

Corporate Ethics

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Kenyan runner Abel Mutai was only a few meters from the finish line when he became confused with the signs and stopped, thinking the race had ended. Spanish sprinter, Ivan Fernandez, who was behind him realised what went wrong and started shouting to the Kenyan to keep running. Mutai did not know Spanish and could not understand what Fernandez was saying.

Realising what was going on, Fernandez pushed Mutai to victory. A reporter later asked Ivan, "But why did you let the Kenyan win?" Ivan replied, "I didn't let him win, he was going to win. The race was his."

The reporter said, "But you could have won!" Ivan replied, "But what would be the merit of my victory? What would be the honour of this medal? What would my Mother think of it?"

Integrity at the Core of the Individual

Human beings are born with an innate moral compass which gravitates towards doing good or doing what is right. In other words, people attempt to stay on course to pursue doing what is morally correct.

Values and virtues like integrity, honesty and hard work are not only the expected norms of society but also accepted and held in high esteem globally, spanning beyond caste, creed, class, race, nationality or religion. This model—'learning at the mother's feet'—factors in the learnings and values instilled during the formative years; these virtues shape one's character, enabling the person to form opinions and discern between right and wrong.

Honesty and integrity are among the primary principles within the moral code of conduct laid out in the scriptures of almost every religion. The moral code essentially serves as a guide to virtuous living at an individual, familial and societal level. The scriptures cite expected behaviours in societal interactions.

For example, a businessman should not indulge in malpractices that would amount to cheating customers like using inaccurate weights and measures or treating workers unfairly. Essentially, every individual is expected to uphold and practice the right values even when nobody is watching. American talk show host Oprah Winfrey sums it up aptly, "Real integrity is doing the right thing, knowing that nobody's going to know whether you did it or not."

In the real world, where grey-area situations largely exist, these learnings are put to the test. Due to competitive and organisational pressures, sometimes even well-meaning individuals might give in to the temptation of taking small risks for some easy returns. For instance, an employee 'leverages' an opportunity to maximise gains for oneself such as achieving targets to earn a reward/recognition or for the organisation, but which may ultimately benefit the individual.



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Figure 1

Given the rising number and scale of scandals that have shaken large multinationals—causing collateral damage by tarnishing reputation and brand image, plummeting sales, financial loss, etc.—professionally managed organisations have always striven to focus on good governance and adherence to compliance measures; they firmly believe in what the former Chairman of the U.S. Securities and Exchange Commission, John S.R. Shad, said, “*Ethics pays*”.

Business Ethics

While profit remains one of the key motives of an enterprise, it is not the sole purpose of its existence. Besides growth and profitability, a major agenda being addressed within boardrooms is around good corporate governance and the associated ethical framework. There is a growing need to introduce stronger governance mechanisms and ethical practices to pre-empt malpractices. In doing so, organisations strive to promote value creation for all stakeholders like customers, shareholders, employees, vendor partners and community.

Good corporate governance calls for stringent compliance and pervasive ethical practices. It is a misconception that compliance and ethics are one and the same. Compliance is about doing what is required for the given process or statute. Processes required and completed to fulfil a statute is

statutory compliance. Organisations can be compliant to internal processes and fulfil all statutory laws yet be unethical. Surrogate advertising is a good example to illustrate this point, where something is legally compliant but unethical. Promoting alcohol consumption is banned on national television. If a company, however, advertises an alternative product with the same brand name, it is indirectly trying to increase brand recall to the intended product. Legally, the company is not flouting any law. However, when viewed under the lens of ethics, the practice is clearly unethical. The Institute of Business Ethics defines business ethics as “*the application of ethical values to business behaviour*”.

Ethical Organisation Culture – Setting the Tone

In organisations, the Board sets the tone for good corporate governance and compliance. Undoubtedly, the tone at the top is a prerequisite, but a strong ethics framework is required to drive the culture of ethics across the board. The elements for such a framework include:

- The company’s executive leadership sponsoring the Ethics programme with the continued support of middle and lower level teams.
- An ongoing dialogue across levels to address tough questions

that may arise during the business ethics journey.

- A two-way communication process, cutting across levels, to foster an environment of openness and trust.

Code of Conduct

One of the basic corporate ethics requirements is formulating the ‘Code of Conduct’ which conveys the company’s value statement and defines the ethical foundation on which decisions will be made to achieve business objectives. It also specifies the general principles of behaviour which employees and other stakeholders are expected to follow.

The Code of Conduct—an articulation of the value statement—is usually framed as a mix of rules to be adhered and aspirations towards which the organisation seeks to evolve. It is aspirational, as being ethical is a continuous journey. All levels of employees should mandatorily abide by the Code that is often incorporated for allegiance and adherence as part of the employee’s contract and/or induction programme. The organisation’s external ecosystem such as value chain partners—often considered as an extension of the organisation itself—should also abide by the principles of the Code, as they partner to achieve the organisation’s business goals.

Besides setting the tone, the executive leadership and senior managers should practise principles of ethics in their day-to-day dealings. The middle layer (shockabsorber layer) is a pivotal entity in the development of the organisation’s ethical business culture. They constitute the vital touchpoint with junior-level employees, who look up to these managers as their role models in daily interactions. The middle-level managers should therefore reflect, reinforce and reiterate the Code to build ethical values into the organisation’s fabric.

Ethical dilemmas do not always have prescriptive and clear-cut answers; hence, an effective training programme to understand and live the Code will not only be beneficial for employees and other stakeholders but also enable them to steer clear of ethical dilemmas, as this training stands them in good stead.

Building a Check Mechanism

The first step towards building a culture of ethics in an organisation is to review the integrity index of employees at two levels: the hiring process and every performance appraisal cycle. A classic quote by American investor and business tycoon Warren Buffet fits well, when he says, *“You’re looking for three things, generally, in a person. Intelligence, energy and integrity. And if they don’t have the last one, don’t even bother with the first two.”*

The second step is to institute a check mechanism to help the organisation and stakeholders navigate ethical dilemmas. Multiple behavioural categories in normal business transactions require an adequate check mechanism; however, I shall restrict the discussion to one category: ‘gifts and hospitality’. While it may be customary to exchange gifts/offer hospitality as part of cultural practices, such exchanges sometimes mask the act of bribery or corruption. The company’s Code of Conduct must ideally provide adequate guidance on such matters, but it is worthwhile to keep a few principles in mind.

Timing of the gift - Is this gift being exchanged as part of festivity when it is a common practice to exchange gifts? Or, is festivity being used as an excuse for some business favours like winning a project/proposal finalised or negotiated?

Presence of obligations - Does the gift or hospitality come with certain obligations or in anticipation of a favour in return?

Value of the gift/hospitality - A working lunch or dinner of nominal

value is likely to be acceptable or may be even customary as part of business etiquette. An appropriate question to ask is whether the value of such practices is exorbitant and are these being offered at periodic intervals? Some companies have specific policies that quantify the maximum value of gifts being given or received. (Figure 1)

Known to others - Is the gift being given/accepted in an open environment, that is, with the knowledge of or in the presence of others? If there is an exchange of gifts, such exchanges must ideally happen at the workplace.

Disclosed to the organisation - Is the gift/hospitality being enjoyed declared to the organisation?

Accountability in the organisation’s books of account - Is the gift being offered at a personal level, or is it a gift from the organisation? Can the giver and recipient declare the gift to their colleagues? Can the gift be stated in the books of account of both the giver and recipient?

Such check mechanisms should be developed to validate various ethical behaviours.

Create Channels to Address Concerns

Employees and stakeholders must be encouraged to speak up

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against any suspected or known situations or persons where the Code has been compromised and report the dilemmas faced. Managers must be trained on matters of law and regulations, company’s policies, procedures, and the Code of Conduct. Managers carry a huge responsibility in providing guidance on ethical transgressions brought to their attention and in escalating matters beyond their purview to the senior leadership or Ethics Officer. It is important to maintain a track of all matters raised. A channel to report and log concerns must be made available to all employees and stakeholders. Care must be taken to ensure confidentiality of concerns to protect the complainant from any act of retaliation or retribution.

Ethics concerns such as surrogate advertising are resolved through discussion and dialogue, whereas instances of misconduct through investigation. It is extremely important to perform a full-fledged investigation on misconduct reported within the company. Conducting a fair and just trial instills confidence within the stakeholders by showing the organisation’s ability to ‘walk the talk’ when it comes to upholding the ethical culture. In the event of a matter going public, demonstration of the actions taken when the concern was raised internally is critical.

Weaponising the Code

The downside of this concern channel mechanism is that picayune squabbling at the workplace is sometimes reported as serious unethical practices, with the complainant requesting an investigation. Instances are observed where the company’s Code of Conduct or an applicable law is used incorrectly to settle scores with colleagues or superiors. This is nothing short of weaponising the Code/law.

The most extreme example is an employee alleging sexual misconduct at the workplace to deliberately inflict harm on a colleague. Bribery,

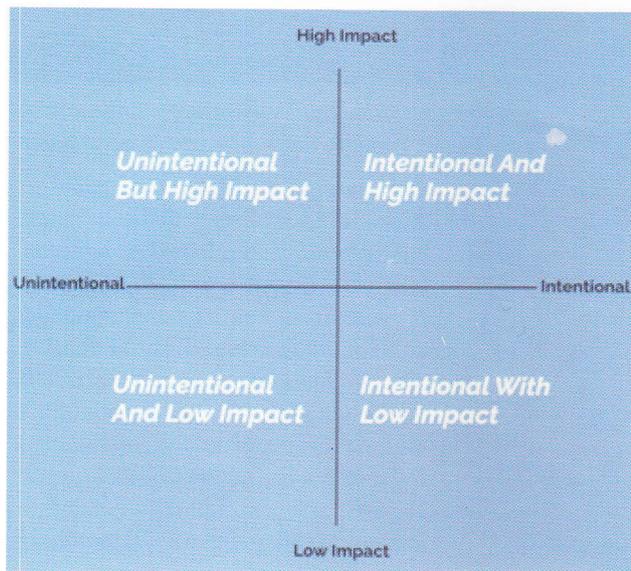


Figure 2

corruption, conflict of interest, and discriminatory practices or fraud are some other categories where the Code could be weaponised. Such instances therefore need to be very carefully weighed.

Reviewing Ethics Concerns

From a practitioner's perspective, reviewing reported ethics concerns is similar to fielding in a limited over cricket match—a single run can make a difference. Every single reported concern calls for a review. Companies with a strong ethics and corporate governance framework have internal policies in place to address such concerns. Usually, ethics related concerns are referred to the concerned Human Resources function or other partnering teams for resolution. Despite few cases of misuse of the Code, employees are aware and sensitised to both the expected behavioural norms in specific situations and the available reporting channels to redress grievances. This realisation also serves as a deterrent so that employees may not transgress ethical boundaries.

Oversight and Administration of Ethics Programme

Building a team of Ethics Counsellors is often seen as a good

practice. It is debatable whether ethics should be an in-house function or an externally managed service, but it is observed that the best outcomes are witnessed by having a dedicated in-house team that acts as an external regulator. This team can thus receive and review concerns and act as advisors

to those who experience an ethical dilemma in the course of their job.

Unethical behaviour demands prompt action. Figure 2 depicts a matrix of intent versus impact that acts as a good rule of thumb to decide the consequence of unethical behaviour. Was the action carried out with full intent or was it an inadvertent action? Likewise, did its impact give rise to a grave non-compliance issue and have the potential for disrepute to the organisation? (Figure 2)

Two examples help to demonstrate such situations.

1. Upon scrutiny of an employee's medical bills submitted for reimbursement of expenses, the reviewer found overwriting on the bills; thus indicating an attempt to claim amounts in excess of the actual cost of medicines. During the course of investigation, the following came to light:
 - a) This was the first claim raised by the employee.
 - b) This was the employee's first job, and the employee had barely 4 months of work experience.
 - c) The employee missed reviewing the bills which were sent by their parents.

- d) The parents were unaware of such practices; hence they did not catch the overwriting.

Given the context and that the employee missed reviewing the bills, this case could be classified as low intent and low impact, with the consequential action of counselling and a warning.

2. In another case, two colleagues travelled by road and claimed cab fare as per their entitlement. The reviewer noticed that both of them had availed the same cab hiring company, and their receipt numbers for the to and fro journey were in immediate succession. Although the claim amounts were negligible, the act of submitting fake bills was deliberate and planned, requiring stricter punishment.

Conclusion

Our built-in moral compass should serve as our best guide when faced with complex ethical dilemmas in both our professional and personal lives. Organisations need to set the tone at the top, and leaders need to lead by example; even as companies address ethical complexities by providing guidance through codes and other supporting mechanisms like training and counselling. As ethical dilemmas encompass a range of issues and concerns, involving inter-relationships, the context of each matter needs to be considered objectively, as no straight answers exist on such issues.

Ethics involves a conscious understanding of what is right or wrong, and then doing the right thing. It is important to be aware of and do what is morally right and socially responsible in a given situation. In these uncertain times, ethical behaviour and moral values that undergird an organisation are crucial not just to exist but to endure, survive and thrive.

The views expressed in this article are the author's personal reflections. □