

Code of Ethics and Business Conduct

BUSINESS ETHICS: LESSON 4

Role of Code of Ethics

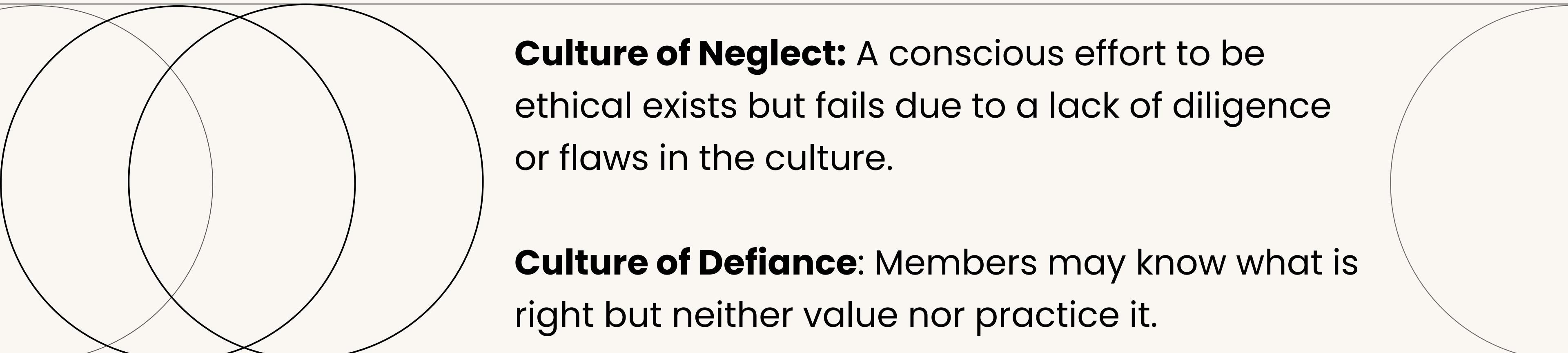
Originally termed "**creeds**" or "**credos**," codes of ethics have evolved from legalistic reputation-building tools into comprehensive documents that define an organization's values and ethical parameters.

- **Definition:** Policy documents that outline an organization's responsibilities to stakeholders and set expectations for employee conduct
- **Guidelines:** They include both "open" guidelines (desirable behaviors) and "closed" guidelines (prohibited actions).
- *Vs. Mission Statements:* While a mission statement declares what a company intends to accomplish, an ethical code defines the standards and values used to pursue that mission.

Types of Organizational Culture

Culture of Character (The Ideal): Positive moral values are ingrained throughout the organization; members strive to know, value, and do what is right without fail.

Culture of Compliance: Members know and do what is right but do not truly value it, often leading them to bend rules when opportunities arise.



Culture of Neglect: A conscious effort to be ethical exists but fails due to a lack of diligence or flaws in the culture.

Culture of Defiance: Members may know what is right but neither value nor practice it.

Understand Corporate Culture

Corporate culture consists of the shared assumptions, beliefs, and values that influence how members act and solve problems.

- **Social Glue:** Culture acts as an informal control mechanism that holds an organization together through consensus and harmony.
- **Human-Centric:** Culture is a human reality that should be at the service of the person, promoting growth and the cultivation of virtues.
- **Influence:** While a society's culture influences business life, it does not determine it; individuals have the freedom to accept, modify, or reject cultural norms.

Creating an Ethical Culture

To build a "Culture of Character," organizations must **move beyond just writing a document** and **actively integrate integrity** into their daily operations.

Markers of Ethical Organizations

- **Stakeholder Focus:** Seeing the good of stakeholders as part of the firm's own good and being "obsessed" with fairness.
- **Individual Responsibility:** Treating responsibility as individual rather than collective.
- **Aligned Systems:** Ensuring rewards, policies, and top management decisions are all consistently aligned with a vision of integrity.

Strategical Steps for Implementation

Commitment: Secure top-level commitment and lead by example.

Structure: Designate an ethics officer, conduct social audits, and protect whistleblowers.

Personnel: Hire and promote ethical people and provide continuous ethics training.

Thank You!

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