" process. It cannot become a rigid rod, a whip.

3) (See 3 above) It can be! If that is what happens to employee handbooks, position descriptions, employee evaluations, mission statements, affirmative action programs, OSHA programs, compensation programs, etc., in your company, then your problems are probably more critical than ethics but you just may not be seeing it yet.

4) A code of ethics is one of the ways sociologists for one, decide whether a particular occupation is a formal "profession" or not. But codes of ethics that are used as public relations pieces only and not practiced are seen as nothing more than an attempt to professionalize an unprofessional occupation.

5) A code of ethics at the very least provides a center for discussion about all ethical and unethical behavior in any company or field.

6) "My belief is that no human being or society composed of human beings ever did or ever will come to (their potential) unless their conduct was

governed and guided by the love of some ethical ideal." (Thomas H. Huxley)

7) It is now becoming a swelling expectation.

8) "It defines accepted/acceptable behaviors, promotes high standards of practice, provides a benchmark for employees or members and it's a mark of occupational maturity." (The Life Skill Coaches Association of B.C.)

9) Codes of ethics are, "Instruments for persuasion both of members of (a) Profession and the public. They advance the sense of community among members, of belonging to a group with common values and a common mission." ("Ethics and Professionalism" by J. Kultgen")

10) "The very exercise of developing a code is in itself worthwhile; it forces a large number of people to think through in a fresh way their mission and the important obligations they as a group and as individuals have with respect to society as a whole." (Military Code of Ethics for Officers by Richard T. DeGeorge)

If you decide to create a code of ethics, here's how:

III. How Do I Create A Code Of Ethics?

There will be problems. A survey by the Institute of Business Ethics showed the greatest barriers faced by companies to be:

Lack of know how	52%
Apathy	22%
Cynicism	14%
Legal worries	12%

Let's deal with that 52% first and maybe some of the others will come along as well.

A) First Decisions:

1. Determine the "purpose" of your code. To regulate behavior? To inspire? To identify the ethics of your business?

2. It must be custom tailored to your company or your profession. Do not copy someone else's

generic policy and try to shoe-horn your organization into it.

3. Often the best results come from laying it out in two sections.

- a) Aspirational as a preamble of ideals to aspire to.
- b) Specific rules or principles or situations spelled out.

4. Will there be any enforcement process?

5. The most important or pertinent items should be listed first. They will usually be seen as the most important.

6. Who will be involved in creating the ethics code? A small working group? All the people affected?

B) Procedures:

1. Find a champion. The CEO or a senior person. Without some senior authority to promote or sponsor the project, its implementation and use is much harder.

2. Gain public endorsement of the governing body. The board of directors, the officers, etc.

3. Find out what bothers people. Make your code specific and dynamic.

4. Incorporate all existing standards of conduct such as corporate gifts--giving and receiving, internal standards of activities, customer relations, quality of products/services, matters of honesty, etc., already established.

5. Draw discussions on what to include, you can decide the wording on each later. But for now, identify what needs to be addressed in your company. What problems have you experienced regarding ethics? Where are the weaknesses?

6. Seek solutions or definitions on the problems or subjects you have identified. View it from the position of clients, employees, the public and the law.

7. Determine how violations should be handled. Determine how it is to be reviewed and altered. Determine how it should be implemented.

8. How long should it be? Well, as long as it needs to be! Most are one to three pages, some eight to ten pages and a few are like manuals.

Shorter usually means more believable, more understandable, more people were involved in the creation, more will read it. But enforceable actions are more difficult.

Longer usually means more impressive, less understandable, fewer people involved in the development, too difficult to read but easier to enforce because of specificity. Enron's code of ethics was 65 pages long. Were they more ethical than others? Did most employees read the 65 pages?

9. Issue the code on a 90-day trial before formal launching. Where are the bugs, what needs to be added, deleted, changed? Call for company debate and discussion.

10. Launch the code. Publish it and send a copy to all employees. Place it on your website, your newsletter, send it to customers and vendors. Consider creating an employee orientation program that explains and discusses the purpose and contents of the code of ethics. Require that all employees must have attended an orientation session on the code of ethics.

Seven Short Practical Rules For Small And Medium Sized Businesses:

1. Establish your core business ethics. Stick to them.

2. The participation and motivation of your employees is critical.

3. Remember that as owner/manager, your behavior will be taken as the role model for all to follow.

4. If you have a partner or are part of a merger, etc., assure that they share the acceptance of your ethics.

5. Review all financial transactions and procedures for proprietary, professionalism, fairness, and legal procedures.

6. Assure that at least one of the items directly endorses and supports your community.

7. Seek legal advice where questions remain.

In a society that sometimes seems to say, "If it feels good do it," implementing a code of ethics may seem to be an uphill cultural battle. Alistaire Cooke, a leading American historian and commentator on society said in an interview on the Charlie Rose show, "Culture is not what you would or could do. Culture is what you would not do."

Once established, your code of ethics must not only be your beacon in the night, but must be understood by all parties affected. They must understand, believe and follow it.

Again to Thomas Paine in the Age of Reason: "Infidelity does not consist in believing or in disbelieving, it consists in professing to believe what one does not believe."

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