



Professional Development

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The Importance of Creating a Business Code of Ethics

A code of ethics is a vital document for any business, as breaches of ethics can land companies in serious trouble with consumers, other organizations or government authorities. Creating a code of ethics makes decision-making easier at all levels of an organization by reducing ambiguity and individual perspectives on ethical standards.

Purpose

A code of ethics guides all managerial decisions, creating a common framework upon which all decisions are founded. This can help to create a cohesive understanding of the boundaries within an organization and the standards set for interacting with stakeholders. A formal, well-communicated code of ethics can also help to protect a company's reputation and legal standing in the event of a breach of ethics by an employee.

Scope

Codes of ethics can cover any scope, from the corporate level to the workgroup level. Corporate level ethics standards speak in grand, idealistic terms, communicating the ethical vision of the entire organization in a single document. Ethical standards for business units or geographical divisions can be a bit more specific, applying to the particular industry or region in question. Codes of ethics at the departmental level often deal with highly specific issues, which are often related to experiences and trends within the department.

Process

Codes of ethics are simple for an executive to create in the privacy of his/her own office, but an individually dictated set of standards can often fail to achieve its purpose. Involving a wide range of employees from all levels of an organization in the process of drafting and formalizing a code of ethics can help to ensure that employees are on board with and committed to the standards. Revising your code of ethics from time to time in response to changes in the industry or legal environment can help to ensure that the company's ethical reputation remains impeccable.

Training and Incentives

Ethical considerations are vital in today's business environment, and smart companies do all they can to make their code of ethics relevant and important to employees. Implementing ethics training programs for new hires and existing employees can serve to increase the

effectiveness of your code. Tying compensation incentives to ethical behavior can further increase the code's relevance to employees.

Considerations

Codes of ethics take on additional importance and complexity in the international arena. Ethical standards differ between countries and regions; international businesspeople must have an understanding of each culture's ethical standards to be effective, and a company's code of ethics must either be written to compromise with foreign ethical standards or to uphold a single code in all countries.

Faced with the alternative of operating without a code of ethics, there is considerable support for possessing a code of ethics as a vital business document.

Article by David Ingram, small business owner and writer for multiple publications including "The Houston Chronicle" and online at Business.com. Ingram regularly confronts modern issues in management, marketing, finance and business law.