Ethics: Establishing the Imaginary Line BEFORE You Cross It

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Abstract. In today's business climate, it seems surprising that there are many companies that do not have a written ethics policy. They usually don't think about what is ethical and what's not, until <u>after</u> they see or hear of the line being crossed. There are probably many more companies that have a policy, but have not educated their employees of its existence and fail to enforce it when the need arises.

The objective is to:
- Address the importance of establishing an effective ethics policy <u>before</u> ethical issues arise within an organization.
- Review and understand the ISM Principles and Standards of Ethical Conduct, which can be used as a tool to establishing a customized policy for a company.
- Discuss the need to establish the consequences and the enforcement of the policy if there is a breach.
- Highlight the necessity of conducting training for employees so they know where the line is before they cross it and understand the consequences if they do.

Establishing an ethics policy. Every company conducts business differently. What's considered acceptable at one company is totally unacceptable at another, whether it's behavior, procedures, gratuities, etc. Some companies want to have a much stricter set of standards than others. The standards you use are determined by the type of business you are in, the customer base you serve, and most important, the ethical desires of senior management. This is why there is no single model that will work for every company. However, using some basic standards as a guide, every company should be able to adopt their own policy to fit their individual needs. Just remember the old saying, "unless it's in writing, it doesn't exist". Without a written policy, enforcement is next to impossible.

ISM Principles and Standards of Ethical Supply Management Conduct.[1] The Institute of Supply Management (ISM) has adopted Principles and Standards of Ethical Supply Management Conduct. The Principles being:
- Loyalty To Your Organization
- Justice To Those With Whom You Deal
- Faith In Your Profession

From these principles are derived twelve ISM standards of supply management conduct. The standards deal with things like unethical practices, conflicts of interest, employer loyalty, ethical decision-making, confidentiality and impartiality, diverse practices, obeying laws and rules, and maintaining competence and enhancing the stature of the profession. Using these standards as a guide would be a good starting point to adopt your own individualized policy. The ISM standards of supply management conduct are:

1. Avoid the intent and appearance of unethical or compromising practice in relationships, actions, and communications.
2. Demonstrate loyalty to the employer by diligently following the lawful instructions of the employer, using reasonable care and granted authority.
3. Avoid any personal business or professional activity that would create a conflict between personal interests and the interests of the employer.
4. Avoid soliciting or accepting money, loans, credits or preferential discounts, and the acceptance of gifts, entertainment, favors or services from present or potential suppliers that might influence, or appear to influence, supply management decisions.
5. Handle confidential or proprietary information with due care and proper consideration of ethical and legal ramifications and governmental regulations.
6. Promote positive supplier relationships through courtesy and impartiality.
7. Avoid improper reciprocal agreements.
8. Know and obey the letter and spirit of laws applicable to supply management.
9. Encourage support for socially diverse practices.
10. Conduct supply management activities in accordance with national and international laws, customs and practices, your organization's policies, and these ethical principles and standards of conduct.
11. Develop and maintain professional competence.
12. Enhance the stature of the supply management profession.

When establishing your own ethics policy, certain questions need to be answered. Depending on the answers to those questions, the process may become more difficult. When you talk about establishing the imaginary "line", you must ask yourself if all departments use the same "line", or does each one have a different tolerance level? Quite possibly, each department may have their own policy using the imaginary line that they see as appropriate. For example, you have Supply Management vs. Sales vs. Senior Management. Supply Management is to accept no items valued over $20 or $25. The Sales Dept. promotes giving items valued over $50, and even more for a good customer. The executives may have their own set of rules, if any, of which you are not privy to.

You also need to make sure you know the difference between the words legal, ethical, and moral before you determine the parameters you need to establish for your policy.

> *Legal* [2] is defined as: permitted by law. Bottom line: not against the law

> *Ethical* [3] is defined as: being in accordance with the rules or standards for right conduct or practice, esp. the standards of a profession. Bottom line: abides by standards that are set, but that alone doesn't make it the right thing to do.

> *Moral* [4] is defined as: founded on the fundamental principles of right conduct rather than on legalities, enactment, or custom. Bottom line: Doing what's right.

By definition, just because it's legal, doesn't make it ethical. Just because it's ethical (according to established standards), doesn't make it moral. So the only way to establish an effective policy is to decide on which plane the policy should be. Just make sure it doesn't allow anything illegal, won't tolerate anything unethical (for your company's standards), or insist on doing what's right in all company matters. No matter where your company draws the

line, get it established in writing to avoid a situation that cannot be enforced because you did not have a written policy.

Enforcement of the Policy. A written policy without both consequences <u>and</u> enforcement is basically worthless. An ethics policy may be in place, but does it spell out the consequences if there is a breach? It would be very difficult to enforce a policy without written consequences because the enforcement would not be uniform and would be subject to individual judgement and interpretation. Conversely, there are many policies out there that contain consequences for a breach, but there is no enforcement. How many times do we hear of situations where we know someone did something wrong, and know the punishment for that wrongdoing, but nothing further was done about it? If the policy is not going to be enforced, then having one is nothing more than window decoration. However, if the policy contains both consequences and the employee knows it will be enforced, the burden is then on the employee to decide for themselves whether a breach is worth the risk.

Employee Training. If you have an ethics policy that contains consequences and avenues for enforcement, but have not properly conveyed and educated the employee about the policy, you can't expect compliance. Simply asking them to read a policy and sign off on it is not training. On your first day of a new job, how many documents were you given to read and sign to acknowledge that you received a copy? Computer use? Company-owned vehicle policy? HIPAA form? Ethics policy? Many companies consider this standard procedure. Most of the time, the employee skims the content of the document and signs it. By not reviewing these documents with the employee, it gives the impression that this is not really that important and the company just has to keep themselves covered to prove the employee was given a copy. Training involves reviewing a policy with an employee step-by-step or item-by-item. Include examples (if possible) for each step or item, to make certain it is understood. By doing this, the employee feels that this must important to the company, so they will hold the content in higher regard.

Summary.   As you can see, establishing an ethics policy involves a lot more than just writing down some do's and don'ts and you're done. It needs to be a well thought out process with regard to how your company conducts its business and how it should conduct its business. The basic steps are:
1. Establish the imaginary line before it gets crossed by implementing a written ethics policy.
2. Make sure it contains both consequences and a method of enforcing the policy.
3. Educate the employee, so they have a clear understanding of the policy and realize the importance that the company places on it.

Once the policy is established and the employees understand and are fully aware of the consequences and enforcement of the policy, there is a much greater chance for compliance with regard to ethics within the company. And it is unquestioned ethical conduct that will help a company grow in stature among its peers, its suppliers, and its customers.

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