

CODE OF CONDUCT

Definition

A **code of conduct** is a set of organizational rules or standards regarding organizational values, beliefs, and ethics, as well as matters of legal compliance that govern the conduct of the organization and its members. Organizational members are responsible for adhering to the code of conduct and will be held accountable for failure to do so. Most large businesses will have a code of conduct, which are often developed in response to legislation regulating business activities and behavior or some sort of ethical scandal.

Types of Business Codes

You can actually break business ethical codes into three broad categories that are based upon the approach each takes in maintaining ethical and legal compliance. Let's take a short look at each.

Codes of conduct typically prohibit behavior and inform employees what is expected of them. Codes of conduct often outline penalties for failure to comply with the code. Common topics include conflicts of interest, political contributions, and acceptance of gifts.

Codes of practice attempt to explain and illustrate the values and principles of the business. Instead of providing strict rules to follow, codes of practice educate employees on how things are done in the business. These codes attempt to empower the employee by making the employee an ethical decision maker.

Codes of ethics codify the values and principles of the company and define the responsibilities, duties, and obligations organizational members have to the organization and its stakeholders.

Common Topics in Business Codes

While the content of codes will vary from organization to organization, many will address common topics, including:

- Conflicts of interests
- Confidential information
- Employment discrimination
- Use of the organization's property
- Financial reporting and accounting
- Health and safety issues
- Political contributions and campaigning in the office
- Legal compliance issues relevant to the organization

Code of Ethics

- A code of ethics is a guide of principles designed to help professionals conduct business honestly and with integrity. A code of ethics document may outline the mission and values of the business or organization, how professionals are supposed to approach

- problems, the ethical principles based on the organization's core values, and the standards to which the professional is held.
- A code of ethics also referred to as an "ethical code," may encompass areas such as business ethics, a code of professional practice and an employee code of conduct.

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- A code of ethics sets out an organization's ethical guidelines and best practices to follow for honesty, integrity, and professionalism.
- For members of an organization, violating the code of ethics can result in sanction including termination.
- In some industries, including banking and finance, specific laws govern business conduct.
- In others, a code of ethics may be voluntarily adopted.
- Compliance-Based Code of Ethics**
- For all businesses, laws regulate issues such as hiring and safety standards. Compliance-based codes of ethics not only set guidelines for conduct but also determine penalties for violations.
- In some industries, including banking, specific laws govern business conduct. These industries formulate compliance-based codes of ethics to enforce laws and regulations. Employees usually undergo formal training to learn the rules of conduct. Because noncompliance can create legal issues for the company as a whole, individual workers within a firm may face penalties for failing to follow guidelines.
- To ensure that the aims and principles of the code of ethics are followed, some companies appoint a compliance officer. This individual is tasked with keeping up to date on changes in regulation codes and monitoring employee conduct to encourage conformity.
- This type of code of ethics is based on clear-cut rules and well-defined consequences rather than individual monitoring of personal behavior. Despite strict adherence to the law, some compliance-based codes of conduct do not thus promote a climate of moral responsibility within the company.
- Value-Based Code of Ethics**
- A value-based code of ethics addresses a company's core value system. It may outline standards of responsible conduct as they relate to the larger public good and the environment. Value-based ethical codes may require a greater degree of self-regulation than compliance-based codes.
- Some codes of conduct contain language that addresses both compliance and values. For example, a supermarket chain might create a code of conduct that espouses the company's commitment to health and safety regulations above financial gain. That supermarket chain might also include a statement about refusing to contract with suppliers that feed hormones to livestock or raise animals in inhumane living conditions.
- Code of Ethics Among Professionals**
- Financial advisers registered with the Securities and Exchange Commission or a state regulator are bound by a code of ethics known as fiduciary duty. This is a legal requirement and also a code of loyalty that requires them to act in the best interest of their clients.
- Certified public accountants, who are not typically considered to be a fiduciary to their clients, still are expected to follow similar ethical standards, such as integrity, objectivity,

truthfulness, and avoidance of conflicts of interest, according to the Institute of Certified Public Accountants of Kenya (ICPAK).

What Makes a Great Code of Conduct?

A code of conduct defines how a company's employees should act on a day-to-day basis. It reflects the organization's daily operations, core values and overall company culture. As a result, every code of conduct is unique to the organization it represents. Yet many companies struggle with how to write a great code of conduct and, as a result, their codes fall short.

Writing a great code of conduct requires a thorough understanding of the company, its culture and vision. But no matter the company, all great codes of conduct share certain characteristics.

A great code of conduct is:

- **Written for the reader.** It is easy to understand and doesn't include any technical or legal jargon.
- **Comprehensive.** It covers all important details that may impact the daily lives of employees and answers common questions that arise.
- **Supported by leadership.** It has been acknowledged and approved by the company's senior management team. This is often demonstrated in the form of a foreword written by the CEO.
- **Accessible.** It is available to all employees, current investors and potential investors.

Visually appealing. It follows a style that is clean and reflective of the organization.

Importance of Code of Ethics.

Many companies realize the importance of code of ethics development and work to create codes of ethics accordingly. The purpose of code of ethics development and subsequent ethics training is to first define a company's ethical stances on topics like material sourcing, conflict resolution and legal compliance, and then to ensure that every member of the company understands the ethics code.

It Protects Employees' Rights

A primary purpose of code of ethics training is to ensure that managers understand employees' legal rights and that employees know how to advocate for themselves in situations like:

- Pay disputes
- Discrimination
- Sexual harassment
- Disparate treatment
- Resolving conflicts
- Pursuing promotions

Ethics Make Difficult Choices Easier

For a supervisor or company leader, the day-to-day decisions that come with managing people and operating a business are not always easy. One purpose of code of ethics development is making these decisions easier by creating guidelines leaders can follow when making these decisions.

Similarly, having a well-developed code of ethics can make it easier for company leaders to develop an effective code of conduct for employees. A code of conduct is not the same as a code of ethics. While a code of ethics states the company's broad positions, a code of conduct is an explicit set of instructions that team members are expected to follow while employed by the company. Generally, the code of conduct is written using the positions outlined in the code of ethics, and its instructions are developed to enable employees to easily follow the company's code of ethics.

Consumers and the Importance of a Code of Ethics

Another one of the most important benefits of having a code of ethics is creating a positive public image. Consumers pay close attention to companies' actions, particularly those involving ethical decisions. Typically, consumers like supporting companies they perceive to be ethical and will pay more to buy products and services from these companies.

It Can Prevent Lawsuits and Legal Challenges

The importance of code of ethics development is immediately apparent when other companies in the same industry face lawsuits for ethical and legal violations. By developing a strong code of ethics and prioritizing its tenets in every business decision, a company's leaders can potentially save the company millions of dollars in the legal fees and fines that can accompany an allegation of wrongdoing.

Preventing lawsuits is closely tied with another purpose of code of ethics creation: maintaining a positive relationship with the public. News of ethical violations reaches social media and other public outlets quickly, and even a seemingly minor infraction can have a devastating effect on the public's perception of a brand. By committing itself to the importance of its code of ethics in every action it takes, a company can insulate itself against all the consequences of negative publicity.

Customer Ethics Definition

Generally, customer ethics are defined as a set of ethics that service providers follow to ensure that they treat their customers with respect. Often, non-discrimination is one of these ethics and as such, it guarantees that every customer is treated with respect regardless of her age, religious or cultural background, race, sexual orientation, socioeconomic class or history with the company.

Other customer ethics include valuing the relationship with the customer over the sale and keeping meticulous records of all customer interactions to reduce the chance of employee errors causing problems for customers. Valuing the relationship with the customer over making a sale often means taking any step necessary to correct a customer's problem, even when it means the company does not profit from the transaction that led to the problem.

Developing a Customer Service Code of Ethics

Before a company can develop a customer service code of ethics, its leaders need to identify their ethical viewpoints for the company and how these can translate into a code of ethics.

A customer service code of ethics is not the same as a customer service code of conduct; while a code of conduct is a set of specific guidelines employees are to follow at work and, in some cases, outside the workplace, a code of ethics is a set of morals and beliefs that the company strives to operate by. Generally, a code of ethics is the basis for a code of conduct, and the code of conduct may reference the code of ethics at numerous points.

Common ethical values companies work into their customer service codes of ethics are:

- Honesty
- Responsiveness
- Transparency
- Respect
- Value
- Loyalty
- A drive to solve problems

A code of ethics is not just a vague list of values like these. It is a set of statements that spell out how these values drive the company's actions. These statements are the policies that make up the code of ethics and should be made readily available to employees. Often, a customer service code of ethics and all other company ethics policies are included in its employee handbook.

CODE OF ETHICS FOR MANAGERS-E.G-HUMAN RESOURCE MANAGERS

Issues faced by human resources managers raise questions about fairness, honesty, self-discipline and consequences of behavior. Since the human resources department – which deals with employee issues – assumes a major role in the company, there may be a tremendous burden placed on human resources managers to walk a very narrow line between what is legally and morally best for the employee and financially advantageous to the company.

Human resources as a professional career choice has resulted in the creation of the Society of Human Resources Management. This organization has developed a Code of Ethics for Human Resources Managers.

High Standards of Professional and Personal Conduct

Human resources managers must make decisions on a daily basis that involve employee issues versus company policies and procedures. In making these decisions, the professional and personal conduct of the manager may come into play. For example, rather than fire an employee, should he be considered for other possible alternatives in order to keep his family with shelter and food, even though he is not performing up to company standards? A valid answer may be reached with the consideration of applicable laws, organizational standards of ethical behavior, and without personal malice or opinion.

Continuation of Personal Growth in the Field of Human Resources

The field of human resources is evolving and constantly changing. A professional human resources manager may be committed to continuing education and certifications as a pathway to continuous improvement. The Society of Human Resources Management has established two types of certification for human resources professionals. One is a Professional in Human Resources (PHR) designation and the other is an Senior Professional in Human Resources (SPHR) which requires more experience and/or formal education. Each certification requires additional human resources courses, workshops, and seminars.

Uphold all Laws and Regulations Relating to Employer's Activities

Human resources is the "conscience" of the company. It is the responsibility of the human resources manager to be knowledgeable of all laws and regulations pertaining to the hiring, training, compensating and disciplining of employees. While maintaining loyalty to the employer, the human resources manager must comply and adhere to all laws regarding the treatment of employees. The human resources manager, at times, must take a stand with the employer to inform her of possible consequences inherent with certain acts.

Maintain the Confidentiality of Privileged Information

Most information about employees, whether it be medical, compensation or discipline, is considered confidential. In some cases, this may include keeping information from an employee's manager or releasing information in a lawsuit or medical billing issue. These situations call for behaviors and actions that conform to the highest ethical principals. Following the letter of the law in these cases may be the best decision. If company policies are written accordingly, it will be much easier to follow the correct procedures.

Refrain from Using Personal Position for Inappropriate Gain

A human resources manager can be seen as one with power to get things done. Having the support and trust of senior management can place a manager in a position to make autonomous decisions. It may be important for managers to include others in the decision-making process for checks and balances. Although it may be tempting to use one's position to influence others, it should be used discreetly and only for the good of both employee and company. For example, managers should not allow favoritism of an employee because of a personal relationship.