Standards, Procedures, and Expectations for the Responsible Business Enterprise

*T*he responsible business enterprise (RBE) establishes appropriate standards of conduct for its employees and agents and fosters reasonable expectations among its stakeholders. This chapter describes basic principles and best practices to help owners and managers develop, review, and approve such standards, procedures, and expectations.

Standards and Procedures

The first question owners and managers of an RBE must ask themselves is, "What norms, values, and standards should we set to guide our members and foster reasonable expectations among our stakeholders?"[1] Their answers define how the RBE will improve its performance, make profits, and increase the prosperity of its community by learning to meet the reasonable expectations of its stakeholders. Whether an enterprise is large or small, the question of what standards, procedures, and expectations to establish touches all aspects of an enterprise.

HOW THE RBE DIFFERS FROM OTHER ENTERPRISES

All enterprises set standards and procedures and foster stakeholder expectations. What distinguishes an RBE from other enterprises is that its owners and managers consciously develop the RBE's standards, procedures, and reasonable expectations as the surest

route to improving performance, making profits, and contributing to economic progress.

A well-designed and well-implemented business ethics program provides all members of an enterprise with the guidance and information they need for effective, efficient, and responsible choices and actions. Employees and agents need to know what performance is expected of them. They need to know what they should do—and what they shouldn't do—to meet performance goals and objectives. All stakeholders, both internal and external, have expectations of the enterprise, which are more or less reasonable. An effective business ethics program helps owners and managers develop standards, procedures, and expectations that establish the following:

- Who has authority to do what within the enterprise
- Who is responsible for which decisions and activities
- How people will be held accountable for their individual choices and actions
- What stakeholders can reasonably expect from the enterprise

An RBE develops standards, procedures, and expectations with complete understanding of its relevant context and organizational culture.[2]

WHY STANDARDS AND PROCEDURES ARE IMPORTANT

There are many reasons for an enterprise to set standards and procedures for its employees and agents and to foster reasonable expectations among its stakeholders. Standards, procedures, and expectations help focus the energy of employees and agents on achieving enterprise goals and objectives. They let stakeholders know what they can expect.[3] When standards and procedures are clear and stakeholders hold reasonable expectations, relationships based on trust are possible. The enterprise accumulates the social capital it needs to compete effectively, efficiently, and responsibly in global markets.

When standards, procedures, and expectations are not well established, owners and managers may not safely delegate their authority or expect stakeholders to be well served. The enterprise will often find its members operating at cross-purposes, because it is not clear what is expected of them. Its strategies and action plans will lack focus and power. When standards, procedures, and expectations are unclear, it cannot readily measure its performance. Holding an employee or agent accountable for bad faith or poor judgment is unfair if the criteria are uncertain. Stakeholders, both internal and external, may become frustrated, cynical, or distant because their expectations have not been realized. Investor confidence, customer satisfaction, status as a preferred supplier or strategic partner, and employee morale will be at serious risk.

PRACTICE NOTE

Setting Employee Expectations

Employee relations at Nucor are based on four clear-cut principles:

1. Management is obligated to manage Nucor in such a way that employees will have the opportunity to earn according to their productivity.

2. Employees should feel confident that if they do their jobs properly, they will have a job tomorrow.

3. Employees have the right to be treated fairly and must believe that they will be.

4. Employees must have an avenue of appeal when they believe they are being treated unfairly.

Nucor Fastener Division
"Nucor's Management Philosophy"

HOW EMPLOYEE CREATIVITY CAN BE PRESERVED

Standards, procedures, and expectations are more than just control mechanisms. They give the guidance employees and agents need so that they can choose and act confidently. A well-developed set actually provides a sense of stability. If owners and managers honor their own policies, employees and agents can act freely and confidently within defined boundaries. Considerable human potential can be realized because employees and agents no longer fear being punished for violating some standard of which they are not aware. They will have bounded freedom to use their considerable imaginations and talents to perform on behalf of the enterprise.[4]

Standards, procedures, and expectations establish criteria for the development of policies and performance measurement. They are the basis for determining whether choices or actions were made or taken in good faith or reflect good judgment. The confidence and creativity that standards, procedures, and expectations bring to an enterprise and to its employees and agents build trust over time when everyone in the enterprise understands them and acts consistently.

Responsible Governance

There is a flow of authority, responsibility, and accountability throughout all enterprises. At the top of this flow are the owners or their representatives. The owners or representatives of an RBE follow a three-step process to establish policy guidelines for responsible governance. First, they delegate some measure of authority to managers. Next, they establish the purpose of the enterprise, including the value it brings to its community.[5] Third, they establish clear limitations or constraints on the exercise of the authority they granted. These policy categories are comprehensive: they embrace all choices and actions of the enterprise's employees and agents—managers, supervisors, and workers.[6]

Following the responsible governance policies and procedures of the owners or their representatives, managers define methods, activities, conduct, and tasks for employees at all levels and for agents. They define the core beliefs of the enterprise and establish the guidance that employees and agents need to meet reasonable stakeholder expectations.

Where there are owner representatives, such as a board of directors, these representatives also define the purpose, functions, and character of their own governance. These policies define how they will work together and their commitment to doing so.

RESPONSIBLE GOVERNANCE PROCESS

The policy governance commitment statement in Box 5.1 is an example of a general statement that describes the purpose of a board of directors.[7] Three

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BOX 5.1

POLICY GOVERNANCE COMMITMENT

The purpose of the board, on behalf of the shareholders, is to see to it that the company (a) achieves appropriate results for shareholders and (b) avoids unacceptable actions and situations.

1. Accountability Philosophy: The board's fundamental accountability is to the shareholders.

2. Social Responsibility: Although the board accepts as its primary obligation to operate in the best interests of shareholders,

that fidelity is tempered by an obligation to the social order and to be a good member of the community.

3. Directors' Conduct: The board commits itself and its members to ethical, businesslike, and lawful conduct, including members' proper use of authority and appropriate decorum when acting as directors.

John Carver with Caroline Oliver
Corporate Boards That Create Value

BOX 5.2

POLICY GOVERNANCE MODEL DELEGATION OF AUTHORITY STATEMENT

Delegation to the CEO

The board's sole official connection to the operational company, its achievements, and its conduct will be through a chief executive officer (CEO).

1. Unity of Control. Only officially passed motions of the board, speaking authoritatively as a group, are binding on the CEO.

2. Accountability of the CEO. The CEO is the board's only official link to operational achievement and conduct, so that all au-

thority and accountability of management is considered by the board to be the authority and accountability of the CEO.

3. Nature of CEO Delegation. The board will instruct the CEO through written policies that prescribe the shareholder benefit to be achieved and describe organizational situations to be avoided, allowing the CEO reasonable interpretation of these policies.

John Carver with Caroline Oliver
Corporate Boards That Create Value

specific provisions are particularly important: accountability, social responsibility, and directors' conduct. An accountability philosophy statement affirms the board's understanding that its primary responsibility is to the shareholders it represents, not management. A social responsibility statement affirms the board's understanding that, while the board owes faithful attention to the interests of shareholders, it also must pay attention to social order and must see that the enterprise is a good member of a community. Finally, a director's conduct statement commits individual board members to ethical, businesslike, and lawful conduct.

BOARD–MANAGEMENT DELEGATION

In situations when owners are not actively engaged in an enterprise, they or their representatives will delegate a substantial amount of their authority to management. Responsible governance calls for such authority to be delegated to one person. That person, whether called the chief executive officer (CEO), president, or general director, is given the authority to manage everyone else in the enterprise. A sample policy delegating authority to management is set forth in Box 5.2.[8]

Under this arrangement, the lines of authority are clear. The owner representatives have one employee for operational purposes: the CEO. The CEO, in turn, is accountable to the board itself. The CEO will delegate some of his or her authority to other employees through standards, procedures, and expectations, but the CEO remains accountable to the board for all decisions made and actions taken.

OWNER EXPECTATIONS OF MANAGEMENT PERFORMANCE

Owner policies regarding management performance relate to the ends sought for the enterprise. The CEO is not entitled to make any choices or to take any actions that are not reasonably calculated to achieve the designated ends of the enterprise.

Policies Defining Ends

Responsible governance calls for precise definition of the ends of the enterprise. There are three components to an effective ends statement: "first, the *results* for which the [enterprise] exists; second, the *recipients* of those results; and third, the *relative worth* of those results."[9]

At first glance, the *results* component relates to financial performance. Certainly for enterprises whose shares are actively traded results must be related to financial performance. As one scholar, John Carver, notes, however, this is not always the case:

> In some small start-up companies, for example, desired results may include working independently with trusted partners in an exciting field—plus satisfactory financial return. In some family-owned companies, the value owners want is satisfaction of having family members working together in the same business—plus satisfactory financial return.[10]

A range of performance results is possible: market share, long-term capital growth, profits, reliable income, and successful research and development. Owner representatives must take the desires of all owners into account to determine what the desired results of the enterprise are and how to communicate them to employees and other stakeholders.

The *recipients* component seems clear enough, since the owners are the recipients. However, as Carver notes, "owners do not all have the same interests, and the board represents all owners."[11] The board must take into account the diverse interests of the owners. The relative strength of blocs of shareholders must also be considered. Although majority shareholders are entitled to a proportionate share of enterprise results, the board must not disproportionately benefit majority shareholders.

Finally, the *relative worth* component requires that the owner representatives prioritize among the results and recipients it has identified. Rarely will all owners have the same desired performance results. Some, for example, may be willing to forgo current income in favor of capital investment in research and development. Others may be certain that their majority interest entitles them to disproportionate returns or influence over the board. Whatever a given ends statement might contain, management deserves a

BOX 5.3

MODEL LIMITATIONS POLICY ON BASIC EXECUTIVE CONSTRAINTS

Delegation to the CEO

The CEO shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of generally accepted business and professional ethics or generally accepted accounting principles.

John Carver with Caroline Oliver
Corporate Boards That Create Value

clear statement from the owners or their representatives as to what successful enterprise performance looks like.

Policies Defining Means

When the board is setting management limitations, Carver suggests they set "basic executive constraints" (see Box 5.3).[12] It is up to management to decide how to achieve the ends of the enterprise within the authority granted to it by the board.

Given that the ends of an RBE are ultimately to produce value for the owners, what about the many other considerations of the RBE, such as other stakeholders, the rule of law, and ethical conduct?

These are means issues. They are not the reason for the enterprise's existence, but they suggest how it may obtain its objectives. For example, the enterprise's legal obligations and its relationships with stakeholders, while critical, are not the reason the enterprise exists. To preserve management flexibility, therefore, the board should establish policies that define the boundaries of management authority, rather than offer prescriptions for action.[13]

Carver recommends that the board ask itself, "What management situations, activities, or decisions would be unacceptable to us even if they worked? Even if the ends are being achieved, what risks, ethical violations, and proprieties does the board want to put off limits?"[14] When the board has answered these questions, responsible governance requires that it specify all the limitations it intends to place on management authority. See, for example, the sample means limitations in Box 5.4. The power of this approach is that management authority not expressly limited is, in effect, authorized. Management authority exercised within those boundaries—and reasonably intended in good faith to achieve the ends of the enterprise—has bounded freedom to be agile and creative.[15]

Model Means Policy Limitation

1. Treatment of Stakeholders. With respect to interactions with business partners, regulators, vendors, the local community, and the environment, the CEO shall not cause or allow conditions, procedures, or decisions that are unsafe, undignified, or unnecessarily intrusive.

2. Treatment of Employees. With respect to the treatment of employees, the CEO may not cause or allow conditions that are unsafe, unfair, or undignified.

John Carver with Caroline Oliver
Corporate Boards That Create Value

Principles for Setting Management Standards, Procedures, and Expectations

Just as responsible governance at the board level involves setting ends and means for the executive, responsible management establishes a vision for the enterprise; goals and objectives; and standards, procedures, and expectations to guide enterprise employees and agents. As owners and managers establish these, this manual recommends applying the principles described below.

Strive toward Higher Standards

An enterprise should always strive toward higher standards. Expectations of an enterprise's ethical behavior evolve constantly in response to changing market conditions, both regionally and globally. New values and beliefs emerge not only in the market, but also in the organizational culture and the personal lives of employees. An enterprise should constantly solicit feedback from both internal and external stakeholders to update and modify its business ethics program.

Consider Cultural Differences

Culture is difficult to measure, and dimensions of culture are even trickier to use in setting standards, procedures, and expectations. However, an increasing number of studies suggest that ethical decision-making processes differ, if not in the result, by country, nationality, and culture. Significant differences have been found in the matters of responsible business conduct, tone taken in addressing issues, and appropriate management responses to employee conduct.[16]

IDENTIFY EXCEPTIONS FROM HOME-COUNTRY STANDARDS

Globalization and the increase of cross-border trade and investment introduce enterprises to a wide range of cultures and values. The globalization process includes increased pressure from civil society, the media, and governments from different nations. Enterprises are expected to abide by the ethical values of their home countries. They must also take into account standards introduced by the forces of globalization, particularly if they operate on a transnational basis.

Sometimes, exceptions to standards, procedures, and expectations must be made when working with actors outside of the enterprise's home country. To do business in other markets without sacrificing their own core beliefs, enterprises must clearly identify when they are making exceptions to home-country standards.

COMMUNICATE WHY

To ensure that the organizational culture is integrated and works toward an enterprise's goals and objectives, owners and managers should communicate not only the enterprise's standards, procedures, and expectations but also the reasons behind them. They should explain why responsible business conduct is important to improving business performance, to making a profit, and to increasing prosperity in the enterprise's community.

Owners and managers should explain to employees and agents why complying with standards, procedures, and expectations is necessary and consistent with the enterprise's core beliefs. For example, simply declaring to an employee that it is unethical to provide confidential information to a third party may be ineffective. Managers should explain that such information could undermine a competitive advantage held by the enterprise and adversely affect its profitability. This explanation will impart perspective to the employee and help him or her understand the purpose behind the rules.

INCLUDE EMPLOYEES IN SETTING STANDARDS

Dialogue is required to set responsible standards, procedures, and expectations that fit the needs of the enterprise and its employees and agents. When developing or modifying a business ethics program, management must understand which responsible business conduct issues are of central importance to employees. Securing employee input is essential. Failure to do so can result in employee cynicism and erosion of trust between employees and management. Ultimately, employees may decide not to comply with enterprise standards and procedures and may fail to pursue

the enterprise's purpose, thus causing the enterprise to fail to meet reasonable stakeholder expectations.

CLARIFY OPERATIONAL AND ETHICAL RESPONSIBILITIES

The operational and ethical responsibilities of managers and other employees must be clearly expressed in codes of conduct and other aspects of a business ethics program. The relationship between employees and their supervisors should be governed by two central principles: authenticity and accountability. Authenticity requires honest communication about who is responsible for ethical practices, mistakes, and misconduct. Accountability requires that each party to the relationship accept personal responsibility for what he or she brings to the relationship. An effective business ethics program sets forth these expectations and shows how the enterprise will address mistakes, misconduct, and misunderstandings.

Management Vision for the Enterprise

Responsible management defines the enterprise's core beliefs: its purpose beyond profit, its core values, and its envisioned future. In addition, as developed at length in Chapter 4, owners and managers establish expectations for the business ethics program itself by describing supportive cultural characteristics of the organization and expected program outcomes.

Two researchers, James Collins and Jerry Porras, found that what separates good companies from great ones, in large part, is the vision framework they provide their employees and aligning their choices and actions to that framework.[17] The vision framework that they recommend has three components: a core purpose, core values, and an envisioned future.

CORE PURPOSE

Without losing sight of returning value to the owners, responsible management establishes the fundamental reason for the existence of the enterprise in the form of a purpose statement that inspires its employees and agents. An enterprise purpose beyond profit helps define the enterprise. Unlike goals and objectives, the purpose is never actually achieved. As Collins and Porras describe it, enterprise purpose "like a star on the horizon can never be reached; it guides and inspires forever."[18]

Purpose should be a succinct statement of how the enterprise intends to meet some important need of its community. A purpose statement captures the reasons that employees and agents are eager to go to work. It takes as

given that owners want profits and that employees want livelihoods. But one can be certain that most employees do not go to work eager to make more money for the owners or even to earn their next paycheck. They go to work eager to contribute because there is something in the purpose of the enterprise that excites them.

Defining an enterprise's purpose is not an easy process. Collins and Porras suggest describing what the enterprise does in business—its mission, for example—and then asking five times: "Why is that important?" Though deceptively simple, asking "Why is that important?" will help establish the value the enterprise brings to the community. This sense of value added becomes the ordering principle of all subsequent decisions and activities.[19]

CORE VALUES

Responsible management defines four or five values to guide the choices and actions for all employees and agents. These core values should be so fundamental to what the enterprise sees itself to be—and the way that it does business—that they will not be sacrificed for short-term gain.

There is no right set of values for an enterprise. Royal Dutch/Shell, for example, has three core values: *honesty*, *integrity*, and *respect for people*. Chiquita Brands, International, which has plantations around the globe, has four core values: *integrity*, *respect*, *opportunity*, and *responsibility*. Alcatel, a multicultural company with employees in 130 countries, has four values as well: *customer focus*, *innovation*, *teamwork*, and *accountability*.

Core values should reflect the fundamental qualities that the enterprise wants to use to guide employee and agent decisions and activities, but they should not be so far removed from the reality of the enterprise that they are impossible to follow or that they breed cynicism. Moreover, the process of defining core values will influence how they are understood, accepted, and followed. The more stakeholders participate in developing the core values, the more likely these core values are to reflect the enterprise and to be accepted by its members and other stakeholders.

Some enterprises arrive at their core values through a carefully crafted survey of their employees, including interviews and focus groups. Others establish advisory groups at various levels of the enterprise to work with a small working group to draft a set of values for further dialogue. A few enterprises survey all or most of their members plus many other stakeholders.

To bring to the surface enterprise values among employees, ask a simple question such as, "What would you tell a new employee who asks 'What does someone have to do to succeed around here?'" Following through on

employee and other stakeholder answers to these questions will lead eventually to four or five values that should guide members of the enterprise.

VISION OF A DESIRED FUTURE

Responsible owners and managers visualize enterprise goals and objectives and the enterprise's role in the community over the long term. Goals should include responsibility to the community and to external stakeholders. They should incorporate relevant political, economic, and socio-cultural considerations. From this vision flow the goals, objectives, and expected outcomes of the enterprise's strategies and action plans.

Research suggests that there are two components to an effective envisioned future: (a) a specific goal that gives direction and meaning to enterprise decisions and activities and (b) a vivid description of the desired future.[20] Box 5.5 shows how Novo Nordisk describes embedding its vision throughout the enterprise.[21]

A good example of describing an envisioned future is the vision of Sony, portions of which are set forth in Box 5.6. This vision was formed in the 1950s, when Japan was still recovering from the devastation of World War II. It contained an audacious long-term goal and a vivid description of the desired future.[22]

BOX 5.5

EMBEDDING VISION IN AN ENTERPRISE

Vision

- We will be the world's leading diabetes care company.
- We will offer products and services in other areas where we can make a difference.
- We will achieve competitive business results.
- A job here is never just a job.
- Our values are expressed in all our actions.
- Our history tells us, it can be done.

The Charter

The Charter describes our Values, Commitments to the Triple Bottom Line, Fundamentals and Methodology—our basic management principles. The full text can be found on the Novo Nordisk corporate website.

Policies

Our Vision expresses the company's key business objectives and guides a set of policies on bioethics, communication, engineering, environment, finance, health and safety, information technology, legal, patents, people, purchasing, quality, regulatory and risk management.

Novo Nordisk
"Novo Nordisk Way of Management"

BOX 5.6

SONY CORPORATION'S VISION

Purpose statement. To experience the sheer joy of innovation and the application of technology for the benefit and pleasure of the general public.

Goal. Become the company most known for changing the worldwide image of Japanese product as being of poor quality.

Vivid description. Fifty years from now, our brand name will be as well known as any on earth ... and will signify innovation and quality that rivals the most innovative companies anywhere.... "Made in Japan" will mean something fine, not shoddy.

James C. Collins and Jerry I. Porras
Built to Last: Successful Habits of Visionary Companies

Management Standards, Procedures, and Expectations

Enterprises of all sorts and sizes are experiencing increasing pressure from home countries, international institutions, and nongovernmental organizations to demonstrate responsible business conduct. Management standards, procedures, and expectations give specific guidance that demands certain activities and restricts others, unlike board-level means limitations, which set limits only.

As discussed in Chapter 3, an RBE functions at four levels of identity: compliance, risk management, reputation enhancement, and value added to the community. Responsible management sets standards, procedures, and expectations at all four levels to give adequate guidance to employees and agents. These standards, procedures, and expectations tend to foster reasonable external stakeholder expectations of enterprise performance.

Standards, procedures, and expectations are often set in a number of basic documents: a set of guiding principles, a code of conduct,[23] and specific policies. Although this chapter discusses how to draft a code of conduct and refers to a number of examples, there is no one right approach. For example, an enterprise can draft the basic documents as separate documents or as a single document.

GUIDING PRINCIPLES

Enterprises will find value in establishing a number of general principles to guide employees and agents. With the core beliefs providing the basis, a statement of general principles aids employees and agents in making choices and taking action. A statement of general principles is more specific than the core beliefs, but it is broader than a code of conduct.

For some enterprises, like Royal Dutch/Shell, its fundamental guiding document is its "Statement of General Business Principles."[24] Another executive-level set of guiding principles to consider is the U.N. Global Compact.[25]

Statements of guiding principles tend to be accessible to employees and agents because they are considerably shorter than the average code of conduct. These principles may be one-sentence statements or short paragraphs, but usually no longer.

Using Royal Dutch/Shell as an example, an enterprise might set forth its basic principles under nine topics: (1) objectives; (2) responsibilities to stakeholders; (3) economic principles; (4) business integrity; (5) political activities; (6) health, safety, and the environment; (7) community, (8) competition; and (9) full relevant disclosure.

Shell begins with a general preamble that states the purpose of the principles themselves. The preamble reads in part as follows:

> Shell companies recognize that maintaining the trust and confidence of shareholders, employees, customers and other people with whom they do business, as well as the communities in which they work, is crucial to the Group's continued growth and success.
>
> We intend to merit this trust by conducting ourselves according to the standards set out in our principles.[26]

The first principle sets forth a general statement of the *objectives* of the enterprise. These closely track its core purpose. The second principle sets forth the *responsibilities* that it believes it owes its primary stakeholders: shareholders, customers, employees, those with whom it does business, and society as a whole, which includes the environment. These descriptions are, for the most part, one or two sentences each. The description of the responsibilities it owes society incorporates a number of the principles of the U.N. Global Compact. Shell sees these five areas of responsibility as inseparable.

The third principle sets *economic* principles to guide its employees and agents (see Box 5.7).[27] Shell notes that profitability and a strong financial foundation are fundamental to meeting its responsibilities. It also notes that pursuit of financial aspects is qualified by social and environmental considerations and an "appraisal of the security of the investment."

Shell's fourth principle addresses its notion of *business integrity*. Shell maintains that its companies "insist on honesty, integrity, and fairness in all aspects of their business and expect the same in their relationships with all those with whom they do business."[28] Going into somewhat more detail than

BOX 5.7

ROYAL DUTCH/SHELL'S ECONOMIC PRINCIPLES

3. Economic Principles

Profitability is essential to discharging these responsibilities and staying in business. It is a measure both of efficiency and of the value that customers place on Shell products and services. It is essential to the allocation of the necessary corporate resources and to support the continuing investment required to develop and produce future energy supplies to meet consumer needs.

Without profits and a strong financial foundation it would not be possible to fulfill the responsibilities outlined above.

Criteria for investment decisions are not exclusively economic in nature but also take into account social and environmental considerations and an appraisal of the security of the investment.

Royal Dutch/Shell
"How We Work"

a statement of principle, Shell's business integrity principle expressly addresses bribery, conflicts of interest, and maintaining accurate books and records.

Shell's fifth principle, regarding *political activities*, reinforces its sense of social responsibility and restricts its companies and individual employees in their political activities. However, Shell conspicuously reserves the right to take a public position on matters that affect it or its primary stakeholders.

Shell's sixth principle addresses its commitment to contribute to *sustainable development* and its "systematic approach to health, safety, and environmental management in order to achieve continuous performance improvement." Shell commits to "manage these matters as any other critical business activity, set targets for improvement, and measure, appraise and report performance."[29]

Shell's seventh principle addresses its relationship with the *community*. It expressly notes that its most important contribution is to pursue what we term its core purpose and its envisioned future as a business as effectively as possible. Shell then specifically authorizes community involvement going beyond being a socially responsible business to include ultra-social responsibility where appropriate.[30]

Shell's eighth principle is express support for the *competition* inherent in free enterprise.

Finally, Shell commits to providing *full relevant information* about its "activities to legitimately interested parties, subject to any overriding considerations of business confidentiality and cost."[31]

Shell's "Statement of General Business Principles" covers many aspects of general business conduct and can serve as an excellent guide for an RBE,

even though it does not address a number of the emerging global standards we described in Chapter 2. Nongovernmental organizations (NGOs), while applauding Shell's statement in general, have noted, for example, that it does not specifically address a number of international conventions, notably the Universal Declaration of Human Rights, as well as the Tripartite Declaration of Principles of the International Labor Organization.[32]

Another common approach to a guiding set of principles is to list the enterprise's core values with a number of guiding principles or practices below each value. See, for example, an extract from the Chiquita Brands, International core values statement in Box 5.8.[33] Another example is United Technologies Corporation, which sets forth five "Commitments": "performance, pioneering innovation, personal development, social responsibility, and shareowner value" (see Box 5.9).[34] The value of this approach is that it demonstrates the significance of a few core values, while using principles and practices to define them and to provide concrete examples in one document.

Management may also consider any number of other general principles for ideas. One set to consider is the "Principles for Business" of the Caux Round Table, which are widely considered a good starting point for developing an

enterprise's sense of ethical and responsible business conduct.[35] Another set of principles to consider is the *Basic Guidelines for Codes of Business Conduct* (reprinted in Appendix B), which can be used as a foundation or guide for developing codes of conduct.

CODE OF CONDUCT

A code of conduct is often the primary means by which management gives guidance to its employees and agents as to what is expected of them by way of business conduct. Indeed, among large enterprises globally, most now have some form of code of conduct.[36]

A code demonstrates management's commitment to meeting all applicable industry practices and government regulations. Its target audience is the enterprise as a whole. Other, more specific policies and procedures will be directed at specific functions, such as procurement or contracting.

A code of conduct addresses minimum standards of conduct and procedures to reduce the enterprise's risk of liability and damage to its reputation. A code of conduct also goes beyond these minimums to guide employees and agents toward enhancing the enterprise's reputation and adding genuine value to its community.

It is important not to place too much significance on a code of conduct standing alone. Most research suggests that a code is important less for its specific provisions than as part of a program or strategy to encourage responsible business conduct. When examining the incidence of misconduct, researchers have found relatively little difference between organizations that have a code and those that do not.[37]

As part of a business ethics program, however, a code is a central component of a process by which the enterprise engages its stakeholders, both internal and external. In recent years, the process of formulating codes of conduct has become more interactive and inclusive. Increasingly, codes are an essential part of an ongoing dialogue designed to shape programs. Indeed, a senior official at Royal Dutch/Shell has declared:

> Shell is increasingly focusing on dialogue, and we have found many NGOs who are willing to enter into debate with us. Discussion based on a broad framework of principles offers a constructive atmosphere for cooperation—and for the compromise that is sometimes necessary in the face of real-life ambiguities.[38]

An enterprise should carefully examine its relevant context when deciding on the scope of its code of conduct. It should consider the priorities of

its community and external stakeholders; the state of decrees, laws, and regulations; and industry standards. It should also show respect for national and organizational culture.

Compliance with the Law

When designing a business ethics program, an enterprise must ensure that it complies with all laws and regulations that govern its area of commerce: local, foreign, and international. The codes themselves tend not to set forth the details of the law. However, they will set the general policy of complying with all laws, and they may refer to laws that have specific application to the enterprise's business conduct such as corporate governance, workplace practises, and relationships with government officials. Where more detail is required, these matters will typically be treated in policies and procedures documents. Working closely with legal counsel, an RBE will incorporate changes and amendments to the law and regulations into its business ethics program on a regular basis.

The general nature of a code of conduct—as well as the issues addressed—differ widely between the European Union and the United States. Codes in the United States tend to be more compliance-oriented and are even legalistic, because the laws in the United States tend to leave more business matters to the private sector. They also address the significant risk of litigation. Codes in the European Union tend to be more focused on social responsibility. In part, this difference in focus arises because many matters that are covered in codes tend to be addressed by law and regulation in the United States or by individual or work council contract provisions in the European Union.[39]

PRACTICE NOTE

Anti-corruption Provisions

Enterprises should have a clear and concise accounting policy that prohibits off-the-books accounts or inadequately identified transactions.

Boeing Company
Boeing Ethics and Compliance Program

Compliance with Industry Standards

An RBE is often a member of an industry as well as a community. Owners and managers take into account industry-specific issues and standards and procedures. In doing so, they should strive to achieve the highest standards of compliance in their industry. Improved industry standards increase transparency and trust in the marketplace, and they enhance the reputation of the industry as a whole. For an example of industry standards regarding the scope of a code of conduct, see the New York Stock Exchange's recently promulgated exchange rules (Box 5.10).[40]

Protection of the Environment

A code of conduct should address the enterprise's standards, procedures, and expectations regarding the environment. Governments, local communities,

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NEW YORK STOCK EXCHANGE RULES

In November 2003, in response to great turmoil in the U.S. markets, the New York Stock Exchange (NYSE) promulgated a series of requirements to improve the corporate governance practices of companies listed on the NYSE. A listed enterprise is now required to adopt and disclose a code of ethics addressing, at a minimum, the following issues:

- Conflict of interest: Defines conflicts of interest and requires a policy proscribing conflicts and providing a means to report potential ones.

- Corporate opportunities: A policy should prohibit officers, directors, and employees from taking corporate opportunities, using corporate property, position, or information for personal gain, or competing with the company. All employees, officers, and directors owe a duty to advance the legitimate interest of their company.

- Confidentiality: Information entrusted to employees, directors, and officers by the company or customers should be kept confidential, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that may be of use to competitors or harmful to the company or clients of the company if disclosed.

- Fair dealing: Each employee, officer, and director should deal fairly with the customers, suppliers, competitors, and other employees of the company. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

- Protection and proper use of company assets: Employees, officers, and directors should protect company assets and ensure the efficient and legitimate use of all business assets.

- Compliance with laws, rules, and regulations (including insider trading laws): The company should actively promote compliance with laws, rules, and regulations, including insider trading laws.

- Encouraging the reporting of any illegal or unethical behavior: The company should encourage employees to talk to supervisors, managers, or other appropriate personnel about the best course of action they should take when presented with a particular situation. In addition, companies should encourage employees to report violations of laws, rules, regulations, or the code of business conduct to appropriate personnel. To encourage employees to report such violations, the company must ensure that employees know that the company will not allow retaliation for reports made in good faith.

From the NTT Group Global Environmental Charter

Basic Principle

To ensure the harmonious coexistence of people with nature and to achieve sustainable growth, we will do our utmost to protect the global environment in all our corporate activities.

Basic Policies

1. Compliance with laws and regulations and fulfillment of social responsibilities

To observe all laws and regulations regarding environmental protection issues and to carry out our responsibilities as global corporate citizens.

2. Reducing environmental loads

To establish action plans for energy conservation (reduction of greenhouse gas emissions), resource conservation (conservation of materials such as paper), and waste reduction, and to strive to make continuous improvements.

3. Establishing and maintaining environmental management systems

To establish an environmental management system enabling each business unit to pursue voluntary environmental protection activities.

4. Developing environmental technologies

To contribute to the reduction of environmental load through various areas of research and development, including multimedia services.

5. Social contribution efforts

To promote daily environmental protection efforts in coordination with citizens and government agencies.

6. Disclosure of environmental information

To enhance both internal and external communications through the disclosure of environmental information.

NGOs, and international institutions are increasingly using their influence to promote sound environmental practices by business.

A code should include a statement that the enterprise will abide by both local and international laws and regulations designed to protect the environment. It should address how the business balances production objectives with environmental protection in general. In more detailed standards, procedures, and expectations, the enterprise might discuss how to reduce waste products, how to avoid polluting air and water, and how to manage and report chemical use and disposal.

An example of the flow from core values regarding the environment through a basic principle and basic policies to principal activities (leading to achieving goals and objectives) is set forth in the Japanese NTT (Nippon Telegraph & Telephone) Group ethical code of environmental issues (see Box 5.11).[41]

Respect for Cultural Norms

A code of conduct should demonstrate respect for the cultural norms of the society in which the enterprise operates—especially if it is a transnational

enterprise. Employees and agents bring their beliefs, values, and cultural norms to the job. Each society has cultural practices that are unique, including practice of religion, gender relations, and power relationships in the workplace. An RBE is sensitive to these practices and ensures that its business ethics program takes them into consideration without sacrificing its core beliefs. Implementing and enforcing a code of conduct that does not take these factors into consideration may be seen as unfair and may lead to confusion and frustration.[42]

A number of responsible business conduct issues are unusually culturally sensitive: dealing with conflicts of interest, accepting and giving gifts and gratuities, making facilitation payments, hiring relatives and friends, seeking advice, and reporting misconduct. Reporting misconduct, in particular, touches on deeply held cultural values and even relatively recent histories, as discussed in Chapter 7.

A best practice for dealing with these cultural nuances is to require regional divisions of an enterprise to formulate local policies and to submit them for approval. Provided that the local policy reflects the spirit of the general policy and is applied consistently, regional policies can be effective ways to address cultural differences. Note, however, that the general rule should apply unless a specific local policy has been proposed and approved. An employee or agent should not be able to claim a regional difference without an approved local policy in place.

PRACTICE NOTE

Gifts Given by Motorola

Some business situations call for giving gifts. Motorola's gifts must be legal, reasonable, and approved by local management. Motorolans never pay bribes.

We understand that gift-giving practices vary among cultures. Our local gift policies and guidelines address this.

We will not provide any gift if it is prohibited by law or the policy of the recipient's organization. For example, the employees of many government entities around the world are prohibited from accepting gifts. If in doubt, check first.

Motorola Corporation
"Code of Business Conduct"

Guidelines for Developing a Code

The process for developing a code of conduct is as important as the code itself. Engaging stakeholders, demonstrating management commitment, and honoring core beliefs will lead to a clear statement of what the enterprise values. Moreover, the process is an important step toward reinforcing the desired aspects of organizational culture.

At the end of the process, the code must be comprehensive enough to give guidance on all important matters to employees and agents. It must have had enough participative feedback from internal stakeholders—especially the owners, managers, and workers—that they will recognize it as their own, support it, and be willing to live by it. It must describe external stakeholder expectations well enough that they will recognize the enterprise as a contributing member of the community.

One noted author in this field, W. Michael Hoffman, encourages drafters to be particularly concerned with the tone of the code. He recounts how he was once asked to review a code titled "Our Responsibilities." Though he thought it was a good title, "every rule that followed began with 'it is your responsibility to . . .'" He suggested changing every "your" to "our" to convey the sense that the rules applied to everyone in the company.[43]

Style for a code also depends on the needs and culture of the enterprise. The more readable codes use large type, color, often pictures, and examples or text boxes for frequently asked questions. There are many fine examples on the Internet.

- WMC Resources Ltd., an Australian global mining company, has a very straightforward, colorful, animated code of conduct. It has many pictures and examples presented as drop down pages under five major topics.[44]
- NTT Group, a Japanese telecommunications company, has a detailed environmental code as part of its "Environmental Report 2002." It is organized as eight questions and their answers.[45]
- Guardsmark LLC, a medium-sized U.S. firm, has a short code of conduct that lays out principles organized by values and major topics. All employees review and acknowledge the code annually.[46]
- HCA Inc., a large U.S. health care company, has a comprehensive code of conduct, as well as policies and procedures for implementing its ethics, compliance, and corporate responsibility program.[47]
- United Technologies Corporation, a large, global manufacturing firm, has a code of ethics translated into 27 languages, which describes multiple means for an employee or agent to seek advice or report concerns, including regional and headquarters ombudsman offices.[48]

PRACTICE NOTE

Expecting Good Judgment from Employess

We are accountable for our actions and their consequences.

Question: I am a geologist in charge of an exploration project. A well-known local politician, who owns a small bankrupt company, has asked me to hire some of the 70 employees he will have to dismiss. In exchange, he has offered to facilitate local government permits for WMC. If I do not accept, he threatens to do the opposite. Should I accept the proposition? Should I accuse him of blackmail?

Answer: You should not accept the proposition. Your discussion with the politician should be documented, and you should seek guidance from the appropriate WMC manager as to the steps to take including going to police or local authorities.

WMC Resources, Ltd.
"Illustrative Examples"

A code of conduct should be a practical, easily accessible document. It should be written in plain language, avoiding technical or legal terms. It should be available in the languages key stakeholders understand.[49]

Aspirational versus Obligatory Provisions

Some authors distinguish between code provisions that are aspirational and those that are obligatory. Aspirational provisions are said to be ones that employees and agents are to strive for but for which they will not be held accountable. Obligatory provisions are said to be ones for which employees and agents can be held accountable and ones that will result in punishment if violated.

An enterprise's standards, procedures, and expectations are intended to guide employees and agents in dealing with real-life issues. Owners and managers should expect employees and agents to demonstrate awareness of all relevant standards and to use good judgment. If the underlying standard is to apply good judgment, therefore, we are reluctant to say that any standard worth putting in a code of conduct is purely aspirational. The better view is that if a provision is worth putting in a code, then it should be followed.

For the most specific standards—rules—good judgment seldom leads one to violate a rule. When rules are violated, punishment is appropriate since a clear intention to violate rules exists. For more general provisions such as val-

ues or principles, good judgment is still required, and it makes little sense to describe such provisions as unenforceable. Although the employee may not be punished as such, failure to use good judgment should not be tolerated.

Adaptations, Updates, and Improvements to the Code

Though a code of conduct is a fundamental document, it is not static. To be effective, it must anticipate the guidance that employees and agents will need to deal appropriately with the challenges they face. Laws and regulations change. Stakeholder expectations change as well. Through commerce with enterprises from different markets, businesses become exposed to new values and beliefs that can affect the way employees view the enterprise and markets. All these tend to create new gray areas for employees.

An RBE should plan in the code itself to monitor closely changes in its relevant context, organizational culture, and stakeholder expectations and to adapt, update, and improve the code accordingly. The RBE must be able to react quickly to changes that affect the enterprise, its markets, and its communities. It must adapt its code to reflect its relationships with new suppliers, service providers, partners, competitors, and markets.

Code Formats

An author who has tracked the trends in drafting codes of conduct has found that most codes apply one or more of three basic formats: (a) *compliance codes*—specific statements giving guidance and prohibiting certain kinds of conduct; (b) *corporate credos*—broad general statements of corporate commitments to constituencies, values, and objectives; and (c) *management philosophy statements*—formal enunciations of the company or CEO's way of doing business.[50]

An Australian author further distinguishes the formats and objectives of corporate codes of ethics as being of three types: (a) *codes of ethics*—statements of the values and principles that define the purpose of an organization, (b) *codes of practice*—which guide and direct decision-making, and (c) *codes of conduct or behavior*—which prescribe or proscribe certain behavior. "In practice," the author notes, "corporations tend to use varying mixes of each type of code, under various labels."[51]

RBE Worksheet 6, found at the end of this chapter, provides a sample outline for a code of conduct.

RESPONSIBLE BUSINESS CONDUCT POLICIES

Once a set of guiding principles, a code of conduct, or both are developed, the process of establishing adequate standards is not complete. To keep these defining documents relatively concise, enterprises typically publish much of the detail that surrounds specific offices or functions, such as internal audit

or government contracting, as policies or procedures. An RBE also address-es specific risk areas and opportunities to enhance its reputation or add value to the community. A number of fundamental issues are noted in RBE Worksheet 6, such as ethics, compliance, and responsibility functions and help-line policy and procedures. There may be many others.

Effective business ethics programs are designed specifically for the day-to-day challenges of the individual enterprise, its management styles, and its organizational culture. For example, the comprehensive business ethics program of HCA Inc., a large U.S. health care company, has 20 ethics and compliance-specific policies and procedures and dozens more related policies and procedures from other departments.[52] These policies include the following:

- Policy and procedure development
- Internal handling of ethics-line calls
- Self-reporting of violations of certain laws and regulations
- Business courtesies to potential referral sources
- Business entertainment
- Vendor-promotional training
- Approval of gifts in recognition of volunteer efforts
- Ethics and compliance officer
- Code of conduct distribution and training
- Records management
- Ethics and compliance program contracts
- Ethics and compliance office quarterly reports
- Training for senior management
- Reportable events

There is no set format for issuing policy and procedures. The form shown in Figure 5.1 is provided courtesy of HCA Inc.[53]

Typical Code of Conduct Provisions

The best way to think about what standards, procedures, and expectations to put in a code of conduct is to try to anticipate, from the points of view of stakeholders, the tough decisions that employees and agents might face. With this approach in mind, consider including the items described below. Examples of how some enterprises addressed certain issues are also included.[54] Using RBE Worksheet 7, provided at the end of this chapter,

FIGURE 5.1
Format Used by HCA Inc. in Issuing Policy and Procedures

Department: _____   Policy Description: _____

PAGE: x of y _____   Replaces Policy Dated: _____

Approved: _____   Retired: _____

Effective Date: _____   Reference Number: _____

Scope: _____

Purpose: _____

Policy: _____

Procedures: _____

References: _____

will help ensure that all necessary standards, procedures, and expectations are considered.

INTRODUCTORY MATERIALS

What materials should be included? And why? Introductory materials are highly dependent on the situation, needs, and culture of the enterprise. They should begin with a declaration of the enterprise's core beliefs, examples of which were described earlier.

An advisable provision to include is a disclaimer. For example, Motorola Corporation avoids creating unrealistic expectations—and unintended liabilities—by placing a disclaimer at the beginning of its code (see Box 5.12).[55] Disclaimers are recommended because some courts have treated similar documents as promises on which stakeholders may justifiably rely.[56]

BOX 5.12

DISCLAIMER TO A CODE OF BUSINESS CONDUCT

Basic Principle

This Code is neither a contract nor a comprehensive manual that covers every situation Motorolans throughout the world might encounter. It is a guide that highlights key issues and identifies policies and resources to help Motorolans reach decisions that will make Motorola proud.

Motorola Corporation
"Code of Business Conduct"

OWNERS

What relationships and responsibilities to its owners should the enterprise assume? And why? Consider the following:

- Maximizing shareholder value
- Minimizing business risk
- Using business resources prudently
- Engaging in legal and ethical behavior
- Preventing insider trading
- Being responsible to community and environment

CUSTOMERS OR CONSUMERS

What relationship and responsibilities to its customers should the enterprise assume? And why? Here are some examples:

- Providing quality, safe goods and services
- Representing products or services
- Communicating clearly so that there is no misunderstanding
- Protecting confidential information
- Preventing bribes and kickbacks
- Regulating gifts and entertainment
- Including government customer provisions
- Including foreign government customer provisions
- Ensuring accurate billing procedures
- Safeguarding property of others

- Preventing the disparagement of competitors
- Ensuring fair competition
- Acquiring marketing data properly and legally

EMPLOYEES AND THE ENTERPRISE

What relationships and responsibilities to its employees should an enterprise assume? What do the employees owe the enterprise? And why? Issues include these:

- Promoting respect for one another
- Promoting equal opportunity and anti-harassment
- Creating a hassle-free environment
- Respecting right to privacy
- Promoting workplace health and safety
- Maintaining skills and qualifications
- Preventing substance abuse
- Preventing workplace violence
- Regulating use of company funds
- Regulating company e-mail and computer use
- Preventing conflicts of interest
- Regulating outside business activities
- Regulating gifts and entertainment
- Regulating collective bargaining
- Promoting human rights
- Excluding child labor
- Promoting business with the company
- Regulating employment outside the company
- Encouraging self-development and lifelong learning
- Regulating the hire of closely related people
- Ensuring accurate books and records
- Retaining records

PARTNERS, SUPPLIERS, AND SERVICE PROVIDERS

What relationship and responsibilities to its partners, suppliers, and service providers should the enterprise assume? And why? Consider these issues:

PRACTICE NOTE

Anticorruption

3. In its relations with governmental agencies, customers and suppliers, the Company will not, directly or indirectly, engage in bribery, kick-backs, payoffs, or other corrupt business practices. The use, directly or indirectly, of Company funds for political contributions to any organization or to any candidate for public office is strictly prohibited, where such contributions are forbidden by applicable law. Where such contributions are lawful, they must be made in a fair and prudent way and must be approved by the most senior Alcatel officer in the country.

Alcatel Group
"Statement on Business Practices"

- Treating all suppliers fairly
- Regulating the acceptance or offer of gifts and gratuities
- Respecting intellectual property of others
- Protecting proprietary data of others
- Using software for its intended purposes
- Requiring consultants and suppliers to act legally and ethically

COMPETITORS

What do we owe our competitors? And why? Issues include:

- Dealing fairly with competitors
- Winning on product and service merits
- Discouraging comparisons with and disparagement of competitors
- Prohibiting inducement of others to break binding contracts with competitors
- Discouraging the discussion of pricing, costing, marketing, or product plans with competition
- Prohibiting illegal or unethical methods to gather competitive information
- Preventing unfair competition (antitrust)
- Promoting adherence to principles of free competition

Business Integrity

Our commitment to business integrity is clear and unequivocal. We do not bribe, nor do we accept bribes. We do not sanction illegal payments of any kind. We investigate all suspicious circumstances. Any employee found to have breached our firm "no bribes" policy is dismissed. We will also prosecute where possible.

Royal Dutch/Shell
"Our Approach to Business Integrity"

COMMUNITY, GOVERNMENT, AND THE ENVIRONMENT

What relationship and responsibilities to its communities, governments, and the environment should the enterprise assume? And why?

- Obeying both the letter and the spirit of law
- Promoting good competitor relations
- Complying with local laws and customs
- Promoting anticorruption practices
- Excluding foreign corrupt practices
- Regulating political contributions
- Regulating political activity
- Including indigenous peoples
- Promoting sustainable development
- Complying with anti–money laundering measures
- Complying with antiboycott laws
- Complying with import–export laws
- Voluntarily disclosing violations
- Cooperating with authorities
- Promoting charitable contributions
- Encouraging employee volunteer work
- Protecting the environment

BUSINESS ETHICS PROGRAM

A business ethic program should cover these issues:

- Ethics and compliance structure and systems
- Responsibility of managers and supervisors
- Need to avoid even the appearance of impropriety
- Monitoring and auditing practices
- Employees' duty to report violations
- Failure to comply
- Failure to detect misconduct
- Methods to seek advice and report misconduct
- Policy concerning false reports
- Enterprise response to reports
- Policy for customer, supplier, and contact agents
- Confidentiality and anonymity policy
- Nonretaliation policy
- Policy for employee misconduct
- Policy for rewarding ethical behavior
- Records retention
- Media contact
- Individual accountability
- Obligation to sign acknowledgment

BUSINESS ETHICS PROGRAM RESOURCES

Resources may include these:

- Ethical decision-making model
- Case studies and examples
- Telephone contact numbers

DESIGN, REVIEW, AND APPROVAL PROCESS

The design, review, and approval process for a code of conduct follows the process described in Chapter 4. The code and supporting policies will not be finally approved until all standards, procedures, and expectations as well as implementing policies and infrastructure have been designed and approved.

SUMMARY

Owners and managers establish standards, procedures, and expectations to answer the fundamental question, "What norms, values, and standards should we set to guide our members and foster reasonable stakeholder expectations?" An effective business ethics program contains standards, procedures, and expectations that establish the following:

- Who has authority to do what within the enterprise
- Who is responsible for which decisions and activities
- How people will be held accountable for their individual choices and actions
- What stakeholders can reasonably expect from the enterprise

Standards, procedures, and expectations are set for all levels of the enterprise—from the owners to the independent agents. Core beliefs and reasonable stakeholder expectations set the fundamental aspirations of the enterprise. Standards, procedures, and expectations are liberating devices as well as control mechanisms. They set boundaries for employees and agents that limit what they can do in pursuit of the enterprise purpose. Provided employees and agents choose and act in pursuit of the enterprise's purpose in good faith—and do not exceed these limits—they are free to use their good judgment in making decisions and acting.

RESPONSIBLE BUSINESS ENTERPRISE
Checklist

1. **What is the core purpose of our enterprise beyond profit?**

2. **What are our core values—those three to five values that we never violate?**

3. **What is our envisioned future of this enterprise? What are our goals and objectives over the next 30 to 50 years?**

4. **What management situations, activities, or decisions would be unacceptable to us even if they worked? Even if the ends are being achieved, what risks, ethical violations, and proprieties do we want to put off limits?[57]**

6   Sample Outline for a Code of Conduct

RBE Worksheet 6 provides a sample outline of a code of conduct. Discussion points are written to assist a working group tasked with drafting a code of conduct. The worksheet may be photocopied for use within your organization.

Topic	Discussion Points
Title page	Use a title page that captures the nature of the document and sets a theme to run throughout the document. Examples include "Living Our Values" (World Bank Group); "Leading with Integrity" (United Parcel Service); and "The Way We Do Business" (PricewaterhouseCoopers).
Table of Contents	A good code is accessible. For even a relatively simple code, it is wise to include a detailed outline of the contents and page numbers to aid use.
Introductory materials • Letter from owner or chief executive • Statement of code purpose • Statement of core beliefs • Statement of guiding principles • Background or explanatory materials	A letter from the owner or chief executive demonstrates top management's commitment to the ethics and compliance program and develops the theme of the title. A brief but clear statement of the purpose of the code—what it is intended to achieve—is important. A one-page restatement of the core beliefs of the enterprise—core purpose and values, as well as the envisioned future—sets the essential foundation. Use this as another opportunity to reinforce the importance of core beliefs. If the enterprise has developed a set of guiding principles, these may be included as a separate page for emphasis. Background or explanatory materials may address a crisis that spurred code development, what responsible business conduct is all about in general, or the process by which the code was developed. Include anything that readers need to know to understand the importance of the code itself and its place in the broader ethics and compliance program.
Specific guidance provisions organized by relationship or responsibilities to stakeholders • Customers • Shareholders and Investors • Suppliers and service providers • Employees • Enterprise itself • Community • Government • Environment	There are many ways to arrange specific code provisions, but arranging by relationship or responsibilities to stakeholders provides a logical way of organizing guidance and reinforces the sense of responsibility to stakeholders. A reason to refer to these provisions as describing the relationship to stakeholders is to avoid any private legal claims of obligation. Specific issues will necessarily touch on human resource issues: fairness in promotion, termination, sexual harassment, and diversity. A temptation is to treat these issues as separate from ethics issues. They must be included in the ethics and compliance program for it to be effective, because to the employee, ethics often means fairness.

Topic	Discussion Points
Description of the ethics, compliance, and responsibility program • Responsible executive • Responsible staff • Communications • Monitoring and auditing • How to seek advice and report misconduct • Investigations • Dispute-resolution process • Tracking, measuring, and reporting • Program evaluation and modification process	The code should specifically address ethics and compliance training and education. It should lay the essential foundation for all forms of communication regarding program issues. The code should also encourage employees and agents to seek advice and report misconduct. Because they may turn to the code to make decisions, the code should fully describe the process, including the circumstances under which they can call anonymously or confidentially. Also important is setting broad guidelines for tracking, measuring, and reporting enterprise performance, especially reporting to interested stakeholders.
Supporting and related policies and procedures • Business ethics officer's duties and responsibilities • Due diligence positions • Monitoring and auditing policy • Investigating policy and procedures • Confidentiality policy • Nonretaliation policy • Confidentiality agreements • Education and training policies • Problem reporting and nonretaliation policies and procedures • Help-line policy and procedures • Response, follow-up, and resolution policy	To be usable, a code of conduct needs to address only those matters of general interest or applicability to its stakeholders. Matters relating to specific duties or responsibilities, or more detailed policies or procedures, should be established in separate policies. However, it may be important to note in the code that there are more specific policies and procedures and how to access them. An excellent guide to applicable policy statements, though its emphasis is on health care compliance policies in the United States, is Richard P. Kusserow and Andrew H. Joseph, *Corporate Compliance Policies and Procedures: A Guide to Assessment and Development* (Marblehead, Mass.: Opus Communications, 2000).
Supporting Resources • Guides to ethical decision-making • Contact names and phone numbers • Case studies • Ethics games • On-line resource links • Quick reference guide • Index	This portion of the code provides ready access to important supporting resources and quick reference materials. If a code of conduct is very large or complex because of the needs and culture of the enterprise, consider providing an index.

7 **RBE Standards and Expectations Worksheet**

RBE Worksheet 7, which may be photocopied for use with your organization, provides a tool for ensuring that all necessary standards, procedures, and expectations are considered. Owners, managers, and staff members should engage their stakeholders to address each element of their standards, procedures, and expectations, along the vertical axis, to ensure that they are consistent with the enterprise's core beliefs and four levels of ethical identity, along the horizontal axis.

	Core Beliefs	Compliance	Risk Management	Reputation Enhancement	Value Added
Introductory materials					
Owners					
Customers or Consumers					
Employees and the enterprise					
Partners, suppliers, and service providers					

	Core Beliefs	Compliance	Risk Management	Reputation Enhancement	Value Added
Competitors					
Community					
Government					
Environment					
Business Ethics program					
Special ethics, compliance, and social responsibility topics					