What is Your Corporate Conscience?

By Linda Welter Cohen, APR

Since ethics violations at companies like Hewlett-Packard and Enron have made front page headlines, CEOs across the country have learned that failure to have a corporate conscience can not only result in lost revenues, but can lead to the eventual demise of a company.

When properly designed, implemented, and monitored for effectiveness, ethics programs can minimize the risk of potentially harmful employee conduct, such as conflicts of interests, insider trading, and bribery of public officials.

The great challenge of achieving ethical behavior is to provide employees with useful, clear, and memorable examples of the right way to perform their jobs and identify and report wrong or unethical behaviors.

To be completely effective, corporate ethics programs must have three elements: compliance programs, codes of conduct, and integrity development. Most companies have one or more of these elements already in place within their organizations.

Compliance programs are often legally driven, and consist of standards that set goals or optimal procedures for decisions, behaviors, processes and actions. These standards are monitored to determine how well an organization adheres to the rules or laws affecting their organization or industry.

Codes of conduct are lists of what employees cannot, should not, or could be penalized for doing. In other words, these are lists of what employees should not do, with consequences.

Integrity development is the culture or atmosphere within an organization, created by top leadership, which teaches and encourages employees to do the right or best thing first. It also promotes an employee's obligation to report unethical, non-compliance, negligence, or omission to the appropriate authorities inside or outside the organization.

The truly ethical organization tries to maintain an environment of integrity where the culture expects everyone to choose appropriate behaviors whenever there is a choice.

There are easily recognizable patterns that often indicate inappropriate, even criminal, behavior present somewhere in an organization. Knowing these behaviors is critical to building and maintaining a corporate conscience. Be alert for these behaviors, which can lead to unethical practices:

1. Careless enforcement and monitoring of ethical standards.
2. Employees allowed to experiment with methods and tactics outside established ethical guidelines.
3. Lack of tough, appropriate, and centralized compliance processes within each area of the company.
4. No one charged with responsibility for teaching, enforcing and disciplining in cases where ethical breaches occur.
5. An emphasis on cutting corners, taking short-cuts or doing what it takes to achieve appropriate business and financial goals.
6. Incentives structured in such a way that compromise ethical behavior and the quality of products and services delivered.

7. The tendency to operate on the edge, always pushing employees for more than is appropriate.
8. Ignoring or tolerating inappropriate behavior from employees critical to the organization's mission. (For example: Super sales people who are allowed to break the rules to maintain their performance).
9. Belittling or destroying the careers or credibility of employees who report bad or outright wrong behavior.
10. No whistle-blowing systems to report potentially harmful conduct.

Boards of Directors are increasingly being drawn into the tasks of formulating, implementing and monitoring ethics programs, especially since the passage of the Sarbanes-Oxley Act in 2002.

In most U.S. companies, supervision of ethics programs is often delegated to audit committees, and the day-to-day management of these programs rests with senior-level managers who report to the Board on ethics issues. Nearly half of companies assign this role to their general counsel, another one-quarter assign this role to their ethics or compliance officer, and the remaining companies look to their public relations and human resource directors to communicate and monitor codes of ethical conduct.

Boards and senior management today recognize that one of their most important duties is to create an "environment of integrity" within their organizations. They also acknowledge that having a corporate conscience is necessary not only to survive, but to thrive in today's competitive marketplace.

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