



BUSINESS ETHICS – NOT JUST FOR THE BIG GUYS

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Reference to “business ethics” has become commonplace as a result of inappropriate actions by corporate players which have, in some cases, led to high profile business failures. To ensure that they are seen by their stakeholders as conducting their business ethically, corporations (particularly large ones) have embraced ethics, dedicating significant resources to the creation of sophisticated ethics, compliance and corporate social responsibility programs.

But is all this effort just for the “big guys” – an attempt to regain public trust - or is it really a business imperative for all businesses, big and small?

At the Canadian Centre for Ethics & Corporate Policy (“Ethics Centre”), it’s believed that the table stakes for simply being in business are getting higher and higher for businesses of all sizes: excellent customer service, quality of merchandise, price competitiveness, commitment to social responsibility. And the cost of control is mounting as the ability to do so is decreasing in the face of new challenges, including international supply chains and increased regulation. Furthermore, even the best controlled environments can be circumvented by people. In this environment, a culture of ethics and integrity is a business’s best defense.

However, none of this is new. So, what’s the reason for this push for ethics? Well... a couple of things have changed.

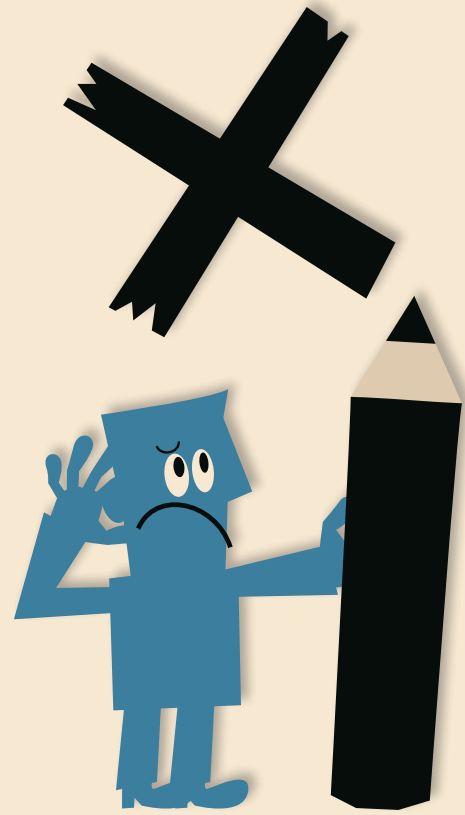
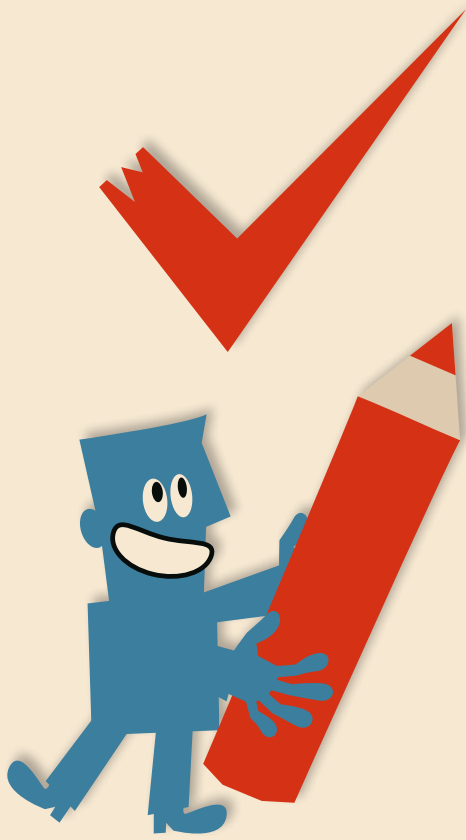
PERCEPTION IS REALITY

Today, it is critical for any business to have a high “trust” account balance. There is little tolerance for error, real or perceived. Adding to this, we now live and operate in a global world, in which we directly or indirectly interface with persons of different backgrounds and expectations. It is easy to unintentionally offend someone with our words and actions, or react inappropriately to a situation, especially when under pressure or in a public forum. A customer’s interpretation, or perception, of a situation becomes their reality. And, what’s really concerning is that this perception is shared, within minutes, with others around the world via social networking. The way each reader perceives the comments will in turn become their reality and so on and so on.

So, is it valuable for even the smallest business to set ethical standards for its operations? Can this be done relatively inexpensively without having to establish the infrastructures common in large corporations? The Ethics Centre says yes to both questions.

MAKE THE IMPLICIT – EXPLICIT

Running a small business today is very difficult. Laws are ever more complex and confusing, customers are more demanding, cultural and religious values of employees must be



respected and workplace diversity is a requisite. On top of all this, stakeholders (including employees, investors, financial institutions, customers, advocacy groups and the public) expect business to always “do the right thing”.

A business ethics program is critical for dealing with all these issues and mitigating risks. The good news is that creating a business ethics program is not beyond the resources of a small business.

The traditional need for management to set the tone and lead by example is paramount to a successful business ethics program. However, this foundation must be augmented in various degrees of formality by effective management steps, including things as simple as a common code and dialogue or training.

- **A Code of Conduct** – This document will set out the values and expectations of the business. Among other things, it will state that the business complies with all applicable laws and that everyone in the organization is expected to comply with the Code. The Code need not be lengthy and should not be written in legalese. It needn't even be called a Code but can, for example, be referred to as “How We Do Business Here”.
- **Training** – Equally crucial is a training program for employees in relation to the Code of Conduct and the identification and mitigation of areas of greatest risk to the business. Training can take many forms, from face-to-face discussions in small groups to more formal computer based e-learning. The most valuable training is that which makes employees aware of situations they are likely to encounter and offers suggestions as to how to deal with them.

For example, would your employees know what to do if they knew that a colleague who is about to be promoted regularly marks down items for a friend on the pretext that they are damaged?

What about a situation where an employee regularly buys with a corporate credit card and then returns the purchase in exchange for a gift certificate?

WHAT ABOUT THE COST OF AN ETHICS PROGRAM?

The cost associated with an ethics program is not only monetary. It also requires the commitment of time and effort. Large organizations have the resources to do this; for small businesses, there is help.

The Ethics Centre is a Canadian registered charity that was established in 1988 with a mission to promote business ethics in Canada. Over the years it has accumulated multiple resources such as sample Codes of Conduct (which can be adapted or altered to suit different needs), training materials and sample ethical situations. In addition, the Ethics Centre has a number of volunteers willing to share and assist you in getting started at no cost to you.

In order to determine what the Centre can do to help you, they need to hear from you with respect to your needs. If ethics is an area of concern for you and your business, please **click here** and take the time to respond to the Centre's ethics survey to help position them to deliver what is needed most in the business community.

In addition to completing the survey, visit the Ethics Centre's website (www.ethicscentre.ca) and send your thoughts and suggestions to hmyj@ethicscentre.ca.