Developing an Effective Ethics Program

Two Types of Control Systems That Can Be Created Are:

**Compliance Orientation:** creates order by requiring that employees identify with and commit to specific required conduct. It uses legal terms, statutes, and contracts that teach employees the rules and penalties for noncompliance.

**Values Orientation:** strives to develop shared values. Although penalties are attached, the focus is more on an abstract core of ideals such as respect and responsibility. Instead of relying on coercion, the company’s values are seen as something to which people willingly aspire.

**Code of ethics:** the most comprehensive and consists of general statements, sometimes altruistic or inspirational, that serve as principles and the basis for rules of conduct. A code of ethics generally specifies methods for reporting violations, disciplinary action for violations, and a structure of due process.

**Codes of conduct:** a written document that may contain some inspirational statements but usually specifies acceptable or unacceptable types of behavior. A code of conduct is more akin to a regulatory set of rules and, as such, tends to elicit less debate about specific actions.

**Statement of Values:** serves the general public and also addresses distinct groups such as stakeholders. Values statements are conceived by management and are fully developed with input from all stakeholders.

Six values that have been suggested as being desirable for codes of ethics include:

1. trustworthiness
2. respect
3. responsibility
4. fairness
5. caring
6. citizenship

These values will not be effective without distribution, training, and the support of top management in making these values part of the corporate culture.

Developing and Implementing a Code of Ethics

1. Consider areas of risk and state the values as well as conduct necessary to comply with laws and regulations. Values are an important buffer in preventing serious misconduct.
2. Identify values that specifically address current ethical issues.
3. Consider values that link the organization to a stakeholder orientation. Attempt to find overlaps in organizational and stakeholder values.
4. Make the code understandable by providing examples that reflect values.
5. Communicate the code frequently and in language that the employees can understand.
6. Revise the code every year with input from organizational members and stakeholders.

Ethics of Officers are responsible for managing their organizations ethics and legal compliance programs. They are usually responsible for:
1. assessing the needs and risks that an organization-wide ethics program must address
2. developing and distributing a code of conduct of ethics
3. conducting training programs for employees
4. establishing and maintaining a confidential service to answer employees’ questions about ethical issues
5. making sure that the company is in compliance with government regulation
6. monitoring and auditing ethical conduct
7. taking action on possible violations of the company’s code
8. reviewing and updating the code

Keys to Successful Ethics Training
1. help employees identify the ethical dimensions of a business decision
2. give employees a means to address ethical issues
3. help employees understand the ambiguity inherent in ethical situations
4. Make employees aware that their actions define the company’s ethical posture both internally and externally
5. Provide direction for employees to find managers or others who can help them resolve ethical conflicts
6. Eliminate the belief that unethical behavior is ever justifiable by stressing that
   a. Stretching the ethical boundaries results in unethical behavior
   b. Whether discovered or not, an unethical act is just that
   c. An unethical act is never in the best interests of the company
   d. The firm is held responsible for the misconduct of its members

Common Mistakes in Designing and Implementing an Ethics Program

Failure to understand and appreciate these goals is the first mistake that many firms make when designing ethics programs.

A second mistake is not setting realistic and measurable program objectives. Once a consensus on objectives is reaches, companies should solicit input through interviews, focus groups, and survey instruments.

The third mistake is senior management’s failure to take ownership of the ethics program. Maintaining an ethical culture may be impossible if CEO’s do not support an ethical culture.
The fourth mistake is developing program materials that do not address the needs of the average employee. Many compliance programs are designed by lawyers to ensure that the company is legally protected.

The fifth common mistake made in implementing ethics programs in transferring an “American” program to a firm’s international operations.

A final common mistake is designing an ethics program that is little more than a series of lectures. In such cases, participants typically recall less than 15 percent the day after the lecture. A more practical solution is to allow employees to practice the skills they learn through case studies or small group exercises.