

# W Does Your Company Have a Code of Ethics?

When two accounting executives who exposed fraud and wrongdoing were among those named Persons of the Year by *Time* magazine last December, it sent a powerful message: Ethics is an issue of paramount importance gaining attention in the business community. The financial scandals of

2002 have already led to increased action by legislators and associations, and many companies are beginning to develop a code of ethics for all employees.

The values placed on responsible behavior can be reinforced through a company's procedures, policies, and training. When staff members encounter challenging situations at work, they're guided by these values.

There are a number of advantages to implementing a code of ethics. The more your employees are aware of proper conduct, the more likely they are to do the right thing. They'll better understand their responsibilities and expectations and assume the appropriate level of accountability when identifying and managing business risks.

## Creating the foundation

A code of ethics is more than just a formal document outlining related policies. It's about integrating positive values throughout an organization. Here are some key components to an effective program:

**Leaders set the example.** Employees often model their own behavior after executives, managers, and others who've succeeded in the company. Therefore, everyone at



every level must adhere to the firm's guidelines. What seems like a small action—discussing confidential financial information with a colleague, for instance—can have a ripple effect throughout all staff. If senior management doesn't follow the highest ethical standards at all times, they shouldn't be surprised when those who report to them fail to do so.

**Ethics is a core value.** Companies known for their ethical business practices make ethics a key element of their

corporate culture. Conducting yourself with integrity is considered as important as bottom-line results. Ethical standards are applied any time a decision is made or an action is taken, not just during controversial situations.

A recent survey by our company found that more organizations are taking ethics into account when hiring employees. Fifty-eight percent of chief financial officers polled said the qualities that impress them most about applicants, aside from ability and willingness to do the job, are honesty and integrity. That's a substantial increase from only 32% in 1997.

**Everyone participates in rule making.** Many firms make the mistake of asking their legal departments to draft their code of ethics. In the end, the policies may not

reflect the challenges employees routinely face on the job. That's why it's valuable to include people from all levels of the company in discussions about ethical guidelines. Once a code of conduct is implemented, it's equally important to review it periodically to ensure it accounts for current business practices.

**Ethics is discussed openly.** Organizations that are most successful in promoting ethics make it a top priority from the time staff members are hired, clearly communicating the standards of appropriate conduct. These firms' orientation and training programs not only outline company policies but also offer case studies to illustrate common scenarios employees may encounter on the job. Managers then regularly address ethical issues in meetings and one-on-one conversations with staff as appropriate.

**Rules are applied consistently.** Research studies have found that most people equate ethics with how their employer treats them and their coworkers. In fact, when employees feel they are treated fairly, they're less likely to engage in such activities as covering up problems by exaggerating or omitting key information. They'll approach their work with a greater sense of accountability and integrity.

Make sure you apply the same ethical standards to everyone in the organization. The consequences for an executive's dishonest conduct should be consistent with those of a junior staff member. No exceptions should be made.

**Employees feel safe to share concerns.** The work environment must be one in which people feel they can deliver bad news to management without fear of repercus-

sions. In an ethics-driven company, staff members can report any type of wrongdoing—whether it's false information on an expense report or major financial fraud—and feel confident they won't suffer negative career consequences.

Once supervisors are made aware of a potential problem, they need to take immediate action. Failure to follow through on even minor issues can undermine the success of an ethics program.

Having a code of ethics won't prevent every crisis, but it *will* ensure that staff members have a clear understanding of expectations. Collaborate with employees on defining the rules, and make sure everyone is aware of the requirements. Then take steps to instill core values throughout the organization. With regular reinforcement, ethics will guide every decision your team makes and become a central element in the way your company conducts business. ■

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