Topic 7 Revision Notes

The Responsibility of Corporations as Moral Agents:

•Organisations are not only viewed as profit-making entities but also as moral agents.
-That is, organisations should be accountable for their conduct to their stakeholders. All organisational ethical decisions have various effects on different stakeholders.
-Organisations have the power to act morally. They are obligated to act morally just as an individual is.

Need for Organisational Ethics Programs:

•It is nearly impossible to know all relevant laws. Therefore ethics programs increase ethical awareness.
-Established ethics programs help employees determine what behaviours are acceptable, otherwise employees will 'fill the gap' with their own decision making, which could be unethical.
-Guidelines established through such programs must be incorporated throughout the organisation and top management must demonstrate commitment. Such a program needs to become a living/breathing part of the organisation's culture.

Compliance vs. Values Orientation:

Compliance Orientation: (Minimum acceptable level of ethics)	-Requires employees to identify with and demonstrate acceptable conduct -It purposes to meet economic and legal regulations in order to avoid negative consequences -It is also a very short term perspective. It is often not suitable when there are grey/uncommon instances where employees do not know what to do
Values Orientation: (Enshrined ethics)	-Strives to develop shared values; focusses on ideals, such as accountability and commitment -It is more effective in creating ethical reasoning, especially when dealing with grey/uncommon instances, as the primary foundation of the organisations ethics culture is set and employees have some idea of what to do

Codes of Conduct & Codes of Ethics:

Codes of Conduct:	-Formal statements that describe what an organisation expects of its employees
Codes of Ethics:	-Most comprehensive document consisting of general statements that serve as principles and the basis for rules of conduct -Often contain 6 core values; trustworthiness, respect, responsibility, fairness, caring, citizenship

DEVELOPING, MANAGING AND CONTROLLING AN EFFECTIVE ETHICS PROGRAM

Steps to implement a good ethics code:

1. Write & tailor it
2. Communicate it
3. Revise it
4. Enforce it
5. Make amendments and reinforce it

Ethics Officers:

•Ethics officers are responsible for managing the ethics and legal compliance programs, particularly in large organisations

Responsibilities include:

-They are present in organisations for people to seek support regarding ethical decisions
-Assess needs and risks
-Develop and distribute ethics codes
-Conduct training programs for employees
-Ensure government compliance
-Monitor and audit ethical conduct
-Take action on possible code violations
-Review and update the code

Ethics Training and Communication:

•It is impossible for employees to determine and interpret every ethical issue/outcome. Therefore ethics training and communication is absolutely necessary to interpret how to make a sound ethical decision; even if the employee has never been told how to deal with the grey area of ethical discussion before.
-Top executives must communicate and enforce ethical standards
-In order for ethics training to become for meaningful, it should be made part of performance management programs

Purpose of ethics training:

•Educate employees about policies, expectations, laws, regulations, and general social standards
•Raise awareness to employees of various resources and support systems available

Systems to Monitor and Enforce Ethical Standards:

•Once ethical programs and systems have been put into place; they need to monitored!!!
•An organisation can monitor and evaluate their ethics program through; observation, audits, surveys, reporting systems, external audits, etc.

Continuous Improvement:

•An organisation should make amendments after evaluating in order to continually improve the ethics program

-EG: The organisation may decentralize or centralize decision making to improve ethical performance.

Common Design and Implementation Mistakes of an Ethics Program:

1. Failure to understand an ethical issue
2. Setting unrealistic objectives
3. Unsupportive top management
4. Incomprehensible content
5. Transferring an "American" program to a firm's international operations. The ethics program needs to be relevant to the organisation and its culture
6. Designing a program that is little more than a series of lectures resulting in low recall. The ethics training needs to be meaningful; eg through specific departmental examples and discussion.

Process Controls for Ethics Programs:

•Proper selection of employees

•Ethics training

•Communication systems; eg ethics assistance line

•Management's commitment to the program

•Comparing and evaluating standards against actual behaviour

The Ethics Audit:

Ethics Audit:	-Systematic evaluation of an organisation's ethics program and performance to determine whether it is effective
Social Auditing: (Broader in scope than an ethics audit)	-Process of assessing and reporting a business's performance in fulfilling the economic, legal, ethical, and philanthropic responsibilities expected by its stakeholders -It typically involves asking various stakeholders (eg customers) if its ethics program has been effective. It could involve conducting 360 degree feedback on the ethics program.

Benefits of an Ethics Audit:

•Detect misconduct before it becomes a major problem. A way of ethical crisis management (plan to respond to and recover from disasters that may disrupt operations)

•Improve organisational performance

•Improves relationships with stakeholders who demand greater transparency

Measuring Non-Financial Ethical Performance – Triple Bottom Line Approach:

•Profit is no longer the only measure of success to organisations. That is, increasingly organisations are focusing more on the environmental impact of their business as well as the impact that the organisation's activities have on various stakeholders (ie employees, community, government, suppliers, etc)

Risks/Challenges in Ethics Auditing:

•May uncover ethical problems a company does not wish to disclose
•May reveal a problem that cannot be remedied
•Stakeholders may be dissatisfied with the information
•Conducting ethics audits requires financial and record keeping resources

The Auditing Process:

1. Secure top management and board commitment:
2. Establish an ethics audit committee
3. Define the scope of the audit (eg look at type of business, risks faced, opportunities to manage ethics)
4. Review organisational mission, goals, and values
5. Collect and analyse relevant information (should also identify tools and methods to measure progress in an employee's ethical conduct)
6. Verify the results through an outside agent
7. Report the findings (first internally, then to important stakeholders, then everyone else externally)