

Ethics, not only in the workplace

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Introduction

Ethics, or moral philosophy, is the discipline concerned with what is morally good and bad, and what is morally right and wrong. The ethical code that a person follows can determine what choices they make, their actions and views. This concept of ethics exists in business as well. The term business ethics is the study of accepted appropriate policies and practices regarding potentially controversial subject or scenarios within the business.

In a business context, ethics involves the exercise of values – such as trust and integrity – which influence and determine the day-to-day behaviours and actions of a company. Embedded values and ethical behaviours are hard-won company assets built up over time that can easily be destroyed by actions that are, or perceived to be, unethical.

Ethical behaviour instils trust and empathy. It enhances reputation, which can in turn improve income by attracting more customers who are attracted by the associated brand. It should in turn mean greater financial sustainability and finally, while good behaviour engenders more good behaviour, the opposite is true as well.

As with any scenario that is faced when individuals need to put themselves ahead of their competition there is always the chance that those individuals may take morally grey actions in order to further

their vision. But this does not always apply just to an individual's competitors but, in addition, the personal productivity and work performance delivered by the employee. When an employee decides to involve themselves with possibly scandalous affairs and a nexus exists between the employee and the employer that is publicly available it may implicate the business and lead to a loss of reputation.

It is important to understand that the law only partially defines the conduct a person must undertake to be morally correct, but "legal" does not necessarily mean "ethical". It is therefore imperative that the business aims to promote an ethical environment that extends beyond the scope of governmental control. With the use of effective ethics programs, a business can minimise risk exposure, promote integrity within the workplace and it helps ensure that a powerful relationship based on trust can be built with investors and consumers.

The larger the company, the more difficult it is to maintain consistency in the application of values and ethical behaviour. It is unlikely that all staff can be relied upon to react in the same way, particularly where there is significant cultural diversity in the countries in which a company operates. This is why a code of ethics is essential. A well-written code, consistently applied, will minimise uncertainty and raise awareness of ethical issues in the company. The code should help to operationalise ethics and values by developing an associated set of

behaviours that will help guide the actions of staff in situations where they may face ethical challenges.

Business ethics has become an essential part of the business functions in order to make it easier to identify and avoid negative implications from ethical missteps. But in order to transfer these ethics into the employee conduct the business and management must take certain steps to ensure that their ethics program can be measured effectively. Studies suggest that business ethics and conduct will influence the behaviour of employees outside of the workplace, companies with stronger and stricter codes of conduct that have specific approaches to protect the company will instill behaviour in their employees that will benefit the business as a whole.

Ethics = “To do the right thing when nobody is watching”

Difference between personal and business ethics

When looking at an employee the business can consider a person's personal ethics to have a strong impact on the hiring process in order to maintain the decorum of the business. Personal ethics refer to the personal morals and code of conduct that a person follows, and this dictates their behaviour outside of professional settings. Personal ethics are instilled by the employees' external influences like family and friends, and these ethical

values will determine how they conduct themselves outside of the workplace. It is important to consider that personal ethics influences that individual's honesty, openness, transparency, and the strength of their sense of duty and responsibility. The business can utilise this tool as an assessment that determines the amount of favour that the individual can experience within the hiring process, by determining scenarios and posing them to potential employees the business can determine whether or not the individual will be able to. Business, or professional, ethics are the set of values and principles that employees are introduced to in a professional organisation. Each company has its own code of ethics but as long as this code is seen within reason the employees must be forced to follow these rules and protocols. There are many terms that fall within the scope of business ethics, but these values help bring a sense of discipline to the employees' life during work. Thus, the only major difference between personal and business ethics in terms of an employee is the strictness with which each set of values is enforced. A person who is very bound to their own personal ethical code will very likely exhibit the same sense of devotion to the code of ethics and code of conduct imposed by the business.

Effects of lack of ethical behaviour

Whenever there is a lapse in ethical judgement there is a risk to the business, not just to a loss of reputation if that unethical practice becomes public knowledge but possibly a loss of assets, unforeseen financial burdens, and additional work to rectify any mistakes made during the breach of protocol too. When the code of conduct for employees dictates what is seen as responsible behaviour outside of the workplace, the business must take into consideration the effects that those actions will have on the reputation of the business and how well linked the employee would be for the business. Individual industries may have their own set of rules and practices, but the ratio is always that the more responsibility and integrity a position demands, the more stringent and all-encompassing the code of conduct needs to become. If there are loopholes, individuals may be able to take advantage of those loopholes and take advantage of their position or misappropriate company assets.

Because the personal code of ethics that each person sets for themselves determines their own productivity, it is important that the business aims to influence these personal values of their employees by instilling a sense of discipline in terms of work done and behaviour that is accepted and expected at the workplace. Without a strong

sense of ethical purpose an employee may not be as productive as to their full potential. If employees are following the company's code of ethics and rules and yet they feel that they will not get ahead with this set of actions, it may lead to a lack of motivation to perform. Not only will this lack of motivation or asinine attitude affect the bottom line of the company, but it will further expose the company to fraudulent behaviour. It is very important that the business looks at any possible ethical views that would not be in the best interest of the company during the hiring and screening process to eliminate the threats that would influence the values of other employees and instigate risks.

If management or leadership within the business exhibits a lack of ethical behaviour inside and outside of the workplace, they face losing the respect of the workforce. Even if a high-level manager is competent, any adverse activities outside of work may lead to resentment and lack of respect from the workforce. The same principle applies to morally disadvantageous individuals within the workforce, employees who follow the rules and regulations as set out by the company may resent those who are not "playing by the rules" but are getting ahead of them. The bottom line with this issue is that trust is a very important aspect of all business practice and if employees do not trust one another the company may face crippling internal struggles that could have been avoided.

The business may lose reputation and credibility if a lack of ethical practices of employees of a company becomes common knowledge. Media tends to report first on the person of interest's career in order to gain more information on that person, thus the business would be on the front line of any scandalous behaviour committed by employees outside of the workplace. This is avoidable by addressing certain behaviours and the disciplinary measures that are taken in their case to protect the company from individuals who would not conform to the code of conduct as set out by the company.

Promoting an ethical business climate

Many studies have suggested that the “tone at the top” does have a very large impact on the attitude of employees and how they tend to shape their own personal views. Thus, it is important that persons with leadership roles in the business have positive personal ethical values and that those values are conditioned and trained to be in line with the business. Employees will sometimes instill within themselves the ethics of the company if they agree with the code of conduct that is provided to them, but it must be within reason. A business with a competent human resources department should be able to train persons on ethical behaviour, what behaviour implicated the business outside of the workplace and what behaviour is prohibited and the reasons for the

prohibition.

Apart from those regulatory measures, the business can further take steps by creating ethical codes that employees must be forced to agree to in order to be fit for service within the company.

The business can create its own set of business ethics, this code usually sets out general principles about the business' beliefs such as its mission, quality of service, employee privacy and confidentiality. It may outline the procedures that should be used to determine whether a violation of the code of business ethics has occurred and what remedies should be pursued. This code is directly linked to management and how strictly management conforms and enforces the code of business ethics on employees. The aim of the code of business ethics is to set out what practices are accepted within the work environment with the hope that these values are transferable to employees' personal ethical values.

The second code that can be created to minimise risks, namely the employee code of conduct, can be used in specific ethical situations. It is this code that can determine whether an employee is allowed to accept gifts from clients, or what would constitute as a conflict of interest with other practices. The code of conduct may make use of a list of specific procedural actions, or it may pose questions that would determine the proper cause of action to be taken by an individual. Though limited, this is where a company can

impose a set of ethics or rules that must be followed even outside of the workplace in order to protect the company from prespecified risks (e.g., employees are not allowed to take company computers into public restaurants in order to minimise loss of assets or exposure to information leaks). The code of conduct may outline whether a violation has occurred and the procedures to be followed. In order to be comprehensive, the employee code of conduct must outline the pathways taken in order to report suspected violations of the code by other employees and the protection whistleblowers will be offered if they release information of unethical conduct. With a strong code of conduct, employees may be influenced by the code of conduct as its reach is not limited to only the practices at the workplace.

Lastly the company can draw up a code of practice, which is adopted to regulate a specific profession. This code may be styled as a code of professional responsibility which can cover common scenarios and decisions and provides a guide as to what behaviour is considered ethical, correct and right in certain circumstances. This code will have far reaching consequences and can determine, within reason, the activities of employees outside of the workplace and the actions that the business can take if there is a violation of this code. A code of practice is usually implemented in highly professional industries such as medicine or law, as a lack of trust or a bad scandal

may lead to a disastrous loss of reputation. It is important to emphasise that without these codes and procedures in place the business has a very limited scope as to the control they have over employees outside of the workplace, and if those employees are implicated in unethical or unlawful practices a nexus would be established between the business and the employee. This means that the business must ensure that they weed out ethically unaligned employees who do not hold to the practices that their employees are encouraged to avoid (or to follow) outside of the workplace.



Approaches To Creating an Effective Code of Conduct

There are currently multiple approaches to creating a code of conduct that can influence the amount of control the business has over its employees outside of the workplace. Although many grey areas exist these approaches to the code of conduct can help determine how to minimise risk to the business. The code of conduct must be regularly reviewed to be kept current and up to date.

The employees' rights approach which holds that employees have almost no restriction to their behaviour outside of the workplace. This approach states that anything outside of the scope of the business will stay outside of the scope of the business. As the public eye is ever watchful, it is not recommended for larger entities as the behaviour of employees outside of the workplace will have almost no influence on how they are treated in the workplace. The employees rights approach holds employee privacy at its core, but it does elude that there are many risks that the business is exposed to if the employee can be linked to the entity. The only way that this approach would be applicable is if the employee and the employer cannot be publicly linked in any way and if there are strict confidentiality clauses in the terms of employment to protect the business from behaviour of the employee outside of the workplace.

The second approach that has been proven is the actual performance approach. This approach holds that employees are free to do as they wish outside of the workplace as long as it does not negatively impact their performance, if outside of work behaviour does however affect employee performance, then the business may interfere even if that behaviour is legal and ethical. In this approach employers are usually permitted, or even obligated, to prescribe that their employees do not do anything outside of the workplace that

would negatively affect their actual work performance. Although this approach protects the interests of the business from employing and keeping destructive individuals, it does place limitations on employees. These limitations can be illustrated as time or expense limitations to always be on time or to conform to a certain dress code, and it can then outline the actions that transgressions of this code will lead to.

When looking at the conflict of interests approach of creating an employee code of conduct, the behaviour of employees outside of the workplace is relevant not when it affects the performance of the employee but when it would increase the risk of unethical behaviour at work. This approach holds that the behaviour of employees outside of the workplace is predictive of their behaviour at work, thus a code of conduct created with the conflict-of-interest approach works at limiting unethical behaviour proactively. In the workplace, and sometimes outside of it, employees are ethically required to exercise judgement on behalf of the employer and the judgement of the employee must be kept ethically compliant and reliable. In order to ensure this reliability, the employer must limit the external influences of the employee to retain reliable judgement on ethical situations. These external influences could be "private" work in the same industry or taking part in social activities that could

pose a risk to the company's reputation. An approach exists that focuses on the competence or character that employees show outside of work as a prediction tool to determine unethical behaviour, it is known as the good competence approach. This approach centres around the thought that outside-of-work behaviour may reveal weaknesses in competency of employees and whether or not those shortcomings would be detrimental enough to pose a risk to the business. This approach operates under the assumption that employees should not change their "character" outside of the workplace in case the adverse personality traits that are not commonly exhibited in the workplace determine that the employee is not competent to perform their allotted tasks or would pose a potential risk down the line. This line of reasoning uses the virtue ethics theory, which considers all behaviour regardless of whether it is public or private to manifest the same underlying moral character. One advantage of this approach is that not all behavioural defects are relevant, only those which would negatively impact the performance of the employee. In laymen's terms, if someone is dishonest at home, they will be dishonest at work.

An approach known as the moral discredit approach holds that employees should not behave outside work in such a way that it brings moral discredit to their work and thereby damage the trust and reputation of the employer and the business. This approach holds that the business is not

to interfere in their employees outside of work behaviour as long as it remains private and separated from the business. Unfortunately, this approach has limitations as not all employees would be able to keep their private lives completely separate of the business or that they would not be able to keep themselves. The market contract approach holds that employers should not unilaterally impose prescriptions for outside of work behaviour on their employees but that they have an agreement with their employees about these prescriptions. Once agreed and established both parties must comply with these agreements, whether it pertains to behaviour at the workplace or personal behaviour. Under this approach to creating a code of conduct the prescriptions of outside of work are negotiable and should be voluntarily agreed upon in mutual exchange if the agreement is positive for all parties. It is imperative that the agreements be valid if the market is currently functioning well and that the employees are autonomous in the sense of being free from coercion and that the employers pose several real-world options for the employee to choose from.

The last approach which can be considered is known as the core values approach. This is the most severe of the listed approaches as the core values of a business are essential for its good functioning and all persons inside the company must adhere too and support these values. When employees demonstrate that they do not

fully understand or respect these values either in or outside of the workplace, then they can be ruled as unfit to work for the organisation. This approach holds true that employees should not do anything outside of the workplace or inside that disrespects the core values of the employer or the business.

A code of ethics



A company's ethics programme should contain the following elements:

a. Code of ethics

A code of ethics is a written set of guidelines issued by a company to its management and staff to help them conduct their behaviour and actions in accordance with its values and ethical standards.

The communication of the code of ethics is important. It should be included in the induction process for new staff and in staff handbooks. It should further be available online as a staff resource.

b. Training

Training in ethical behaviour ensures that all directors and employees know what is expected of them. It helps instil ethics in the culture of the company.

Companies should have a person responsible for ethics. For instance, Coca-Cola's code of ethics is administered by an Ethics & Compliance Committee composed of a cross-functional senior management team. It oversees all ethics and compliance

programmes and determines code violations and discipline. The Ethics & Compliance Office has operational responsibility for education, consultation, monitoring and assessment related to the code of conduct.

c. A means to report breaches of the code of ethics

Companies should provide the means for staff and others to raise ethical concerns. Companies should encourage good faith reporting ('whistle-blowing') and foster a culture whereby they are protected.

d. Rewarding those who 'live the ethical culture'

Ethical behaviour should be recognised and rewarded. Adherence to the company's code of ethics should be part of the performance review process for all staff, including directors.

Those who breach the code of ethics should face appropriate action.

The requirement to follow and conform to the code of ethics should be included in employees' contracts and directors' service agreements.

e. Monitoring and reporting

Companies should monitor the impact of their ethics programme and report the findings internally with an improvement plan to address areas of concern.

Many companies issue corporate social responsibility (CSR) reports annually, which cover ethics and values.

How is a code of conduct important to minimise risk?

When a business looks at risks, the employees are one of the largest pieces on the board. It is important to consider where employee risks will be coming from in order to anticipate them within the risk controls. Business ethics can be used as a tool to influence the ethical conduct of employees outside of the workplace, and thus encourage positive behaviour throughout all facets of the employee's life. It should be the aim of all business not only to deliver a service and make a profit

but to have a positive influence on the lives of their employees. Not only can these risk-heavy individuals be eliminated from selection during the screening process but using regular assessments and workshops management can determine the personal ethical compass of their workforce and individual employees as external influences can affect the personal ethics of employees.

By ensuring that risk management controls are in place to report unethical behaviour

and implementing whistleblower protection for employees who come forward to report unethical practice or behaviour the business minimises their exposure to this risk. No-one has true control over another person's actions, but employees must

understand that the code of conduct does not only exist to protect the employer, but further exists to safeguard them against practices that would lead to detrimental outcomes.

Conclusion

The concept of ethics exists all around us, in every decision we make we can take the ethical attributes of our decisions into consideration to determine whether we are right or wrong. Business can use the same principle to determine whether or not their practices and the behaviour of its employees is socially acceptable. Without having an effective ethical code of conduct a business may not have defined ethics guidelines and could face secondary risks such reputational risks or

financial risks within the entity. Thus, it is important to make sure that all aspects, and all possible scenarios are taken into consideration during the composition of a revised, or new, code of conduct for employees. The board of directors is responsible for setting ethical standards and values and ensuring that they are embedded in – and become part of the DNA of – their organisation. An ethical business should be a more sustainable business.