DEVELOPING AND IMPLEMENTING A CODE OF ETHICS.

Checklist 028

» INTRODUCTION

High profile cases of dishonest and even corrupt business conduct have drawn attention to ethical failures in the corporate arena and have made it increasingly important for companies to demonstrate their commitment to ethical and sustainable business practices. However, the introduction of a written code of practice may mean very little in itself. A company may introduce a statement of values or a code of ethics, but nonetheless fail to live up to the principles enshrined in it, leading many to dub such documents as 'not worth the paper they are written on.' It is a relatively straightforward task to draw up a policy document, but it will be worthless unless it is a genuine expression of the organisation's culture and practice and a true reflection of how its people actually behave.

If, however, a code of ethics is carefully prepared with the involvement of employees at every level, clearly communicated across the organisation and effectively embedded into organisational culture and decision making, it can contribute to the organisation's reputation and inspire employee commitment and public confidence.

The introduction of a code gives an indication that the organisation takes ethical issues seriously and can provide clear guidance for all employees on what is expected of them in terms of appropriate ethical behaviour. Business ethics is related to the broader area of corporate social responsibility and sends a signal to other organisational stakeholders including shareholders, customers, the community at large, suppliers and business associates that ethical conduct and practice are important to the organisation.

95%

AGREE THAT CHARTERED STATUS SHOWS THEIR INTEGRITY AND COMMITMENT TO ETHICAL BEHAVIOUR

Codes of ethics go by many names - code of conduct and code of practice being the most common. The focus of these documents may vary to some degree, but their ultimate aim is the same – to provide guidance on appropriate conduct in the workplace and in business relationships. In this checklist, the term 'code of ethics' will be used for ease of reference.

Mapping management excellence infographic (2015)

» DEFINITION

A code of ethics is a statement of the underlying core values of an organisation and of the principles, perspectives and priorities upon which policy, strategy and operational decisions are to be based and which

CMI Chartered Management Institute

guide the conduct and behaviour of the organisation and its employees in all of their business activities.

» ACTION CHECKLIST

1.   Secure the commitment of senior leadership

Without the absolute and open commitment of senior leadership, a code will not be taken seriously. Commitment needs to be seen and felt. A senior person who is prepared to champion the initiative and drive it forward will be a key factor in its success.

2.   Gain organisational agreement on the primary purpose of the code

Is the code intended mainly as an internal document for the guidance of employees or is it aimed at a wider spectrum of stakeholders, such as non executive directors, shareholders or even customers? Be clear about your major objectives and the changes that may be implied by the code. These changes may involve significant shifts in organisational culture such as encouraging whistle blowing in a company where misconduct has traditionally been ignored or even covered up, for example.

3.   Identify and define existing statements of values

Consult any existing codes of practice, policy memoranda and founding statements within the organisation, and involve managers and employees in their evaluation. Check legal guidelines and review any available standard codes (such as those published by the Institute of Business Ethics and the Chartered Management Institute), and the codes of other organisations operating in a similar environment.

4.   Consider what specific issues need to be covered

While it is important for leaders to lead, it can be helpful to consult with employees at all levels as this will help to gain engagement and commitment across the organisation. Explore perceptions of your organisation's traditions, try to identify any unwritten rules of expected behaviour, and assess the extent to which a consensus already exists. Find out whether there are any particular matters of concern, especially issues of a sensitive nature that need to be addressed. These may be specific to the organisation or to a specific area of operations.

5.   Prepare a draft code

While drafting a code is best carried out by a small group, it should be a dynamic process, so don't exclude comments or input from employees at any level. The following should be included:

- › a clear definition of the organisation's mission, objectives and values
- › an introduction explaining the purpose of the code, and expectations about how it will be used
- › guidance on handling relations with all stakeholder groups: employees, shareholders, customers, suppliers, and the wider community, for example
- › expectations about acceptable behaviour
- › operating principles, with practical and realistic examples from areas such as accounting practices, product specifications, customer terms and conditions and HR policy
- › a formal mechanism for resolving allegations of a breach of conduct.

The code produced needs to be 'user-friendly' in appearance and written in plain language without excessive use of jargon, buzz words or legalese. It should be neither too vague, nor over prescriptive.

6.   Consult and communicate widely

Circulate the draft widely, and encourage comments and feedback. Take comments and concerns seriously and revise the code as appropriate. If a significant amount of revision is required, then the amended version should be re-circulated. This process will have the additional benefit of raising awareness and promoting engagement with the code.

7.   Finalise and launch the code

The final code should be communicated to all employees and this should come from the highest level of the organisation. Consider holding a launch presentation when the chief executive and/or senior leaders can explain the purpose of the code, outline their expectations of how it will be put into practice, and explain how it will operate. This will also enable them to address any queries which are raised. Ensure that all employees and stakeholders have a copy of the code in writing or can access it via the company intranet or website.

8.   Make ethical behaviour part of organisational culture

Codes of ethics should always be written with action and implementation in mind. However, in many ways, writing an ethics code is the easy part. Embedding ethical behaviour into the broader culture of the organisation is much more challenging. Once the code has been finalised, the ethical principles embedded in it will need to be incorporated into organisational decision making processes as well as day to day operations. Consider also, the implications for organisational policies, as changes to these may be necessary as a result of the new code.

The senior leadership team have a significant and ongoing role to play in ensuring that ethical behaviour becomes the norm. Firstly they need to lead by setting an example in their own personal behaviour and by ensuring that ethical principles are taken into account in strategic decision making and in the way in which problems and difficulties are addressed and resolved. Senior leaders define the organisation's culture by their actions. It may, therefore, only take one or two decisions which are considered not to reflect the values and principles contained within the code to destroy its operational credibility.

Leaders must also take responsibility for communicating the importance of ethical behaviour and explaining how ethics contribute to the values and mission of the organisation as a whole.

Junior and middle managers have an equally important role in ensuring ethical behaviour is part of everyday practice. Consider the provision of some kind of development, guidance or workshops which will facilitate reflection about how ethical issues may be relevant to everyday decision-making and about how team members can be encouraged to practise ethical behaviour in their day-to-day work.

The CMI's Code of Conduct and Practice requires Chartered Managers to demonstrate the highest standards of ethics and professionalism. The CMI research report *Mapping management excellence: evaluating the impact of Chartered Manager (2015)* highlights that 95% agree that Chartered status shows their integrity and commitment to ethical behaviour.

9.   Consider appointing an ethics officer or committee

Whilst behaving ethically is everyone's responsibility, giving overall oversight of this area to an individual, working group or committee can help maintain momentum and ensure that attention is paid to ethical issues on an ongoing basis. In a larger company, it may be possible to employ a full-time ethics officer to undertake this role, whilst smaller organisations can spread the responsibility across several individuals or a committee. Even where a full-time officer is employed, a committee can help to spread ethical practice and awareness throughout the organisation.

A balance should be struck between employing an officer or committee who have the ability to influence senior management, and making sure that they are independent and able to pursue their own agenda.

10.   Clarify the consequences of not adhering to the code

Any organisation with a code of ethics has to accept that inevitably there will be times when the code will be breached. Therefore, the code itself must contain some reference to the consequences of not adhering to the code. Make sure it is clear who is responsible for dealing with complaints and concerns. Is it the line manager, human resource department or an ethics 'hot line'? Ensure that there is a process of appeal to a higher authority.

11.   Conduct an ethics audit

Ethical audits are a means of assessing the ethical health of an organisation, in the same way as financial audits are a way of measuring an organisation's financial health. An audit will flag up unethical behaviour so that action can be taken, hopefully at an early stage when it is still possible to prevent it becoming a serious matter. Employee surveys and departmental meetings can be conducted to ensure that every area of the organisation is audited. Consider asking an external auditor to conduct the investigation to ensure a neutral and objective perspective.

Sharing the results of the audit will show employees that ethical behaviour is taken seriously and will highlight where things have gone wrong and improvement is needed. However, the results may also showcase notable ethical successes, demonstrate the benefits of good ethical behaviour and provide an opportunity to recognise employees who have successfully handled issues in an ethical manner.

12.   Establish a mechanism to review the code

There is no set formula, or time-frame for monitoring and evaluating the continuing relevance and effectiveness of a code of conduct, but nine months to a year may be an appropriate period after which to seek feedback and comments and assess the impact of the code and how well it is working. Again, this will require further consultation, perhaps on a one-to-one basis. Be prepared to review the code immediately, and amend as necessary, should any incident give serious cause for concern.

» POTENTIAL PITFALLS

Managers should avoid:

›   using a code of ethics to impose new or inappropriate values
›   seeing the introduction of a code of ethics as a one-off, rather than an ongoing process
›   failing to involve employees in the process of drafting and revising the code
›   producing a document which is ambiguous, vague, confusing or just too difficult to understand
›   creating a potential discrepancy by expressing principles in the code which do not reflect the way the organisation actually operates – this will encourage cynicism and undermine the organisation's credibility
›   ignoring the code once it has been introduced, so that it is worth no more than the paper it is written on.

» ADDITIONAL RESOURCES

CMI RESEARCH

The MoralDNA of employee owned companies: ownership, ethics, performance, Roger Steare and others
London: Chartered Management Institute, 2015

CMI Chartered Management Institute

The MoralDNA of performance: better values, better decisions, better outcomes, Roger Steare and others
London: Chartered Management Institute, 2014

Managers and their MoralDNA: better values, better business, Roger Steare and others
London: Chartered Management Institute, 2014

BOOKS

The responsible leader: developing a culture of responsibility in an uncertain world, Tim Richardson
London: Kogan Page, 2015

The tone from the top: how behaviour trumps strategy, Ian Muir
Farnham: Gower, 2015

Business ethics: a stakeholder, governance, and risk approach, Bob Tricker and Gretchen Tricker
Abingdon: Routledge, 2014

Ethical leadership: creating and sustaining an ethical business culture, Andrew Leigh
London: Kogan Page, 2013
This book is available as an e-book.

Workplace morality: behavioural ethics in organizations, Muel Kaptein
Bingley: Emerald Group Publishing, 2013

Ethicability: How to decide what's right and find the courage to do it, 5th ed., Roger Steare
Roger Steare Consulting, 2013

Police ethics and values, Allyson MacVean and Peter Neyroud
London: Learning Matters, 2012

Business ethics in practice, Simon Robinson and Paul Dowson
London: Chartered Institute of Personnel and Development, 2012

Management ethics: placing ethics at the core of good management, Domènec Melé
Basingstoke: Palgrave Macmillan, 2011
This book is available as an e-book.

These articles are available for members to download from CMI's library. More information at
www.managers.org.uk/library

JOURNAL ARTICLES

Don't be evil, Hashi Syedain
People Management, September 2015, pp30-37

Moral Inc. Jules Goddard
London Business School Review, Summer vol 26 no 2 2015, pp36-41

Sticky ethics, innovation and corporate responsibility, David L Torres
SAM Advanced Management Journal, Summer vol 80 no 3 2015, pp12-22

March of the robots, Farah Dib
Professional Manager, Summer 2014, pp59-63

Who you gonna call? Jo Faragher
People Management, September 2014, pp22-31

Confronting corruption, Ravi Venkatesan
McKinsey Quarterly, no 4, 2014, pp92-101

Pragmatic business ethics, David De Cremer and Henri-Claude De Bettignies
Business Strategy Review, Summer vol 24 no 2, 2013, pp64-67

The moral maze, Ben Walker
Professional Manager, Feb/Mar 2013, pp30-33

RELATED CHECKLISTS

232 Understanding organisational culture
242 Corporate social responsibility
262 Corporate values

INTERNET RESOURCES

Chartered Management Institute Code of Conduct and Practice
http://www.managers.org.uk/policies/code-of-conduct-and-practice
The Code is binding on all members and refers to competence, professionalism, honesty and integrity and the duty to keep up-to-date with current good practice.

ORGANISATION

Institute of Business Ethics, 24 Greencoat Place, London, SW1P 1BE
Tel: 020 7798 6040 Email: info@ibe.org.uk Web: www.ibe.org.uk

---

» **NATIONAL OCCUPATIONAL STANDARDS FOR MANAGEMENT & LEADERSHIP**

This checklist has relevance for the following standards:

› Unit LBB4: Ensure compliance with legal, regulatory, ethical and social requirements
› Unit LBA8: Develop your organisation's values and culture

» **MORE INFORMATION**

e enquiries@managers.org.uk   **t** +44 (01536) 204222   **w** www.managers.org.uk

p Chartered Management Institute
     Management House, Cottingham Rd, Corby, Northants, NN17 1TT

This publication is for general guidance only. The publisher and expert contributors disclaim all liability for any errors or omissions. You should make appropriate enquiries and seek appropriate advice before making any business, legal or other decisions.

Revised January 2017