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Operationalize a Code of Ethics

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OPERATIONALIZE A CODE OF ETHICS

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A **code of ethics is not a new concept.** In fact, one of the oldest ones dates back to AD 275 when Hippocrates is credited with developing the Hippocratic Oath, a pledge to practice medicine to the best of one's abilities. Although early ethical statements were unlikely called a "code of ethics," their overriding principles have been evident for centuries. And since the mid-1980s, when there was a perceived increase in business corruption worldwide, there has been a push for organizations to adopt a code of ethics (CoE).

A CoE outlines an organization's values and its desire to conduct business with integrity. It further identifies expected behaviors. This document is useful in any type of organization, regardless of size. Although leaders—and employees—may believe the ethical documentation is appropriate for a company to have, they may be hesitant to invest the time and resources to create and implement it.

So, how do you encourage them to do just that? Start with training and communication. In this issue of *TD at Work*, I will:

- Review the reasons for creating and implementing a CoE.
- Identify stakeholders and the level of training each requires.
- Provide training and communication tools to consider.
- Outline the *what's in it for me* (WIIFM) for learners.
- Offer ideas for measuring training efficacy.

Creating, adopting, and implementing a CoE is a team effort.

Creation

Typically, a CoE begins with an introductory note from the CEO, president, owner, or someone of similar stature emphasizing the organization's commitment to doing business in an ethical fashion and the importance of each employee adhering to ethical conduct. Next, the document lays out the company's vision, mission, and values, followed by an explanation of its compliance program. The rest of the document lists important ethical aspects to the organization, especially those that can lead to a loss of cultural or ethical conduct. Common topics include commitment to privacy, accounting integrity, nondiscrimination, and conflicts of interest as well as the penalties or consequences for individuals failing to comply with those standards.

One individual should assume responsibility and lead the CoE's overall creation and operational implementation, but that does not mean the entire process is a solo effort. While senior leadership sets the organization's overriding values, articulating the nuances of those values requires input from leaders at other levels, such as department heads. Input from frontline workers may also be helpful. Those individuals form the CoE team.

Creating, adopting, and implementing a CoE is a team effort to ensure the document captures the company's whole ethical environment and that all employees, regardless of language or education, can understand it. Doing so without input from individuals at all levels may easily lead to failure; won't contribute to an ethical environment; and can lead to confusion, perceived unethical behavior, and dissension.

Implementation

Once the company has an established CoE, the next challenge is ensuring all staff understand and accept the document. This is where you as a talent development leader can step in and assist with engagement and acceptance.

First, keep the CoE team engaged. Doing so is essential—otherwise, team members may feel they are no longer needed and will put the CoE on the back burner as it relates to their employees. Team members' sustained awareness and support of the CoE elements are critical for success.

Create an implementation plan with the team. Meet before the beginning of the year to establish a global plan and then continually throughout the year to evaluate the effectiveness of the plan and associated activities. Be receptive when a team member alerts you that something isn't working. Determine why and, if necessary, make changes along the way.

However, be careful to limit changes during the year to avoid confusion in version control. Unless there is a major issue with the CoE, keep changes to once per year during an annual review of the document.

Many employers post the CoE on the internet or an intranet site and stop there. That won't guarantee success in terms of awareness and adherence. A code that looks good on paper or on the internet and has all the right keywords does not hold the intended weight if the company lacks organization-wide understanding and acknowledgment. If employees and other stakeholders are not aware of the company's basic values and their respective responsibilities to meet those values, the code is ineffective. In fact, worse than not having a CoE is having one that is unknown, not understood, or ignored.

Although most people consider themselves ethical and living in an ethical environment, stakeholders must accept the specific nuances of such an environment as it pertains to the organization and their responsibilities within the company. Stakeholders should ask themselves:

- What do the specific CoE elements mean to me?
- How can I help to further the organization's culture as outlined in the document?
- Are there potential weaknesses within the company that can lead to risks—for example, do we have strong enough controls on our IT system?
- How do I address those who are not demonstrating a commitment to the CoE and an ethical culture?

Creating awareness and ensuring understanding of the code is no easy task. Everyone will have their own way of learning and remembering. Determining the best training mechanisms will take time and planning to reach stakeholders at their educational, cultural, and organizational level.

Identify Stakeholders

In addition to employees and the board of directors, stakeholders may include shareholders, the general public, volunteers, and vendors. Their training needs and your delivery method will differ for each. Employees, for example, undoubtedly will comprise your largest stakeholder group and will be diverse with varied needs for a continuous training program.

The board of directors, which generally approves the CoE, should attend a brief (at least one hour) training course annually. However, extended training may not be viable nor practical. A presentation with a discussion as applicable is sufficient. It is unlikely board members will benefit from other types of training activities, such as case studies, small-group discussions, or online training. If time permits during subsequent board meetings, consider brief discussions on specific topics, especially as they relate to current events or increased industry threats. Further, make the board aware of your organizational training plan.

For shareholders and the public, make the code available and easy to find on the company website. And at least annually, include the CoE in shareholder communication.

Make vendors and third-party associates aware of the CoE and consider requiring them to provide written

US Code of Ethics Advisory

In the US, there are many examples in which the government looks for, requires, or strongly advises employers to develop and implement a code of ethics. When determining culpability for an organization convicted of criminal conduct, the US Sentencing Commission will look for whether the company has an effective compliance and ethics program. In the late 1990s, the US Department of Health and Human Services Office of Inspector General declared that healthcare entities, as recipients of government funding, would be well suited to implement compliance programs. In guidance documents designed to help companies create the programs, it reinforced the importance of including a CoE.

Businesses in other industries are required to adopt a CoE. For example, the Sarbanes-Oxley Act of 2002 requires publicly traded companies "to disclose whether or not, and if not, the reason therefor, such issuer has adopted a code of ethics for senior financial officers, applicable to its principal financial officer and comptroller or principal accounting officer, or persons performing similar functions." The act also includes a concise definition of a CoE that is a helpful guide for any organization regardless of whether it is publicly traded: "(1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the issuer; and (3) compliance with applicable governmental rules and regulations."

The US Federal Acquisition Regulation, which governs the conduct of government contractors, likewise requires contactors to have "a written code of business ethics and conduct."