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## Dimensions of Corporate Ethics

Pope Francis has urged the newly elected President of the United States, Donald Trump, that he should be guided by the rich spiritual and ethical values which have shaped the history of the American people and the nation's commitment to the advancement of human dignity and freedom worldwide.

Ethical values, essentially, are about getting along with people. It is the way people should relate to one other. This is true whether we are referring to family or neighbours or business associates or customers or suppliers. The way we evaluate being moral in business is not very different from how we assess being moral elsewhere in our lives. The basics are the same whether we are talking about business, family, friends or government.

As far as corporate ethics is concerned, recent studies have established that most successful and effective companies are those that pay attention to ethical matters. Profit making is surely a rewarding goal for business houses and essential for their survival, but it is not the *raison d'être* of a business. An exclusive emphasis on the pursuit of profit can and often does lead companies astray. The primary purpose of business is not to maximize profit but rather to create goods and services and thereby serve stakeholders.

For companies to be ethical, first and foremost, the chief executives need to be ethical and 'walk the talk'. The organisation's leadership should demonstrate commitment to strong business ethics through its actions and communications.

Another essential requirement is to lay down a corporate code of ethics and / or conduct, which prescribes honesty, integrity and compliance with law in all business dealings in order to ensure that everyone in the company is honest and acts with integrity. The concern for ethical behaviour should permeate the culture of the organisation.

The vision, mission and value statements should have a strong ethical bearing. An ethics policy and a whistleblower policy should also be mandatorily put in place. The legal and

regulatory context requires certain step-by-step ethical interventions, for which a degree of 'ethics management' may be necessary. Effective management of business ethics requires an organizational strategy that is in tune with wider societal values and the public's expectations from the business. International standards and benchmarks on business ethics management *inter alia* comprise: UN Guiding Principles on Business and Human Rights (2012); UN Convention against Corruption; Transparency International Global Index on Corruption; OECD Guidelines on Multinational enterprises; ILO Core Conventions; International Covenant on Economic, Social and Cultural Rights; Global Reporting Initiatives; and Ethical Trading Initiative among others.

Company's policies and practices should demonstrate accountability to customers, shareholders, vendors and suppliers as well as adherence to good governance practices. For example, training policies of sales personnel as well as their code of ethics should ensure that all transactions are made in an upfront and ethical manner.

Company's ethical standards (written as well as unwritten), corporate culture and its expectations from the employees should be explicitly communicated through its publications, employee handbooks and training programmes. It has to be ensured that the employees across the organisation understand and accept the company's ethical standards and are willing and able to implement them. This has to be further ensured by putting in place a mechanism to consistently enforce the standards and procedures as well as substantiated through survey results and internal audits.

A clear and transparent indication of how employees are measured for ethical business conduct and how their compensation is tied to ethical conduct is a must.

A mechanism, which is fair and consistent in its treatment of the parties involved, should be available for employees, customers and other



parties to bring ethical problems or conflicts to the attention of management and for their resolution. A hotline or an ombudsman, to whom one can report inappropriate behaviour, should be made available for this purpose. However, it must be noted that ethics cannot be built into business practice simply through the traditional means of appointing an ethics officer and issuing a code of ethics. The organisation should be ready to respond to ethical challenges or crises in a manner that is exemplary and could serve as a benchmark for others.

In addition to the above measures, which are directly relatable to ethical corporate practices, there is also need for the organisation not only to create consistently high quality of products and services but also attempt to exceed industry norms and raise industry standards.

The organisation should also demonstrate awareness of environmental impact of its business. Sound environmental practices should be adopted for this purpose.

The organisation should also display commitment to providing a work environment that is safe and equipped to prevent workplace injury, free from harassment or inappropriate discriminatory conduct of any kind and not only encourages employees' professional growth but also promotes their quality of life.

Above all, the organisation should be committed to creating value for its various stakeholders, particularly the external community. Commitment to the community should be exemplified by involvement in local, regional and / or national issues, corporate philanthropy, and support of civic and charitable endeavours, through contributions not only in money and material but also the time of the organisation's personnel.

According to field research, the top ethical issues confronting business institutions today revolve around: insider trading, illegal political contributions, environmental violations, health and safety violations, improper contracts, contract violations, improper use of competitor's information, anti-competitive practices, sexual harassment, substance abuse, and stealing.

The history of rise and fall of organizations is replete with examples of corporate bodies which resorted to dubious practices for quick and short term gains but were wiped out in the long run. In recent years, a succession of corporate scandals has rocked the international business community. As a result, many companies have invested considerable time, money, and effort on the development of ethics management programmes. Companies with high integrity capital enjoy higher financial benefits. Most ethical companies have consistently and significantly outperformed their competitors, who were lower on the ethical scale.

Ethics and business go hand-in-hand. Business ethics is now regarded as form of applied or professional ethics, which examines ahead of time the ethical principles and issues that may arise in a business environment. The better the organisation understands ethics, what constitutes a moral problem, and how to make ethical decisions, the more of a success it will be. This may not necessarily get translated immediately into higher profits or a more efficient outcome, but it will enhance overall performance of the organisation, add to the good of the community, and, in the long run, result in business excellence.

Annual ethics and fraud surveys by global accountancy firms have consistently identified the following five key steps to promote ethical culture:

- Implementation of proper guidelines and policies;
- Regular employee education;
- Regular identification and prioritisation of risks;
- Ongoing evaluation of mitigating controls; and
- Continuous monitoring.

Research has also identified the following five key factors in building organisation integrity:

- Management takes action when it becomes aware of misconduct;
- Employees are comfortable speaking up about misconduct and do not fear retaliation;
- Leadership treats employees with respect;
- Managers hold employees accountable; and
- High levels of trust exist among colleagues.

Companies' boards have a significant role to play in building organisational integrity. Some of the key elements of this comprise: participating in setting and safeguarding the values and standards for the business; thinking strategically about corporate responsibility in the context of market pressures; being constructive about regulation, delivering self-regulation and supporting government intervention to correct market failure; aligning performance management, rewarding success in the long run; advocating a culture of integrity, setting the right tone at the top and cultivating the right values in the corporate culture; and ensuring that internal controls exist beyond paper and are embedded in daily practice.

What gets measured gets done and organisation culture is no different. It is the regular measurement and management of culture that differentiates high-performing organisations from their peers. Leaders need to lift their standards beyond the letter of the law, embracing a spirit that encompasses a duty to protect the common good. CEOs must put in place an ethical management framework that encourages and rewards the right behaviour while exposing and sanctioning inappropriate behaviour. Regular ethical cultural reviews should be undertaken as part of effective risk management. External regulatory reform can encourage self-regulation. A legislative framework such as the US Federal Sentencing Guidelines for Organisations, 1991 and the Sarbenes-Oxley Act, 2002 can successfully enlist business organisations in a self-policing effort to deter unethical behaviour and move leaders from passive bystanders to active advocates for an ethical workplace culture.

Adherence to high ethical standards of honesty, integrity and transparency in all its dealings with the stakeholders is the key to sustainable success of an organization. Where people have a system of ethical decision making that has integrity, can we build organisational integrity and ensure that the marketplace continues to exist for the good of all participants and delivers positive benefits to the wider society in which it operates.