



Establishing a Business Code of Ethics

Human Resources professionals have an important responsibility when it comes to helping a company achieve and maintain high ethical standards. Ethical responsibilities are both practical and legal. Failing to comply with either type of ethical responsibility can have devastating repercussions.

Employees who work for companies with a strong ethical culture are far more likely to be proud of their employer, have confidence in the organization's future, be satisfied with the company, and plan to continue working there compared to employees who work for companies with a weak ethical culture, according to a recent report.

The gap is most noticeable among employee ratings of pride. Ninety-four percent of workers who said they work in a strong ethical environment are proud of their organization, compared to only 33% who reported working in a weak ethical culture.

That was among the findings of a report from Kenexa Research Institute, a division of talent acquisition and retention solutions firm Kenexa® (www.kenexa.com). Among employees who work in a strong ethical culture, 91% are confident in their organization's future, 90% are satisfied overall with the company, and 76% plan to continue working there, the report states.

The numbers are much lower for those who work in a weak ethical culture: Only 33% express confidence in their organization's future, 25% are satisfied with the organization, and 42% plan to stay there.

In addition, workers in a strong culture are much more likely to say that company performance and reputation had improved in the past year and, when applicable, that they would advise friends and family to invest in the company.

Establish a Code of Ethics

For senior management and HR executives of many small companies, it may seem a formidable task to undertake the development of a code of ethics. However, constructing one may have long-lasting, positive effects on the business culture in your organization. It may also enhance your employees' dedication and commitment to their work and positively influence their behavior in the workplace.

A code of ethics illustrates for customers, employees, and the community your organization's expectations for corporate conduct. The code of ethics becomes the game plan from which employees can develop appropriate business strategies, and managers can implement work policies and procedures.

Getting Started

The basis for the code of ethics should be the standard to which the organization aspires to reach and wishes to be measured against.

For example:

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Our organization will put its customers first in respect to both service and the quality of the products that we sell.

A code of ethics can be specific — denoting purposeful, detailed statements requiring adherence on the part of management and employees. Or, it can be more general.

For example:

We will respect every customer and every employee as a valued and equal individual with whom we interact every day, regardless of the rank of the employee or the amount of the customer's business that we can expect to fulfill. We will stand behind the quality and value of the products that we produce and will be honest and forthright in our communication with customers, employees, and the community.

One helpful resource that can be used by employers in developing their own code of ethics was developed by the U.S. Department of Commerce nearly a decade ago. This document encourages businesses to “adopt a code of conduct for doing business around the world.” The basic principles suggested by the Department were the following:

- Provision of a safe and healthy workplace
- Fair employment practices, including avoidance of any type of discrimination
- A maintained responsibility for environmental protection and practices
- Compliance with laws promoting good business practices and ensuring fair competition
- Maintenance of a corporate culture that respects free expression consistent with legitimate business concerns and does not condone political coercion in the workplace; that encourages good corporate citizenship and makes a positive contribution to the communities in which the company operates; and where ethical conduct is recognized, valued, and exemplified by all employees

Promoting the Code

The CEO may introduce the new company code of ethics with great fanfare to all staff at an employee meeting, and HR may post it in prominent areas throughout the firm's location(s). After the initial introduction of the code, it should be presented to all new employees during employee orientation, or even to employment candidates during the recruitment and interviewing process. Senior management should require each employee to review the code of ethics and to sign a statement that requires him to agree to follow the code.

Reviewing the Code

Once a code of ethics has been put into place, HR executives and senior leadership should review the code on an annual basis and solicit employee feedback with a mechanism such as an anonymous employee survey or discussion facilitated by an outside objective resource. Such practices allow employees to share their experiences with adhering to the code of ethics and their observation of other employees and managers regarding their ethical behavior.

Adjustments and changes to the code may be implemented as necessary to reflect any changes in the firm's structure, business strategies, or in response to changes in the business environment. In addition, regular conversation about the code should be commonplace in department meetings and ongoing employee training. A code of ethics should not be a statement that is developed and put on the shelf. It should become a living document that is followed every day.