

Code of Ethics in an Organisation

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ABSTRACT

The study examines the relationship between organizational ethics and organizational outcome. There is a growing realization all over the world that ethics is vitally important for any business Organisation and for the progress of any society. The study of research suggests that organizational leaders can use organizational ethics as a means to generate favorable organizational outcomes.

Keywords: code of ethics, employee's behavior, job satisfaction, advantages and disadvantages of ethics in an organisation.

1.INTRODUCTION

The concept of ethics comes from the Greek word "Ethos" that means both an individual's character and a community's culture. Ethics are principles and values an individual uses to govern his activities and decisions. In an organisation, a code of ethics is a set of principles that guide the organisation in its programs, policies and decisions for the business. The ethical philosophy an organisation uses to conduct business can affect the reputation, productivity and bottom line of the business. Ethics in business matters because there is much evidence to prove that unethical behavior can cost the company its reputation, affect its share price, lower its share price and lower its profits. Some of the scandals in business world have had their origin in scant regard to morality. Ethics has become a part of business because it has been realized that ethics and profits go together. In the long run good ethics is good business.

Leadership Ethics

The ethics that leaders in an organisation use to manage employees may have an effect on the morale and loyalty of workers. The code of ethics leaders use determines discipline procedures and the acceptable behavior for all workers in an organisation. When leaders have high ethical standards, it encourages workers in the organisation to meet the same level. Ethical leadership also enhances the company's reputation in the financial market and community. A solid reputation for ethics and integrity in the community may improve the company's business.

Employee Ethics

Ethical behavior among workers in an organisation ensures that employees complete work with honesty and integrity. Employees who use ethics to guide their behavior adhere to employee policies and rules while striving to meet the goals of the organisation. Ethical employees also meet standards for quality of their work, which can enhance the company's reputation for quality products and services.

Ethical organizational culture

Leaders and employees adhering to a code of ethics create an ethical organizational culture. The leaders of a business may create an ethical culture by exhibiting the type of behavior they had like to see in employees. The organisation can reinforce ethical behavior by rewarding employees who exhibit the values and integrity that coincides with the company code of ethics and disciplining those who make the wrong choices.

Code Of Ethics for Organisation

A code of ethics, also called a code of conduct or ethical code, set out the company's value, ethics, objectives and responsibilities. A well written code of ethics should also give guidance to employees on how to deal with certain ethical situations. Every code of ethics is different and should reflect the company's ethos, values and business style. Some codes are short, setting out only general guidelines, and others are large manuals, encompassing a huge variety of situations.

Key components of code of ethics in Business Organisation

The code of ethics is a set of behavioral rules employees should follow to ensure the company's values are reflected in all business dealings. Regardless of the size of the business, clearly defined codes and closely monitored transactions should keep your company from violating laws and make it a place where employees feel comfortable doing the right thing.

Values

Business Values typically are expressed in terms of how the company performs its day-to-day interactions with suppliers, employees and customers. A primary objective of the code of ethics is to define what the company is about and make it clear that the company is based on honesty and fairness. Another commonly defined value is respect in all interactions, regardless of the circumstances.

Principles

Principles are used to further support the business values by including operational credos employees should follow. Customer satisfaction, business profitability and continuous improvement are key factors in documenting business principles. Corporate responsibility to the environmentally friendly use of natural resources is another business principle that often is found in code of ethics.

Management support

Manager support of the values and principles may be documented in the code of ethics. Open door policies for reporting ethics violation can be included in the code, along with a process to anonymously report any code of ethics issues. To reflect how seriously management considers the code, some business display the code of ethics with management signatures in prominent areas, such as the break room, where employees will see it on a daily basis.

Personal Responsibility

Another component is a statement regarding each employee's personal responsibilities to uphold the code of ethics. This may contain information regarding both the legal and moral consequences if an employee violates the code. The requirement to report any violators is normally a component of the ethics code's personal responsibility. This is meant to show that it is not sufficient to merely adhere to the values and principles but to help ensure every employee supports the code of ethics by reporting violators.

Compliance

Any laws or regulations may be referred as rules to adhere to as part of daily business interactions. The Sarbanes-Oxley Act- which was enacted as a direct result of the Enron case, in which executives falsified financial records to overstate the company's worth—details what financial reporting a company must do. Compliance to all financial reporting and any licensing requirements such as ISO 9000 by the International Organisation for Standardization can be documented, along with the expectation that all licenses will be maintained and legal regulations met.

How to Create a Code of Ethics for an Organisation

These days, every business should have a written code of ethics. The code of ethics you create communicate the company's philosophy to employees, vendors, customers, clients and the public. Because of growing focus on business ethics over the last decade, according to Ethics Web, many customers now actively seek out firms that promise to do business in an honest and ethical manner. As a business owner, writing a code of ethics is one of your most crucial jobs.

1. Review sample codes of ethics that company in similar business use. Read those documents carefully, and look for information you can apply to your business.
2. Review other documents related to your business, including the firm's mission statement and any specific policies new hires receive as part of their orientation. These documents can include the Internet and phone usage and time-off policies. Review documents that address the conduct standards your firm has established. Use those documents as a guide when you create your formal code of ethics.
3. Think about the ethical dilemmas that face not only your company, but also its competitors. These ethical issues vary by industry, and it is important to directly address them in the company's code of ethics. For example, a clothing manufacturer could pledge not cut off ties with vendors who use child labor.
4. Solicit input from employees when you create the code of ethics. Many companies make the mistake of leaving workers out of the loop, but the front-line workers confront ethical dilemmas frequently. Ask employees for specific examples of situations that make them feel uneasy, and incorporate those ideas into the code of ethics.

5. Address potential workplace issues, such as office romance and nepotism, in your code of ethics. If your small business is mainly a family affair, outside employees might feel intimidated when they work with your family members. Make sure the code of ethics directly addresses hiring practices and the outlets for perceived grievances.
6. Assign an individual in your company to be responsible for compiling the code of ethics. Empower that person with the resources he/she needs, including the flexibility to communicate openly and frankly with front-line workers and others within the company. Allow her to solicit feedback from both the management team and the workers. Although the Chief Executive Officer, along with the legal team, is ultimately responsible for the content of the code of ethics, assigning a member of the management team to draft the document creates a single point of contact for everyone in the organisation.
7. Ask your attorney to review the proposed code of ethics before putting it in force. Ask the attorney for feedback regarding any necessary changes to the document.

The Advantages of Ethics in an Organisations

A code of ethics is an integral component of company culture, but organisations must actively promote their ethical policies to fully leverage the advantages. A code of ethics can be viewed as either an administrative formality with no practical use or a dynamic, comprehensive guideline for making company decisions. Realizing the advantages of a code of ethics in your organisation relies on every employee's awareness of and commitment to the code. A positive and a healthy corporate culture improves the morale among workers in the organisation, which may increase productivity and employee retention; this, in turn, has financial benefits for the organisation. Higher levels of productivity improve the efficiency of the company, while increasing employee retention reduces the cost of replacing employees. Ethical people are those who recognize the difference between right and wrong and consistently strive to set an example of good conduct. In a business setting, being ethical means applying principles of honesty and fairness to relationship with co-workers and customers. Ethical individuals make an effort to treat everyone with whom they come in contact as they would want to be treated themselves. Following are some of the important advantages of ethics in an organisation –

1. Strategic Decision-Making

Small business owners make decisions at the executive level of their company. A code of ethics in a small business can provide a foundation on which to base all decisions that affect internal and external stakeholders, such as employees or residents in the local community. Ethical dilemmas faced by small business owners must often do not have the same scope as issues faced by corporate executives, such as laying off thousands of workers or introducing tons of pollutants into the environment. However, having a solid code of ethics in place from the beginning can help to guide you as your company eventually grows to a corporate size.

2. Day-to-Day Decisions

Company owners are not the only employees in a small business who make decisions. Due to the size of small businesses, front-line employees often have less supervision and more personal responsibility than employees of large corporations. This makes it even more important for all employees to fully understand the expectations of the company and the ethical guidelines in which to make decisions.

3. Company Reputation

Small businesses work hard to gain competitive advantages. Gaining advantages from a positive reputation in the marketplace can be enough to secure a sizable market share from a larger competitors. Proudly displaying your code of ethics on your website or in press release, while taking care to ensure that your actions are always in line with your words, can garner a positive image among consumers and job-seekers, creating a loyal customer base and helping to develop your brand image.

4. Legal Considerations

The legal benefits of having a code of ethics in place make ethics statements a virtual requirement of doing business. All of the advantages mentioned above can serve to keep your company out of legal trouble, which, while important to every company, is especially important for sole proprietorships and partnerships that do not enjoy personal liability protection. A comprehensive code of ethics can provide extra protection if a single employees commits a criminal act in the name of your company, as well. If a single purchasing manager defrauds your suppliers, for example, your code of ethics can help to convince a court that your company does not endorse that kind of behavior.

5. Build Customer Loyalty

Consumers may let the company take advantage of them once, but if they believe they have been treated unfairly, such as by being overcharged, they will not be repeat customer. Having a loyal customer base is one of the keys to long-range

business success because serving an existing customer doesn't involve marketing cost, as does acquiring a new one. A company's reputation for ethical behavior can help it create a more positive image in the marketplace, which can bring in new customers through word-of-mouth referrals. Conversely, a reputation for unethical dealings hurt's the company's chances to obtain new customers, particularly in this age of social networking when dissatisfied customers can quickly disseminate information about the negative experience they had.

6. Retain Good Employees

Talented individuals at all levels of an organisation want to be compensated fairly for their work and dedication. They want career advancement within the organisation to be based on the quality of the work they do and not on favoritism. They want to be part of the company whose management team tells them the truth about what is going on, such as when layoffs or recognitions are being contemplated. Companies who are fair and open in their dealing with employees have a better chance of retaining the most talented people. Employees who do not believe the compensation methodology is fair are often not as dedicated to their jobs as they could be.

7. Positive Work Environment

Employees have a responsibility to be ethical from the moment they have their first job interview. They must be honest about their capabilities and experience. Ethical employees are perceived as team player rather than as individuals. They develop positive relationships with coworkers. Their supervisors trust them with confidential information and they are often given more autonomy as a result. Employees who are caught in lies by their supervisors damage their chances of advancement within the organisation and may risk being fired. An extreme case of poor ethics is employee's theft. In some industries, this can cost the business a significant amount of money, such as restaurants whose employees steal food from the storage locker or freezer.

8. Avoid Legal Problems

At times, a company's management may be tempted to cut corners in pursuit of profit, such as not fully complying with environmental regulations or labor laws, ignoring workers safety hazards or using standard materials in their products. The penalties for being caught can be severe, including legal fees and fines or sanctions by government agencies. The resulting negative publicity can cause long-range damage to the company's reputation that is even more costly than the legal fees or fines. Companies that maintain the highest ethical standards take the time to train every member of the organisation about the conduct that is expected of them.

Disadvantages of an Employees Code of Conduct

If you ask most managers, they would probably tell you that a code of conduct is a good thing. It can set a high standard for employees and ensure that they are interacting in a professional manner. Codes can also make the disciplinary process easier when unethical behavior occurs. However, codes of conduct also have many disadvantages that suggest, as the Institute of Business Ethics confirms, that the rules that govern employee behavior must be an internal component of a company's culture to be effective. Simply having an employee handbook is not enough to promote ethical values.

1. Inequality

Codes of conducts are often drafted, in part, to ensure that all members of an organisation are treated equally. However, often those in upper-level management and creative positions are given a "bye" on certain codes, like those restricting how the workers talks about the company or to what degree employees are allowed to have personal relationships outside the work. Accordingly if companies are going to have codes of conduct they should reconsider any code that cannot be applied equally.

2. Unenforceability

Some codes of conduct, perhaps because of employee misconduct in the past, take a micromanagement approach, dictating detailed minutia like the kinds of material that can be worn in the office or the exact length of personal phone calls. According to Leadership Skills for Life, it is important for codes of conduct to be detailed because some questions, like whether or not taking a company pen home is ethical, will render many answers. However, it can be noted that such codes can be cumbersome, contradictory and ultimately ineffective when people, including supervisors who cannot enforce the codes and still have a productive workplace, abandon them in favor of "common sense". On the other hand, a company in which the value of honesty is embedded and appreciated can result in a culture where no one would consider taking a pen.

3. Unethical Corporate Behavior

In some cases, codes of conduct may facilitate unethical corporate behavior. Codes of conduct that limit employees ability to speak out against the corporation can keep them quiet for fear of job loss or legal retribution even if the company is engaging in an unethical practice. Further, codes of conduct can be used to set ethical-looking rules that managers are instructed not to follow so if any misconduct occurs it is the individual employee, not the corporation that will be blamed.

4. Lack of Stability

Although many codes of conducts are developed out of corporate values, mission statements and even past incidents of company impropriety, there is rarely anything holding corporations to their own codes of conduct. In other words, they are not stable, and owners or boards of directors can revise them to include the company's current needs and desires--be they ethical or not—at any time.

2. Concluding

It is true that business ethics is a fussy area. There is no universal set of ethical principles that exists and what is right and what is wrong often depends on the situation. The increasing realization of this had led to a change in thinking about the effective approaches to getting firms and their employees to behave ethically. Initial approaches were based on “compliance”, the creation of rules and systems that people and companies had to follow. But rules are hard to draft and quickly become out of date while systems can tie people up in bureaucracy and hamper business efficiency. This has led to the evolution of the belief that although some level of compliance will always be necessary, it is more important to instill ethical “values” into the corporate body and the employees that inhabit it. To do this successfully, organisation must have a vision about why they exist and that ought to be shared by everyone connected with the company.