# The Definition of Business Ethics

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Ethics has its place in nearly all professional disciplines. The medical profession, legal profession, accounting profession and countless others maintain individual codes of conduct that guide the manner in which those professionals should behave. Ethics, according to Wikipedia, also is known as "moral philosophy." It addresses concepts of morality such as good and evil, right and wrong, virtue and vice, justice and crime. [In some respects, it relates to the poem by Robert Fulghum "All I ever really needed to know, I learned in Kindergarten". Wouldn't the business world be an easier place if we all lived by those simple rules?

"These are the things I learned: Share everything. Play fair. Don't hit people. Put things back where you found them. Clean up your own mess. Don't take things that aren't yours. Say you're sorry when you hurt somebody. Wash your hands before you eat. Flush. Warm cookies and cold milk are good for you. Live a balanced life. Learn some and think some and draw and paint and sing and dance and play and work some every day."

But, the business world is much more complicated than our sandbox days. The concept of business ethics, although not all that different from kindergarten rules, can be difficult to instill in business practices. The concept in a vacuum may seem obvious, but in application, the concept can become blurred.

The development of voluntary, written codes of conduct has been a practice for many years. For example, the American Medical Association established its first code of conduct in 1847. The concept of "business ethics" didn't become common in the U.S. until the early 1970s. The idea of a socially-responsible company or one that is motivated to behave morally or ethically arose following public outrage over various business scandals. Scandals led to increased regulatory scrutiny which led to companies developing their own business ethics policies. Outsiders have questioned the motivation of the trend for businesses to put in writing a "Business Ethics Policy." In spite of increased regulatory attention and companies' self-promotion of ethical conduct, 10 years after the Enron scandal incidents of questionable business conduct continue. The action of the financial industry that came to light in the fall of 2008 and nearly brought down the national economy is a case in point. "What went wrong?" or "What isn't clear?" You might wonder if not everyone learned the same things in kindergarten. (Or maybe we played in different sandboxes!).

The term "ETHICS" can be dissected into components in order to evaluate which aspects are working in your organization and where there is room for improvement.

**E**VERYONE IS RESPONSIBLE
**T**ONE AT THE TOP IS ESSENTIAL
**H**ONESTY IS STILL THE BEST POLICY
**I**NTEGRITY CAN BE A MEASURE OF ETHICS
**C**ORPORATE RESPONSIBILITY & COMMUNICATION MUST BE PREVALENT
**S**ILENCE IS NOT ACCEPTABLE

## Everyone is responsible
*(Kindergarten translation: Put things back where you found them, Clean up your own mess.)*

All too often, when the word ethics is brought into a conversation, individuals tend to promulgate that its primary responsibility lies with the leaders of the organization. Although it is true that ethical behavior must be demonstrated at the top, it is an imperative for everyone in the organization to display similar behavior. Just as we each learned in Kindergarten to be personally responsible (put things back where you found them; clean up your own mess), each employee from top to bottom must be committed to ethical behavior for a company to be successfully moral. Think about what your first real ethical dilemma was. It probably occurred way before you entered into the business world. It may have happened when you were faced with some decision as a child or later into your teenage years. Often, those experiences and how they evolved impacted your overall sense of ethical responsibility. For some, ethics is an unquestionable choice while others may find that certain elements can be rationalized. Standardizing every employee's understanding can be accomplished with a written, well-communicated and well-trained code of ethics that is made an integral part of the organization. And, as we have learned from past examples, the code must be more than a written document; it must be practiced and evident in the behavior of the organization.

## Tone at the top is essential
*(Kindergarten translation: Play fair.)*

Many writers will claim that ethical behavior and conduct must start with tone at the top. Although I agree it is a critical attribute, we must accept that not all individuals will have the same morality and opinion as ours. In other words, it is important to "clean up your own mess". Simply addressing "tone" will not ensure the organization appropriately acts when faced with an ethical dilemma. If there is any question as to which path is the most appropriate to take, individuals can find it easier to rationalize alternatives that may not be fully in line with the company's overall code. This is exactly why organizations must not only rely on what they deem as "tone at the top" but ensure that that "tone" is actually exemplified in day to day practices. Tone at the top must be communicated frequently, openly, honestly and put into practice by every individual within the organization. Individuals will follow their leaders and learn from their actions. These actions should be undeniable if questioned.

## Honesty is still the best policy
*(Kindergarten translation: Don't take things that aren't yours. Say you're sorry when you hurt somebody.)*

All too often, ethics and corporate responsibility don't necessarily equate to honesty in the workplace. As Agent Gibbs says on the popular NCIS TV show "Never say you are sorry. It is a sign of weakness". Unfortunately, this is a sentiment that sometimes spills over into the business world. Honesty may mean admission of either wrongdoing, poor judgment or even an honest mistake. Employees are conditioned to act with caution when discussing things in

the workplace that could have negative implications, may infer some process is not being executed efficiently or an action that may involve leaders. No one wants to be associated with pointing to areas where work is not being done as efficiently or effectively as possible. This can become quite a dilemma when your job involves evaluation of process improvement or quality assurance. You are put in the spot of calling out those gaps that may have existed for a long time.  Organizations must ensure that all professionals feel that when they identify a potential issue, they can openly discuss the situation with the appropriate management. This doesn't mean that everyone's word or opinion is taken at face value, but when employees don't feel they can freely express these thoughts and ideas, the culture may be sending the wrong message. In addition, have you ever heard the saying "Just because it's legal, doesn't mean it's ethical"? Ethics deals with morality issues and most people's level of morality may reach different tolerances. So when you are personally faced with an ethical dilemma, you must ask yourself whether you are looking at the situation as honestly and transparently as you can. If questions still arise, it is your obligation to raise those questions to individuals in positions of responsibility. The legality of the issue may not be the right answer when looking at the morale side of the issue. That is when you must enlist the assistance of others to help ensure the organizations needs are being appropriately met.

## Integrity can be measured by ethics
*(Kindergarten translation: Live a balanced life.)*

If someone had you name the top 3 people in history that you felt displayed unquestionable integrity, would those same individuals measure high on the ethics scale? Most likely they would. Integrity is adherence to a moral code, reflected in honesty and harmony in what one thinks, says and does. As such, those who we regard with high integrity normally possess a strong set of morale ethics. From a corporate viewpoint, are the members of your leadership team individuals whom the employee population will view as having strong integrity and morale ethics? These are the people employees will look to emulate. This is the mirror into your future organization.

## Corporate responsibility and communications
*(Kindergarten translation: Warm cookies and milk are good for you..)*

Since the early 1960's when business ethics came in vogue, the topic of corporate responsibility, ethical behavior and compliance have been on the radar for the SEC and other federal and state regulatory agencies. Yet corporate responsibility goes far beyond environmental initiatives, community support and being a good neighbor. It extends past "warm cookies and milk" for co-workers birthdays. Corporate responsibility is owned by each and every employee. Whether it is a dedication to recycling efforts, contributing to community causes, or providing appropriate feedback to your staff and supervisors on how to make the business better, this is the true intent of corporate responsibility. Organizations must learn to embrace the concept that individuals who work in the organization have day to day observations that can improve operations and business processes. The inability to encourage that feedback from employees and to find an outlet to use these creative ideas, itself is a failure of corporate responsibility.

## Silence is not acceptable
*(Kindergarten translation: Learn something, think, draw, paint, sing, dance, work, and play some everyday.)*

Silence can often occur due to the fear of retribution. The only way to advance the elimination of business scandals that have pervaded our everyday life is to erase the concern that silence is golden. Many employees see things in their day to day job that they may question, yet they turn the other eye due to fear of retribution. Ensure your employees know the appropriate outlet for surfacing concerns or questions. Do you have an independent hotline? If so, how many calls does your whistleblower hotline receive? Do those numbers appear to be realistic given your employee base and business? How well is your hotline publicized? What comprises the issues reported to the hotline? Do vendors know about your hotline and understand that they can register a compliant? How is your hotline managed? And, out of curiosity, have you ever attempted to call the hotline yourself?  You may be surprised the level of questions/comments you do or don't receive.

Ethics and Corporate Responsibility will continue to be hot topics in Corporate America for years to come. As the economy continues to struggle, or rebound, the ethical behavior of those within business will dramatically impact the success of that recovery. It is no longer acceptable to be the Enron's of the world where a best practice "code of conduct" sits on a shelf but is not embraced or actually displayed in practice. Organizations must focus on all aspects of their Ethics program. You must look further than the policy itself.  Know how the policy is practiced, enforced, updated and how compliance is measured and reported?  Those are the true signs of a policy in action.