

11 Define your values



Capitalism is the system under which the world is now organized. It has become dominant to the extent that most people are unaware of alternatives. It has been largely responsible for the breathtaking advance of human civilization, particularly as regards its technology. Until very recently, especially in the optimistic years of the Western twentieth century, corporations went about their business largely unchallenged: they were generating wealth and enhancing society by delivering – a buzzword of the era – “progress.” Maximization of shareholder wealth was the engine that drove them, and most of us were willing passengers.

However, a relentless pursuit of profit with no regard for the consequences is no longer given a free pass: opposition to “vulture” capitalism is now louder than ever and a force to be reckoned with. But unethical capitalism also carries with it the seeds of its own destruction: witness the demise of Enron and the financial and speculative bubbles of recent years. Unrestricted growth and profit-seeking will destroy – and is destroying – the very planetary resources on which the corporations and the society

in which they operate depend. We have clearly moved on from Milton Friedman's doctrine of 1970 that "the social responsibility of business is to increase its profits": business can no longer operate in an ethical vacuum – it won't survive, for a start, and secondly, no one can any longer legitimately challenge the reality of human-made climate change or any of the other negative side effects of our industrial practices.

Corporations have now begun to realize that their policies must evolve – become more ethical, more conscious, more responsible. Indeed, in recent years we have seen a growing number of companies adopt and implement an organizational code of ethics. Ethics are the moral foundations on which corporate responsibility will be built in the next stages.

The journey toward corporate responsibility will usually begin by setting or updating the vision and the purpose organization. It will be followed by an ethical code that will transfer the high-level statements into more measurable behaviors and practices. In this chapter, we will have a closer look at that process.

It is no coincidence that the concept of corporate responsibility is closely linked to that same ethical code. After an era in which profit was often considered the highest – and often the only – measure of success, corporate responsibility is now introducing new benchmarks: helping businesses base their activities on fairness, trust, and ethics. Moreover, with data flowing rapidly in every direction, corporations can no longer conceal questionable business practices over time. Transparency has become essential not just for creating trust, but for business survival.

Thus, the first step in transitioning an organization to corporate responsibility is formulating an ethical code and composing a new set of organizational values.

What is an organizational code of ethics?

Business ethics consist of, according to Wikipedia, the practices that any individual or group exhibits within an organization that

can negatively or positively affect the business's core values. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. A code of ethics is simply a formal and systematic document that presents and defines organizational values and norms. It describes the ethical business practices expected from the organization's employees. A code of ethics has several key benefits: reputation management, strengthening of corporate identity, risk and opportunity management, employee motivation, and learning and innovation. A code of ethics serves as an organization's support, reference, and ethical compass. When properly formulated and implemented, it can be a tool to support and reinforce an organization's overall strategy.

However, important as the code is, it should always be remembered that it is ultimately only a managerial tool.

Formulating a code of ethics

Without a doubt, the greatest challenge is to address the gap between, on the one hand, universal norms and values and, on the other, the organization's business and cultural environment. A code that fails to include aspects unique to the sector, and to the organization itself, will be too vague and academic. The code must reflect the uniqueness of the organization and express its needs and particular nuances. Such a code will be perceived as more concrete and reliable, and thus more easily implemented.

A successful code of ethics, in my opinion, will include more "do's" than "don'ts." In other words, it will more usefully direct organizational behavior toward the standards of proper conduct rather than discourage inappropriate conduct. As this field develops, greater expertise is called for, and an understanding that the statements contained within are much more than mere slogans.

A code of ethics can follow one of three basic structures. No single one has an advantage over the others, and each organization can choose the structure that best suits its needs. We shall review them in brief.

1 Organized by stakeholder

This type of structure divides a code of ethics according to the organization's various stakeholders: employees, customers, suppliers, regulators, the environment, and so on.

This code is organized into sections relating to various stakeholders, offering a profound consideration of their true role in the organization. For instance, with regard to customers, one can find a commitment to personal discretion and flexibility, as well as a recommendation for frequent training programs to promote high standards of service. This will later be transformed into measurable steps as a working plan.

2 Organized by values

In the El Al Airlines' code of ethics that we structured for them, for example, each section refers to one of the carrier's values: "Leadership," "Fairness and transparency," "Excellence and creativity," "Professionalism," and so on.

3 Organized by organizational function

Today, organizations are increasingly formulating a code of ethics for each department – marketing, sales, production, logistics, human resources, and so on – based on the organization's structure. This level of specificity means the resolution of a greater number of ethical dilemmas and greater relevance to everyday issues.

Writing the code

The first consideration is the time and budget available for the process. These must be defined before work begins.

Formulation and writing can take the form of either a closed or open process. In a closed process, the code writing is assigned to a specific group of employees within the organization. An

external consultant is often hired to assist. An open process involves both internal stakeholders (employees and managers) and external stakeholders (customers, suppliers, etc.). Methods used are one-on-one interviews, focus groups, and workshops involving several employees at a time. An external consultant can be useful in reassuring interviewees of the confidentiality of the interviews and can also provide an objective voice if conflicts arise.

The first process benefits from simplicity and speed. The second offers greater accuracy and authenticity, along with the opportunity to share and engage – something that can kickstart the implementation of the code. At Good Vision, we identify three stages for either model.

1 Diagnosis and analysis

A code of ethics cannot be “off the peg”: it must reflect the organizational culture and objectives. The first stage, therefore, is to read, analyze, and draw relevant conclusions from various sources. Start with the organization’s own internal material (organizational vision, business strategy plan, brand values) and then broaden to include external resources, such as codes of ethics of similar companies along with relevant standards and indices (e.g. the GRI¹ and Global Compact² standards, or various sectoral indices).

2 Interviews

Taking this out of the boardroom is crucial: boardroom reality does not always reflect that of suppliers or customers, for example. As such, the second stage consists of interviews with a variety of stakeholders: customers, suppliers, partners, regulators, civil representatives, and so on. These interviews can help the organization gain valuable insight into its conduct and properly adjust its values to meet its aspired targets. Moreover, a code of ethics formulated in cooperation with the company’s stakeholders has enhanced validity both at a functional level and at a public relations level.

Formulating a code of ethics: sample stakeholder interview questions

Ethics

- 1 What is your role and function in the organization?
- 2 What are your expectations from the organization in its dealings with you?
- 3 What do you recommend that the organization continues to uphold?
- 4 What do you recommend that the organization strives to improve?
- 5 Have you encountered ethical or other dilemmas in your relationship with the organization?
- 6 What does the organization mean to you?
- 7 How does the organization compare to others in the same industry?

In this stage, ethical dilemmas should be explored – in other words, those complex situations where two or more values are at odds. Examples are: assisting a colleague versus adhering to company regulations, and professionalism versus profitability. Gathering examples of such dilemmas during the code-writing stage will help in understanding the complex ethical realities facing the organization's employees during the implementation stage.

3 Formulating and writing

Having completed the research stages, conduct a calculated synthesis of the values, conclusions, vision, and reality as they emerged. A code of ethics should encompass the following four elements:

- 1 General clauses regarding the implementation of the code.
For example:

- Purpose and applicability of the code.
 - A comment/complaints box in case of an ethical violation or ethical dilemma.
 - Who is the organization's ethics officer?
- 2 Self-analysis tests for determining ethical behavior. For example:
- The mirror test: how will you feel about this behavior when you look in the mirror? The morning-after test: how will you feel about this behavior tomorrow morning? The front-page test: how would you like to see this behavior on the front page of your local newspaper?
 - Code violation consequences: what happens when an ethical code is broken?
- 3 Regulatory and administrative clauses. For example:
- Employees may not offer or accept gifts.
 - Employees may not misuse their position in the company in order to receive personal or financial gain.
 - All employees are responsible for the protection and preservation of company assets.
 - Employees must maintain company loyalty.
 - Employees must uphold health and safety regulations.
 - A commitment to preventing bribery and corruption.
 - Procedures for avoiding conflicts of interest.
- 4 Founding values and expected behavioral norms.

The fourth and last point is the essence of the code and its most significant section. These values can be identified collectively at the beginning, during the course of the code, and/or integrated throughout its various sections. At least one value from each of the following value sets should be expressed:

- Universal moral values such as integrity, honesty, and transparency.
- Business values such as professionalism, responsiveness, leadership, and innovation.

- Interpersonal values such as dignity and well-being, empathy, and cooperation. This should also include principles regarding sexual harassment and workplace bullying (see Chapter 13).

Gaumnitz and Lere³ analyzed corporate codes of ethics in various organizations in the U.S. and identified the following ethical themes:

- Honesty and integrity.
- Confidentiality and trust.
- Obligations to the profession.
- Obligation not to aid unethical behavior.
- Compliance with laws and regulations.
- Preventing discrimination and promoting equality.
- Social and environmental responsibility.

Now add some special ingredients

Supplementary chapters can be added to enhance the code and differentiate it from those of other companies. Here, creativity is not only possible but recommended. The following are various examples of “extras” that we at Good Vision helped our clients to incorporate:

- Real-life cases to demonstrate ethical conduct and give the code added relevance.
- Quotes from employees.
- A short glossary of potentially unfamiliar concepts, such as “stakeholders,” “corporate responsibility,” and “sustainable development.”
- Management commitment. Some companies choose to place special emphasis on the importance of management’s commitment to the codes of ethics in general, and the value of personal example in particular. Adding a chapter of this nature has its advantages and drawbacks, and should be considered based on the organizational culture of each company.

A customized code of ethics?

As per the third type of code structure outlined earlier, it is worth considering formulating a unique code of ethics tailored to the specific needs of selected units in the organization. This might be for a company division, its subsidiaries, or departments such as finance or procurement where ethical dilemmas may be different and risk may be high. It could even be – as the Israel Electric Corporation asked us to do – for its board of directors. This particular code was intended to “encourage a culture of integrity and responsibility, help directors understand and resolve ethical issues and provide means for reporting inappropriate conduct.” Among other things, the code referred to professionalism in the workplace, conflicts of interest and incorruptibility, and appropriate use of data and assets.

How do you word a code of ethics?

At Good Vision, we believe that a code of ethics should be simply and clearly worded in a way that motivates and inspires. We recommend using the first-person plural (“we”) in order to engage employees – while avoiding intimidating statements such as “All company employees are obliged to . . .” Remember: you want your employees to identify with the code, and to cherish it.

Write the code in either the present (“Company employees maintain data confidentiality . . .”) or future tense (“Company employees shall maintain data confidentiality . . .”). The advantage of the present tense is that it implies currency and accuracy, whereas the future tense has the effect of bridging gaps between practice and goals, positioning the code as a guiding compass.

Code approval and launch

Since a code of ethics is a formal document binding all company entities, it is recommended that it be approved prior to launch by the CEO, management, and the board of directors. The

Sarbanes–Oxley Act (“SOX”) in the United States requires that such documents also be approved by the CFO.

Following approval comes the launch. This stage serves as an introduction to the code and its contents for those employees who have not yet been part of the process. This is a significant corporate event, and should be treated as such. The code should not just be emailed to all employees or left on their desks, as is sometimes the case in intra-organizational campaigns. The CEO needs to communicate the importance of – and top management’s commitment to – an ethical program in the organization before the launch event.

It is perfectly acceptable to take advantage of an existing company event as a launch platform – as long as it has the necessary gravitas. Alternatively, departmental managers could distribute the code to their teams accompanied by a presentation highlighting the values and norms enshrined within it. Many companies more recently have created a smartphone app to deliver a version of the code.

It is always recommended, in the name of transparency, to share the code of ethics on the company’s website and/or outline it in the company’s financial reports.

Walk the talk

Implementation is undoubtedly the most significant and challenging phase of the corporate ethics process. In many cases, an ethical code becomes merely a poster on the wall with no meaningful impact on the organizational culture, whereas the key aim is the integration of the ethical code into all company decisions, procedures, and actions. Time and effort must be devoted to the implementation phase, following as it usually does a peak period of interest during the writing and launch stages. This involves the following recommended steps:

- Build employee awareness of and familiarity with the code of ethics – its contents, its objectives, and its uses.
- Develop tools to help company employees and management resolve ethical dilemmas.

- Make sure all employees have access to the code through various intra-organizational channels.
- Acquire commitment by management to ethical workshops and training on promotion of everyday ethical work behavior.
- Monitor how the values of the code are being integrated throughout the organization, especially with regard to main working processes such as procurement, finance, and recruiting.

The Good Vision implementation model consists of five main axes. Let's review each of them briefly

1 *Training and workshops axis*

This axis is where knowledge and skills are imparted to address ethics and the ethical code. This is done through courses, workshops, and online training for managers and employees (with an emphasis on new employees), and is brought into focus in various professional forums. This stage is about reinforcing the values using interactive exercises and simulations that make them relatable to daily operations.

We developed such a program at Migdal Insurance Company, then an affiliate of the Italian insurance company Assicurazioni Generali. The program was entitled Dilemma Café, and we began by defining its objectives:

- Effectiveness. A brief and focused activity with defined and quantifiable goals.
- Identifying ethical risks. Employees and managers raise various ethical issues and dilemmas, determine where risks lie, and either eliminate the source or mitigate the risk while updating the ethical code as needed.
- Empowering managers. Management addresses professional and executive issues and discusses aspects of ethical employee conduct in an unmediated manner.
- A positive experience. A meaningful process creating an organizational "buzz" based on the code of ethics principles. A pleasant, stress-free atmosphere that allows an open

discussion of problems and issues and encourages employees to report and consult.

The Dilemma Café method promotes an open dialogue regarding ethical issues and dilemmas in a pleasant atmosphere that encourages communication and listening. The participants gather in groups of eight to ten and discuss a scenario-based ethical dilemma chosen from a “menu” of dilemmas. They examine the dilemma and the various alternatives for its resolution, considering the ethical implications of each alternative.

During the planning stage more than 100 ethical dilemmas common to everyday organizational activity were identified, and dozens of additional dilemmas were raised during the process. More recently, with Liat Cohen we developed an ethical “escape room,” which met with success.

2 Ethical institutions axis

On this axis, ethical institutions within the organization are shaped and established. These can include a dedicated ethics officer, an ethics committee, and an ethics hotline or other anonymized methods for reporting unethical conduct. In fact, an array of communication channels for queries/complaints regarding ethical dilemmas or suspected ethical violations is a powerful way of anchoring ethical standards within the organization. Such channels could take the form of telephone, company website, email, ombudsman, and so on. The key to the success of this axis is ensuring the safety of those who come forward, either by guaranteeing anonymity or by providing protection. Organizations sometimes outsource hotline or email operation to a third party in order to emphasize the objectivity and anonymity of these channels.

3 Intra-organizational communication axis

This is where the company uses its portal, email, phone app, or other means to communicate aspects of the ethics program and dilemmas that arise.

4 Workflow axis

This is the most challenging axis. On this axis, examined for ethical risk are workflow processes such as procurement and supplier relations, customers and regulators, recruitment processes (employment and promotion), decision-making processes, and evaluation and mentoring processes. The challenge these days is to integrate the desired values into technological management systems and software, such as SAP ERP, etc. The aim with such processes is to forestall ethical dilemmas before they arise.

5 Control and measurement axis

On this axis, the process is evaluated and measured by use of periodic “pulse” surveys and other means, keeping in mind the timeless axiom of management consulting expert Peter Drucker, “What gets measured gets managed.” It is recommended to measure the ethical culture and perceptions in the organization before, during the process, and at a given time after its implementation to acquire constructive feedback, both for organizational needs and in order to validate the process itself. There are several methods for assessing organizational ethical culture:

- Opinion surveys based on existing organizational systems.
- In-depth interviews with stakeholders.
- Review of the complaints and queries submitted to the ethics officer, the anonymous hotline, or the ethics committee.

A continuous process of renewal

Once every few years the code of ethics must be refreshed in a continuous process of honing and validation. Feedback from the field or significant organizational changes such as a merger or new management can serve as an opportunity for an update. Another possible reason for reviewing a code is change within the industry or in the relevant ecosystem, such as the rise in significance of social networking: perhaps the code was written without reference to the important issue of behavior on social networks such as Facebook or Instagram.

Updating the code can be either a short and subtle process or a collaborative, in-depth one, as deemed necessary. It is recommended that any updating process includes the following steps:

- A review of the dilemmas and challenges facing the company and sector.
- An appointment of a diverse steering committee.
- A review of code-related feedback received from internal and external stakeholders.

Notes

1 <https://www.globalreporting.org/standards>.

2 <https://www.unglobalcompact.org/>.

3 <https://link.springer.com/article/10.1023/B:BUSI.0000021053.73525.23>.