

Having A Good Corporate Conscience Can Pay Dividends

By Linda Welter Cohen, APR

Since Enron, companies across the U.S. have learned that failure to have a corporate conscience and practice good ethics can not only result in lost revenues, but can lead to the eventual demise of a company.

Therefore, even though ethics programs cost money and may not generate measurable revenues, companies can not afford to ignore the potential downside of having no ethics or corporate conscience.

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

The greatest challenge of achieving corporate ethical behavior is to provide employees with clear, useful, and memorable examples of the appropriate ways to conduct business, how to identify wrong or unethical behaviors, and safe, uncomplicated ways to report bad behaviors.

Corporate ethics programs, to be completely effective, must have one or more of these elements in place within their organizations:

- Compliance programs
- Codes of conduct
- Integrity development

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 and 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 establishment of a culture or atmosphere within an organization which teaches and encourages employees to do the right or best thing first. The truly ethical corporation tries to maintain an environment of integrity where everyone chooses appropriate behaviors whenever there is a choice. It also promotes an employee's obligation to report unethical, non-compliance, negligence, or omission to the appropriate authorities inside or outside the organization.

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

1. Careless enforcement, education and monitoring of ethical standards.
2. Lack of tough, appropriate, centralized compliance within each area of the company.
3. No one charged with responsibility for teaching, enforcing and disciplining in cases where ethical breaches occur.
4. An emphasis on doing what it takes to achieve appropriate business, financial and sales goals.
5. Supervisors who minimize the importance of oversight and compliance processes.
6. Structuring incentives in such a way that allows shortcuts to be taken that can compromise ethical behavior and the quality of products and services delivered.

7. Avoiding confrontation with managers who chronically misbehave or overlook unethical behavior.
8. The tendency for management to operate on the edge, always pushing employees for more than is appropriate.
9. Management that ignores the signs of rogue behavior.
10. Management that tolerates inappropriate behaviors of individuals who are critical to the organization's mission. (For example: Super sales people or high achievers who are allowed to break the rules to maintain their performance).
11. Belittling or destroying the careers or credibility of employees who report bad or wrong behavior.
12. No whistle-blowing systems or help lines to report potentially harmful conduct.
13. Employees who cut corners or take short-cuts.

Boards of Directors are increasingly being drawn into the tasks of formulating, implementing and monitoring corporate ethics programs, especially since the passage of the Sarbanes-Oxley laws in 1994.

In most U.S. companies, the Board Audit Committee is responsible for corporate ethics, and a senior-level executive who reports to the Board is responsible for the day-to-day management of ethics programs. Nearly half of U.S. companies assign this role to their Legal Counsel, and another one-quarter assign this role to their Ethics or Compliance Officer.

Ironically, company CEOs, CFOs and Legal Counsel are the most frequent violators of company ethics and compliance issues. Therefore, the Board's most important duty is to create and maintain an "environment of integrity" for their company employees.

Corporate integrity leads to a corporate conscience, which ultimately will help the company to survive in today's competitive marketplace.

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