



Chapter 10

Making it Stick: Doing What's Right in a Competitive Market



CHAPTER OBJECTIVES

- After exploring this chapter, you will be able to:
 1. Develop key components of an ethics policy.
 2. Analyze the ramifications of becoming a *transparent organization*.
 3. Understand the difference between *reactive* and *proactive* ethical policies.



Develop the Key Components on an Ethics Policy (1 of 7)

- Key components of an ethics policy are needed because businesses face the following common characteristics:
 - Demanding customers who want new and better products and services at lower prices.
 - Impatient stockholders who want the stock price to rise each and every quarter.
 - Aggressive vendors who want to sell you more of everything.
 - Demanding federal, state, and local officials who want to burden you with more rules and regulations while encouraging you to hire more people and pay more taxes.
 - Demanding creditors who want their loan payments on time.
 - Aggressive competitors who want to steal your customers from you.

3

MGT404



Develop the Key Components on an Ethics Policy (2 of 7)

- Companies have a hard time keeping up with their ethical principles, especially if the competition is not.
 - **Sustainable Ethics** is an ethical culture that persists long after the latest public scandal or the latest management buzzword.
- Six stages can be used to check the formal structure of a companies making sure they follow sustainable ethical behavior:
 - i. Establish a code of ethics.
 - ii. Support the code of ethics with an extensive training for every member of the organization.
 - iii. Hire an ethics officer.
 - iv. Celebrate and reward the ethical behavior demonstrated by your employees. (*see next slide*)
 - v. Promote your organization's commitment to ethical behavior.
 - vi. Continue to monitor the behavior as you grow.

4

MGT404



Celebrate and Reward the Ethical Behavior Demonstrated by Your Employees

- Celebrate examples of good ethical behavior in your company newsletter
- Award prizes for ethical behavior – and let the employee choose the reward
- Award prizes for new and creative ideas – and let the employee choose the reward
- Recognize employees who represent the standard of behavior to which you are committing.
- Declare an Ethics Day and allow every department to share their successes

5

MGT404



Develop the Key Components on an Ethics Policy (3 of 7)

- A documented code of ethics shows a company is dedicated to ethical behavior.
 - The code of ethics accomplishes the following:
 - It can capture what an organization understands ethical behavior to mean-your values statement.
 - It can establish a detailed guide to acceptable behavior.
 - It can state policies for behavior in specific situations.
 - It can document punishments for violations of those policies.
 - If a code of ethics was being made from scratch consider the following advice from the Institute of Business Ethics:
 - Find a champion.
 - Get endorsement from the chairman and the board.
 - Find out what bothers people.
 - Pick a well tested model.
 - Produce a company code of conduct.
 - Try it out first.
 - Issue the code and make it known.
 - Make it work.

6

MGT404



Develop the Key Components on an Ethics Policy (4 of 7)

- It is important to support the code of ethics with extensive training for every member of the organization.
 - Writing the code is the easy part. Getting your commitment to ethical performance down on paper and specifying the standards of behavior you will accept and the punishments you will enforce is a good starting point.
 - The code can only be a guide—it does not cover every event in the plan.
 - Implement extensive training programs to support the published code of ethics.
 - Include the following in team meetings so all employees can work on the following:
 - Recognizing the ethical issues.
 - Discussing options for an appropriate response.
 - Selecting the best option for the organization.

7

MGT404



Develop the Key Components on an Ethics Policy (5 of 7)

- **Ethics Officer:** A senior executive responsible for monitoring the ethical performance of the organization both internally and externally.
 - The role is usually a separate department that enforces the code of ethics and provides support to those that show unethical behavior.
 - Promoted within the organization to have a familiar face and be trusted.
 - Hire someone from outside the organization to get an independent face that is new to the history and office politics.
 - Chief responsibilities include:
 - Oversight of hotline/guideline/internal reporting.
 - Organization wide communications.
 - Preparation and delivery of internal presentations.
 - Senior Management and/or board briefings/communications.
 - Training design.
 - Assessing/reviewing vulnerabilities.
 - Assessing/reviewing success/failure initiatives.
 - Overseeing investigations of wrong doing.

8

MGT404



Develop the Key Components on an Ethics Policy (6 of 7)

- Management of program documentation.
- Direct handling of hotline/guideline/internal reporting.
- Preparation and delivery of external presentations.
- Establishing company policy and procedures.
- International program development.
- Training delivery.
- International Program implementation.
- Conducting investigations of wrongdoing.

9

MGT404



Develop the Key Components on an Ethics Policy (7 of 7)

- It is important to promote your organization's commitment to ethical behavior.
(see next slide)
 - Making promises to your stakeholders sends a message that the organization is committed to winning the trust of the customers by building a reputation they can count on. Examples include:
 - Offer a no-questions-asked refund policy like Lands' End.
 - Offer a 110-percent price match guarantee like Home Depot.
 - If you overcharge clients by mistake, give them a refund *plus* interest *before* their accounting department figures out the error and asks for the money.
 - Get your clients involved in the development of your ethics policies. Ask them to tell you what forms of behavior or guarantees will make them feel reassured that they are dealing with an ethical company.
 - Let your employees' visit client sites to talk about your code of ethics in person.
 - Share your success stories with all of your stakeholders, not just your employees'.
 - Invite your stakeholders to your Ethics Day celebration

10

MGT404



Continue to Monitor the Behavior as You Grow

- Any organization's commitment to ethical performance must be watched constantly.
- It is easy for other business issues to take priority and for the Code of Ethics to suddenly become 'taken for granted'.
- Also, the continued growth of technology will present new situations for ethical dilemmas such as policies on email monitoring and web surfing, so your Code may need to be re-written on a regular basis.

11

MGT404



Understand the Difference between Reactive and Proactive Ethical Policies

- Since companies can now be tacked financial penalties for corporate misconduct, they created policies explaining not only what ethics means to them and the stakeholders, but the extent of the actions they are willing to take.
 - **Proactive Ethical Policies:** Policies that result when a company develops a clear sense of what they stand for as an ethical organization.
 - **Reactive Ethical Policies:** Policies that result when organizations are driven by events and/or fear of future events.

12

MGT404



Analyze the Ramifications of Becoming a Transparent Organization

- **Transparent Organization:** An organization that maintains open and honest communications with all stakeholders.
 - Transparency in business means that stakeholders have visibility deep into the processes and information of an organization. The qualities of transparency include:
 - A requirement that is being enforced on markets and companies through regulation.
 - An enabler of better relationships with partners and customers.
 - A great opportunity to rework business processes to increase efficiency.
 - A risk to confidential intellectual property.
 - One of the biggest obstacles is the risk factor becomes too transparent.

13

MGT404



❖ **Review Questions:**

1. Explain what is an ethics officer. Briefly discuss the responsibilities of an ethics officer.
2. Differentiate between reactive and proactive ethical policies and analyze the ramifications of becoming a transparent organization.

14

MGT404