

Business Ethics & Corporate Governance

UNIT IV

Unit IV: Internal Context

- Job Discrimination
- Affirmative Actions
- Corruption
- Gender Issues
- Sexual harassment
- The Employee's Obligation to the Firm

Unit IV: Internal Context

- The Firm's Duty to the Employees
- The Employees Rights
- Need for Organizational Ethics Program
- Code of Conduct
- Ethics Training and Communication
- System to Monitor and enforce Ethical Standards
- The Ethical Audit

Job Discrimination

- **Discrimination** is the act of making unjustified distinctions between human beings based on the groups, classes, or other categories to which they are perceived to belong.¹
- People may be discriminated on the basis of race, gender, age, religion, or sexual orientation, as well as other categories.
- Discrimination in the workplace is based on certain prejudices and occurs when an employee is treated unfavourably because of gender, sexuality, race, religion, pregnancy and maternity or disability

Job Discrimination

- Direct discrimination occurs when someone is treated less favourably than other employees. For example, the employee has the qualifications to do the job but you turn them down because you think they might want to start a family soon.
- Indirect discrimination occurs when certain rules or regulations put certain staff members at a disadvantage.

Job Discrimination

- Discrimination in its root meaning is not wrong. It simply refers to the act of distinguishing one object from another.
- However, in modern usage the term refers to 'wrongful discrimination' or distinguishing among people on the basis of prejudice instead of individual merit.

Elements of Job Discrimination

Discrimination in employees involves Three basic elements-

1. It must be a decision not based on individual merit
2. The decision must derive from racial or gender prejudice (false stereotypes)
3. The decision must have a harmful impact on the interest of employee.

It can be individual or Institutional, intentional or unintentional.

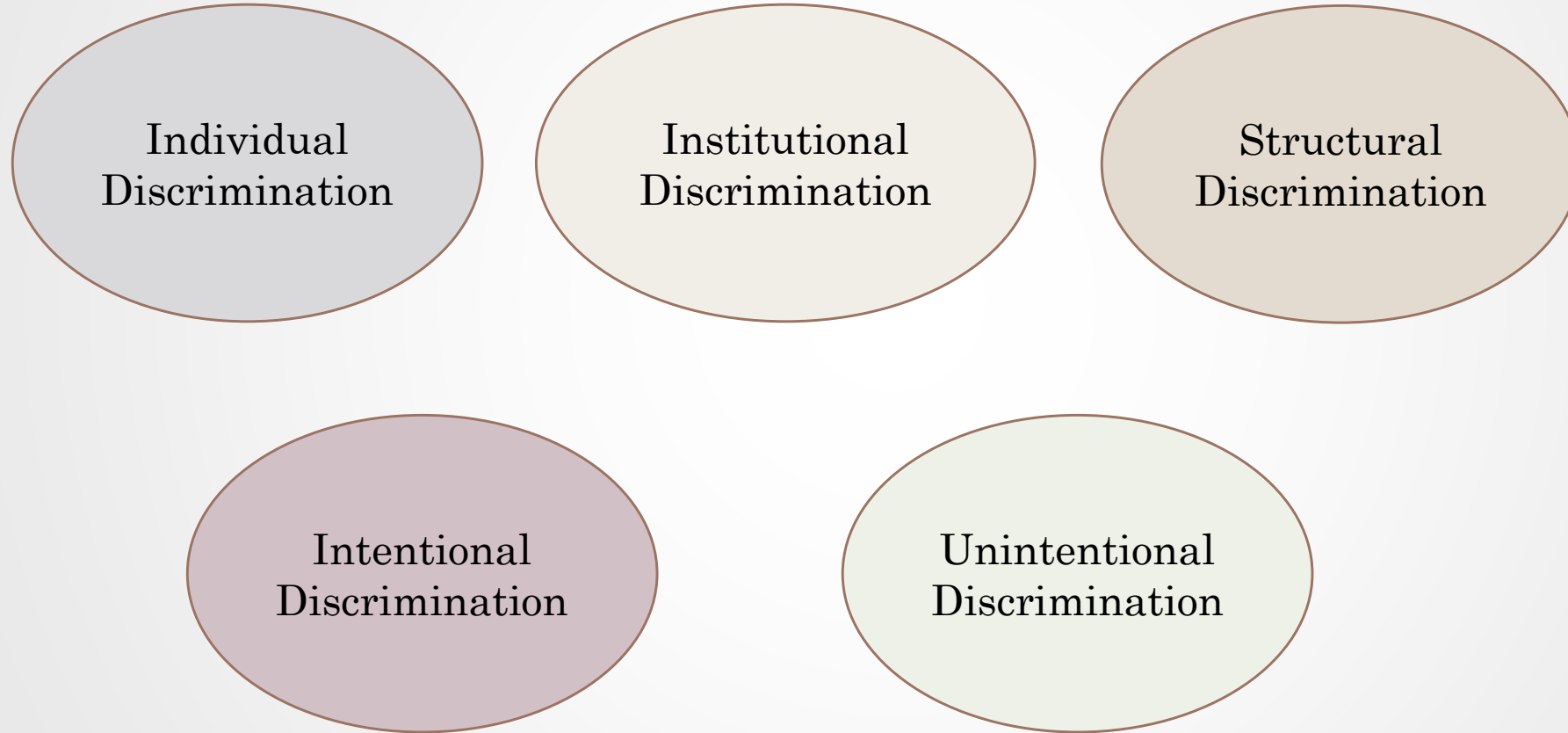
Types of Discrimination

- Age Discrimination
- Disability Discrimination
- Sexual Orientation
- Status as a Parent
- Religious Discrimination

Types of Discrimination

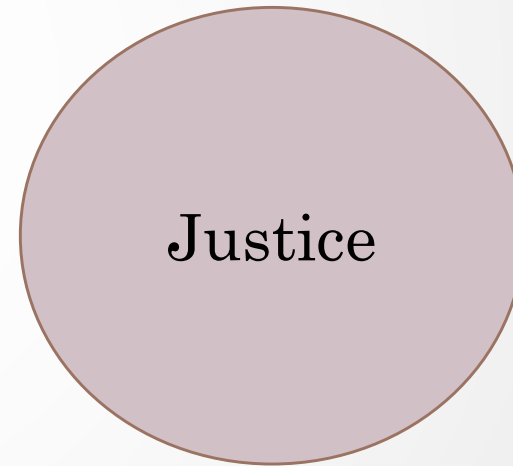
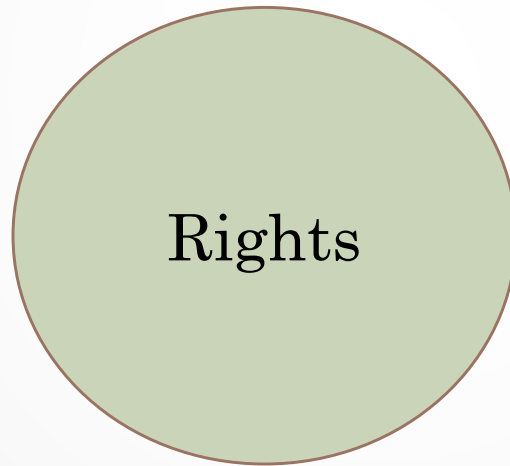
- National Origin
- Pregnancy
- Sexual Harassment
- Race, Colour, and Gender
- Reprisal / Retaliation

Forms of Discrimination



The Arguments Against Discrimination

- Categorised in Three groups-



Discriminatory Practices

- Recruitment Practices
- Selection Practices
- Promotion Practices
- Condition of Employment (wages & salary)
- Discharging and Firing the Employee
- Sexual Harassment
- Beyond race and gender, discrimination can be based on marital status, age, sexuality, disability, obesity etc.

Affirmative Actions

- Affirmative action is a policy initiative in which a person's nationality, sex, religion, and caste are taken into account by a company or a government organisation to extend employment or education opportunities.
- Usually justified as countering the efforts of a history of discrimination.

Affirmative Actions

- By initiatives like these, the government plans to increase opportunities provided to underprivileged citizens.
- Affirmative action is directed at increasing the number of people, from certain parts of the society, within business or educational institutions or in areas where their presence is low.

Affirmative Actions

- It can also be looked at as eliminating or bringing down decimations against a particular set or group of people.
- Affirmative action policies are aimed at increasing opportunities for those groups of people which have been neglected by the society.
- They are mainly focused on providing employment and education opportunities.

Advantages

- Climbing the socio-economic ladder-

An individual's or a family's socioeconomic status is typically divided into three levels: high, middle, and low, and is determined by their income, education, and occupational status.

By giving minorities and disadvantaged groups an equal opportunity to attain education and employment, the policy increases their chances of climbing up the socioeconomic ladder.

Advantages

- Boosting the education of disadvantaged students-

Disadvantaged families often fall into development and poverty traps if they do not have access to higher education and/or if they cannot afford it.

By providing grants and scholarships that are meant for students from disadvantaged groups, affirmative action boosts the education of the students which has potentially positive future outcomes related to income, health, and socioeconomic status.

Advantages

- Promoting education and work on a communal level-

Affirmative action promotes education in society by encouraging women and other previously oppressed groups to attend university and offering them equal opportunities and pay, regardless of gender or race.

It results in the overall growth and development of human capital in the economy, along with potentially higher standards of living and income.

Disadvantages

- Reverse discrimination-

Reverse discrimination is the notion that instead of promoting anti-discrimination, affirmative action leads to discrimination against individuals and groups that come from non-disadvantaged backgrounds.

Talented individuals may not be given equal opportunities simply because they are not part of a minority group.

It may also result in hatred between majority and minority groups.

Disadvantages

- Lack of meritocracy-

Meritocracy is an important system that aims to push more capable individuals to places of higher education so that they may have the resources and knowledge required to make important changes in the world.

By encouraging universities to admit more students of a particular race, nationality, or gender, affirmative action may be discouraging meritocracy in educational institutions.

Disadvantages

- Demeaning true achievement-
- Achievements by individuals from minority groups and other disadvantaged groups may be considered a result of affirmative action rather than their own hard work, which can be demeaning to their true level of effort and confidence in their abilities.
- For example, an indigenous student who just graduated with a law degree may be looked at as someone that took advantage of the policy to get there, instead of someone that worked harder than others to get there.

Ways to Take Affirmative Actions

- Employment- In the workplace, affirmative action may include creating diversity and inclusion clauses that promote anti-discrimination. Companies often provide options where applicants can select whether or not they identify as a minority or as an indigenous individual.
- Education- Affirmative action at universities can take the form of grants, scholarships, and other types of financial aid that help provide financially distressed students with support to complete their education.

It is a common practice in India, where the Reservation System requires universities, employers, and other institutions to have a certain number of seats reserved for people that were previously exposed to class discrimination

Affirmative Action Plan

- Review of employment system
- Internal audit and reporting system
- Company and community programmes
- Authority and responsibility to the top officials
- Organisational policies and commitments
- Balancing rights and duties
- Identification of under utilised areas
- Code of ethics
- Counselling of employees
- Monitoring plans

Corruption

- Corruption is a criminal behaviour that may involve fraud, theft, misuse of power, position or authority or other acts that are unacceptable to an organization which may cause loss to the organization clients and society.
- It is often motivated by greed and flourish in an atmosphere of management negligence or where there are inadequate control checks and balance
- It is abuse of public power for the private gains or benefits. it is the misuse of official power for unofficial ends.

Characteristics

1. Gap between group and individual interest

2. Misuse of power position and authority

“Corruption is a wrong doing on the part of authority or powerful parties through means that are illegitimate immoral or incompatible with ethical standards.”

Areas

- Schools
- Public companies
- Elections
- Government jobs
- Development funds
- Private companies
- Hospitals
- Sports etc.

Forms of corruption

- Bribe
- Fraud
- Extortion (threats)
- Nepotism and favouritism
- Embezzlement (misappropriation of public funds)

Causes of corruption

- Personal greed
- Decline of personal ethical sensitivity
- No sense of service when working in a public or private organisation
- Low awareness
- Lack of courage to reveal corrupt behaviour
- Lack of transparency
- Lack of regulation and inefficient control
- Slow judicial process
- Lack of moral criteria
- Lack of effective political leadership
- lack of economic stability

Consequences

- Loss of national wealth
- Hindrance in development
- Backwardness
- Poverty
- Raise in crime
- Authority and power in wrong hands

Cures

- Value education
- Effective regular vigilance
- Responsible citizen
- Strong media support
- Transparency
- Loyalty
- Strong legislation
- Coordination and control.

Gender Issues (Discrimination)

- Gender discrimination, also known as sexual discrimination, is any action that specifically denies opportunities, privileges, or rewards to a person (or a group) because of gender.
- The practice of letting a person's gender become a factor when deciding who receives a job or a promotion, is gender discrimination. When gender is a factor in other decisions about employment opportunities or benefits, that too is gender discrimination.

Gender Issues (Discrimination)

- While most discrimination charges claim that a woman (or women) was discriminated against in favour of a man (or men), there have also been cases where males have claimed that they have been discriminated against on the basis of gender.
- These cases are usually referred to as "reverse discrimination."

Gender Discrimination

- Gender discrimination refers to beliefs and attitudes in relation to the gender of a person.
- It is defined as adverse action against another person that would have not occurred had the person been of another gender.
- It is the practice of letting a person's gender unfairly become a factor when deciding who receives the job, promotion, or other employment benefits.
- It most often affects women who feel they have been unfairly discriminated against in favour of a man.

Types of gender discrimination

- There are two main categories of gender discrimination

1. Disparate treatment
2. Disparate impact

The first category **disparate treatment** is simply treating the employee differently because of his or her gender.

For example- an employee may be discriminated against by being asked discriminatory questions during a job interview, an employer did not hire, promote or wrongfully terminated an employee based on his or her gender, employers pay unequally based on gender.

Types of gender discrimination

- **Disparate Impact** is a more complex concept.
- It Regards company policies or practices that exclude persons of one gender from a job or from promotions although the policy or practice was not designed to do so.
- There is a disparate impact on one gender.

Discrimination at the Workplace

- Discrimination at work can come from either the employer or from the colleagues.
- Discrimination by colleagues can happen to new employees.
- They may face sarcastic stares or constant digs made at them by their colleagues during initial weeks.
- However, If it persists for a long time, it can affect not only the employee but also the employer.
- The effect on the employee can be huge or little but the impact on organisation remains for a longer time.

Examples of Gender Discrimination at Workplace

1. An employee may be discriminated by being asked discriminating questions during a job interview
2. An employer may not hire, promote or wrongfully terminate an employee based on his or her gender
3. Employers pay unequally based on gender
4. Employers firing female employees as soon as the employee become pregnant

Glass Ceiling

- Glass ceiling is yet another form of discrimination towards women, which exist in the corporate hierarchy.
- Glass ceiling has been used as a metaphor to describe the **apparently invisible barriers** that prevent more than a few women from reaching the top levels of management.

Glass Ceiling

- Compared to formal barriers to career advancement such as education, the glass ceiling refers to less tangible hindrance that are frequently anchored in culture, society and psychological factors.
- When at the top management many women feel isolated like outsiders.
- Many women have faced sexual harassment, wage inequality, blocked movement and gender stereotyped roles.

Breaking the Glass Ceiling

- Although there is a glass ceiling, many women recently have surpassed the hurdle.
- Some men in senior management that do not want to see women climb the corporate ladder believe that they do not have qualities to lead a company.
- There are many reasons why women have been able to break the barrier. Some believe that having women on an executive board is a positive thing.

Breaking the Glass Ceiling

- The more women that are accepted into management positions the more will get promoted to senior management and serve as role models for the younger.
- Young men have also been more accepting of female superiors. The perception of a women's role is changing with the younger generation.

Sexual Harassment

- Legally sexual harassment is defined as unwelcomed advances, requests for sexual favours and other verbal, physical conduct of sexual nature.
- Most studies confirm that the concept of power is central to sexual harassment. It comes from a superior, a colleague or a subordinate.
- In 1997, judgement of supreme court of India on sexual harassment of working women in the case of *Vishaka vs. The state of Rajasthan* has identified sexual harassment as a separate category of legally prohibitive behaviour.
- Sexual harassment at the workplace a violation of fundamental rights.

Sexual Harassment: Definition

- According to Supreme Court of India, sexual harassment is any unwelcome-
 - i) Physical contact and advances
 - ii) Demand or request for sexual favours
 - iii) Sexually coloured remarks
 - iv) Displayed remarks
 - v) Showing pornography
 - vi) Any other unwelcome physical, verbal, or non-verbal conduct of sexual nature.

Supreme Court has further laid down-

- Actual assault or touch is not required in such cases, the courts are required to examine the board possibilities of the case and not get swayed by narrow technicalities or the dictionary meaning of the expression 'molestation'.

Who can face a sexual harassment?

- Individual at workplace
- A staff from sweeper to CEO
- A non-staff in any capacity (student, housekeeper, consultant, maids, etc.)
- Working in a private or public unit.
- It could be either gender, male or female.

Effects of Sexual Harassment

- Physical, emotional, psychological trauma.
- loss of self esteem
- Isolation
- Absenteeism and lowered productivity
- Loss of job, promotion

Effects of Sexual Harassment

- Poor public image
- Costly court litigation
- Expensive compensation pay-outs
- Unhealthy work atmosphere
- Strain and mistrust in personal relations

Responsibilities of Employers to Implement, Monitor the Guidelines to tackle Sexual Harassment

1. Procedure for complaints by women-

The guidelines direct employers to set a procedure through which women can make their complaints heard.

A complaints committee headed by a woman and/or of which half the members are women should be deputed to look into complaints of sexual harassment.

To prevent undue pressure from within the organisation, the committee should include a third party representative from an NGO.

All complaints should be handled in confidential manner and annual report should be submitted to the concerned government department.

Responsibilities of Employers to Implement, Monitor the Guidelines to tackle Sexual Harassment

2. Preventive steps to be taken by employers

- An express prohibition of sexual harassment should be notified, published and circulated
- Amendment of conduct and service rules to include sexual harassment as an offence and provision of appropriate discipline against the offender
- Providing such working conditions to ensure that there is no hostile environment

Responsibilities of Employers to Implement, Monitor the Guidelines to tackle Sexual Harassment

3. Awareness of guidelines

- Employees to be allowed to raise sexual harassment issues at worker's meetings
- Sexual harassment issue to be discussed in employer-employee meetings
- Rights of women worker to be notified
- Where such act is an offence under IPC, employer to initiate action and complaint
- Complaints or witnesses not to be victimised while dealing cases
- Employer to assist the employee if sexual harassment takes place by an outsider

Suggested Improvements in Organization Policy

- Policy to whistle-blow. Where a victim finds it hard to come out and speak about the harassment, some other eye witness can go ahead and complain and they should be provided with immunity.
- Applying proactive measures to deal with the issue, rather than reactive measures. The organizations can create such an environment which is far-sighted rather than ignorant.
- The Human Resource Managers can help comply with the policies and can play a much greater role in spreading awareness regarding the POSH.

Suggested Improvements in Organization Policy

- The complaint procedures and redressal procedures can be more efficient.
- The study also implies the measures that an organization's HR can deal with the mental trauma and career progression of the victim.
- The anti-sexual harassment training or workshops can be organized from time to time for awareness.

Other Responsibilities of Employer

- Recognise sexual harassment as a serious offence and include it in the rules and regulations
- Prevent and punish sexual harassment at the workplace
- Conduct anti-sexual harassment awareness training for regular and contractual employees
- Formulate an anti-sexual harassment policy
- Take prompt action on the complaint even if the complaint does not have eyewitnesses
- Display / distribute the information about the redressal mechanism

Employee's Responsibilities

- Don't ignore sexual harassment
- Recognise the nature of harassment
- Talk to others at the workplace or in your family about the harassment and talk with the union, if any
- Maintain a detailed chronological account of sexual harassment and have a witness to the incident

Employee's Responsibilities

- Write a letter or send your organisations entire sexual harassment policy to the harasser by registered post
- Always retain a copy of the document/letter sent in connection with your complain
- Approach a women's organisation or call the local helpline
- Lodge a formal complaint without Delay
- Seek counselling

Employee's Obligations to the Firm

- Employers of all sizes and shapes are requiring their employees, whether at will or term, to execute employment that clearly define the obligations and duties the employee owes to the employer both, during and after employment relationships.
- Some of the general duties encompassed in employee agreement but even if no contract exists, certain obligations and duties are owed by an employee to the employer.
- Ethics and moral obligations are not always mentions in the agreement but these guides human decisions in many areas including within the workplace.

Employee's Obligations to the Firm

- Employee's main moral duty is to work towards the goal of the firm.
- Job completion-

Manager cannot keep all employees under watch all the times, while some employees choose to put efforts into their work when they are not being watched and ethically compelled to give hundred percent efforts to their jobs at all times.

Employee's Obligations to the Firm

- Honesty-

Consistently giving truthful information to their employer and in doing so helping the employer make informed decisions.

Remaining truthful can be a challenge particularly when presenting a little white lie would help an individual advance within his/her current position.

However, honesty is not only the best policy but it also the morally correct path on which all employees should remain.

Employee's Obligations to the Firm

- Money usage- In the world of business, monetary transactions are highly common. Presenting the opportunity for employees with unsavoury motives to misallocate funds.

Ethical employees use money responsibly in alignment with company policy even when they know that a monetary misuse will not be caught.

- Conflict of interest- Employee with strong ethics avoid conflict of interest to ensure that their relationship with current company remains strong and reputation as a business person remains unblemished.

Employee's Obligations to the Firm

- Duty to be loyal
- Not to disrupt business
- Disclose wrong doing
- Carry out and follow orders of the employer (as long as they are legal)
- Not to disclose the employers confidential information
- Look after the employers property if using it

Employee's Obligations to the Firm

- Not to take bribes
- Be prepared to change when the job changes
- Not to be absent from work without leave or reasonable excuse
- Respect authority of the employer
- Obey all lawful instructions

Rights of Employees

- Right to privacy
- Fair compensation
- Freedom from discrimination and harassment
- Right to a safe workplace
- Whistle-blowing rights

Obligation to Employees

- Fair employment practices

An ideal corporate should commit itself to fair employment practices and should have a policy against all forms of illegal discrimination. By providing equal access and fair treatment to all employees on the basis of merit, the success of company will be improved while enhancing the progress of individuals and communities.

- Equal opportunities-

A company should provide equal opportunities to all its employees and all qualified applicants for employment without regard to their race caste religion colour marital status gender age nationality disability, other factors

Obligation to Employees

- Encourage whistle-blowing –

It is generally felt that if whistle-blower concerns have been addressed to some of the recent disasters could have been avoided, and that in order to prevent future misconduct whistle-blowers should be encouraged to come forward.

So an ideal corporate is one that deals pro-actively with whistle-blowers and to make sure employees have comfortable reporting channels and are confident that they will be protected from any form of retribution.

Such an approach will enhance the company's chances to become aware of and to appropriately deal with, a concern before an illegal act has been committed rather than after the damage has been done.

An ideal whistle-blower policy would mean-

- Personnel who observe an unethical or improper practice (not necessarily a violation of law) shall be able to approach the CEO or the audit committee without necessarily informing their supervisors.
- The company shall take measures to ensure that this right of access is communicated to all employees through means of internal circulars.
- Policies of the company should contain provisions protecting whistle blowers from unfair termination and other prejudicial employment practices.

Obligation to Employees

- Humane treatment
- Participation
- Empowerment
- Equity and inclusiveness
- Participative and collaborative environment

Need for Organizational Ethics Program

- It's an organization's duty to ensure that proper ethical behaviour is implemented in the workplace, both from its leaders and the employees. This is because ethical behaviour helps an organization to increase its productivity.
- Moreover, ethical programs help an organization prevent unnecessary legal lawsuits and unnecessary costs.
- Stop business malpractices
- Improve customers' confidence

Need for Organizational Ethics Program

- Creates good image
- Smooth functioning
- Safeguarding consumers' rights
- Protecting employees and shareholders
- Develops good relations
- Survival of business

Code of Ethics

- Ethical codes are statements of the norms and beliefs of an organisation
- These norms and beliefs are generally proposed, discussed, and defined by senior executives in the firm and then published and distributed to all the members.
- A code of ethics specifies the ethical rules of operation.
- Most important thing is developing and continuing dialogue around codes and values.

Conditions for Making Codes Effective

1. A valid motivation for its introduction
2. Broad acceptance within the company
3. Continuous feedback
4. Verification and control
5. Compliance with codes needs enforcement

Codes of conduct

- Codes of conduct specify actions in the workplace and codes of ethics are general guides to decisions about those actions.
- Codes of conduct contain examples of appropriate behaviour to be meaningful.
- Code of conduct in business is important to organise certain business activities.
- These days code of conduct in business are developed by many business houses.

Codes of conduct

- All codes of conduct in business or based on the core values of the company, its mission, and vision.
- Core values are the guiding practises of the company and they are meant to be strictly adhered to by its employees and stakeholders.
- The basic purpose of code of conduct in business is to ensure a proper ethical behaviour in the conduct of business.
- Different companies may have different code of conduct in business, however, the basic business codes remains the same.

Difference

BASIS FOR COMPARISON	CODE OF ETHICS	CODE OF CONDUCT
Meaning	An aspirational document, issued by the board of directors containing core ethical values, principles and ideals of the organization is Code of Ethics.	A directional document containing specific practices and behaviour, that are followed or restricted under the organization is Code of Conduct.
Nature	General	Specific
Scope	Wide	Narrow

Difference

BASIS FOR COMPARISON	CODE OF ETHICS	CODE OF CONDUCT
Governs	Decision making	Actions
Disclosure	Publicly disclosed.	Employees only.
Focused on	Values or principles	Compliance and rules

The following are the standard codes of conduct in business

- Compliance with laws, rules and regulation
- Working with honesty integrity and on the basis of work ethics
- Respect and honour for human rights
- Everybody should follow the policy of the company and nothing should be done against the company
- Confidentiality should be maintained and there should be no disclosure of confidential information at any cost.

The following are the standard codes of conduct in business

- There should be no manipulation abuse or misuse of power and position and non-acceptance of bribery and favours from others
- Political connection and subscription to political parties are discouraged
- No discrimination and harassment against any employee or stakeholder

The following are the standard codes of conduct in business

- There should be accountability and transparency
- The company has to carry out with the corporate social responsibility
- The whole business will be run on ethical principles for all concerned
- Maintenance of companies goodwill assets and property.

Guidelines for Developing Codes of Conduct

- Identify key behaviours needed to adhere to the ethical values proclaimed in your code of ethics
- Include wording that indicates all employees are expected to conform to behaviour specified in the codes of conduct
- Some topics covered in codes of conduct are- Following instruction of supervisor, Maintaining confidentiality, Complying with laws and regulations, Not using companies property for personal use, etc.

Ethics Training and Communication

- It's not easy to embed business ethics throughout an organisation, because it's not always easy to define the "right thing to do" - especially when different people define right and wrong in different ways.
- To add to the problem, employee's personal ethics usually don't align perfectly with the business ethics of a company.
- One of the important components of a corporate ethics program is training given to employees aimed at ensuring that adequate behaviour in an organisation.

Ethics Training and Communication

- The basic objective of such training program is to offer assistance to employees, to understand the ethical issues that are likely to arise in their work environment, and how to deal with such issues.
- Mere mouth of values and distribution of glossy brochures on company's ethics policy at company meeting do not change employee behaviour to any significant degree.

Ethics Training and Communication

- Many companies already include ethics training as a key component of the on boarding process for new employees, but ethics training is seldom offered on an ongoing basis-meaning employees can lose sight of an organisation's code of conduct along with the definition of the “right thing to do”.
- Because Ethics training initiatives require funding and support, many companies offer a static program, without updates, case studies, or example of unethical situations.
- A truly dynamic ethics training programme should focus on embedding the companies code of conduct into daily work life.

Guidelines to Make Ethics Training Work

1. Make it specific
2. Make it a two-way conversation
3. Make it interactive
4. Make it memorable and situational
5. Make it relatable
6. Reinforce it
7. Make it visible

Benefits of Ethics Training in the Workplace

- Atmosphere:

A wholesome atmosphere makes for a comfortable one, in which all type of personalities can work together.

If your employees understand the importance of not getting engaged in disrespectful speech or practises, they will strive to maintain a pleasant and friendly environment that customers and other employees can enjoy.

Benefits of Ethics Training in the Workplace

- Team-work:

Work ethics training programme promotes teamwork by instilling trust in co-workers.

People are more likely to be amenable to working together when they appreciate and respect one another.

- Personal responsibility:

A quality training initiative on ethics helps to focus your employees' attention on personal responsibility.

The worker is taught that he is expected to deal fairly with everyone and to work to the best of his ability.

Benefits of Ethics Training in the Workplace

- Staff Morale:

A workplace in which an ethical code has been installed is a naturally pleasant place.

Employee morale rises in an atmosphere that promotes good behaviour and honest interactions.

Workers feel more valued, and in turn, value the work they are doing when they feel the company they are employed by is respectable and purposeful.

Benefits of Ethics Training in the Workplace

- Avoid scandals:

Many businesses have failed due to situations in which employer and employees are found to have engaged in wrongdoings.

Small businesses need to stay above board in all their operations to avoid any appearance of impropriety.

Companies must take care to build a solid, upright venture that is not vulnerable to ruinous scandal.

Benefits of Ethics Training in the Workplace

- Proper and well-developed training can educate employees about the forms policies.
- Make employees aware of available resources, support system and designated personnel, who can assist them with ethical and legal advice.
- Empower employees to ask tough questions and make ethical decisions.

Benefits of Ethics Training in the Workplace

- Due to prevalence of ethical culture in the organisation, the quality of goods and services provided by the company is not compromised. Hence, ethics training helps in quality management.
- A company whose employees possess strong business values and ethics have a strong public image.

Ethics Training Methods

- **Written Code of Conduct:**

Develop a written code of conduct.

Define clearly the importance of ethics in your organisation.

Distribute a copy of it to all the employees.

It will increase the awareness of ethical issues and strengthen the conduct of employees in the workplace.

It also aims to in-still Organisational values beliefs rules and regulations in the minds of the employees and accept them to draw a line between acceptable and unacceptable behaviour.

Ethics Training Methods

- **Develop a Culture of Ethics-**

While formulating goals for a particular year, give primary focus to the ethics training in the work-place.

Constitute a committee at the board level.

Make the CEO and the senior managers chief participants in this.

Appoint an officer especially for this purpose.

All these initiatives on your part will give an impression to the employees that you are very serious about the guidelines and policy at work.

Ethics Training Methods

- **Involve the Staff:**

Involves the employees, Whenever you have a review of the codes. This will serve as a training in itself.

- **Be a Role Model:**

Practice what you preach!

If the senior managers themselves are involved in a certain unethical behaviour like showing inflated profits or miss using the corporate finances, the employees will follow this.

So the senior managers and the CEO should be morally upright.

Ethics Training Methods

- **Incentives for Ethical Behaviour:**

Formulate such policies that reward ethical behaviour on the part of employees.

Put in place some consequences for unethical behaviour too.

In performance appraisals, use ethical performance as a criterion for judging the employees' work and decide his pay hikes and incentives accordingly.

Ethics Training Methods

- **Discussions and Debates:**

Have regular discussions or seminars on business ethics and business etiquette.

Choose topics like “The importance of ethics in life”, “Personal values in conflict with workplace values”, etc.

The main idea behind these debates and discussions is to make the employees think about their conduct in the office and take corrective measures if required.

Ethics Training Methods

- **Role Plays:**

Conducting role plays by using real-life situations, make the ethics training programme interesting and encourage active participation.

Give real life situations to your employees and ask them to show their course of action in those scenarios.

Note: Remember to train employees across all departments and hierarchies of your organisation.

Communicating Ethical Values

- A communication strategy for the ethics program would aim to raise awareness of the organisation's values, its code of ethics, what ethical practises look like, and why they are important for the success of business.
- Provide a copy of the code, or a summary of it, to all employees in the company.
- See that the code is translated for use in overseas operations and businesses where English is not the principal language.
- Use all communication channels to raise awareness and promote the values and code.

Communicating Ethical Values

- Make copies of the codes available to business partners (Including suppliers, etc) and explain its significance to your organisation's relationship with them.
- Ensure that employees are aware of the consequences of breaching the code.
- Ensure that employees are aware of how to make enquiries or to report suspected breaches of the code, and the support they can expect when doing so.

System to Monitor and Enforce Ethical Standards

Effective ethics program employs a variety of resources to monitor ethical conduct and measure the program's effectiveness.

Tools to measure ethical program-

1. Observing-

To determine whether a person is performing his or her job adequately and ethically observer might focus on how the employees handle an ethically charged situations.

For example- many business organisations conduct a role-play exercise in training sales persons and managers.

Ethical issues can be introduced in discussion and result can be videotaped so that both participants and their superiors can evaluate the outcomes of the ethical dilemma.

System to Monitor and Enforce Ethical Standards

2. Questionnaires-

- Questionnaire can serve As a benchmark in ongoing assessment of ethical performance by serving employees' ethical perception of their company, their supervisors, co-workers and themselves as well as gaining their rating on ethical or unethical practises within the firm and industry.
- Then if unethical conduct appears to be increasing management will have better understanding of what type of unethical practises maybe occurring.
- Change in the companies ethics training may be necessary.

System to Monitor and Enforce Ethical Standards

3. Reporting system

The existence of internal system by which employees can report misconduct is especially useful for monitoring and evaluating ethical performance.

Many companies set up ethics assistance programme or lines known as hotlines to provide support and give employees opportunities to ask questions or report concerns.

Most effective ethics hotline operates on an anonymous basis and supported 24 hours a day, 365 days a year.

Approximately 50% of hotline cases occurs at night or at weekends.

Hotline serves as a central contact point where critical comments, dilemmas and advice can be assigned to a person who is most appropriate for handling specific issues or case.

System to Monitor and Enforce Ethical Standards

4. Services and software for investigations-

- Companies are increasingly using firms that provide professional case management service and software.
- Software is becoming popular because it provides reports of employees, concerns, complaints or observations of misconduct, which can help to track and manage.
- It allows the companies to track, investigate, analyse, resolutions documentation of misconduct report.

System to Monitor and Enforce Ethical Standards

5. Ethics officer

Nowadays companies are appointing ethics officer to observe the process and facilitating communication of ethics policies to employees.

Ethics officer is responsible for assessing the needs and risk that an organisation's ethics program must address.

Distributing codes of conduct, conducting ethical training, establishing and maintaining a confidential service to answer employees' questions about ethical issues, making sure the company is in compliance with government regulations, monitoring and auditing ethical conduct, taking action on possible violation of company's code, reviewing and updating code.

System to Monitor and Enforce Ethical Standards

6. Corrective actions

- If company is not making progress towards creating and maintaining an ethical culture it needs to determine why? And take corrective actions either by reinforcing current standards strictly or by setting higher standards.
- Corrective actions may include-
 - Reporting employees who comply with the company's policies and standards,
 - Punishing those who do not,
 - Acknowledge employees through public recognition, bonus, hikes etc,
 - On the violation of standards, transfer, suspend or fire.

Ethics Audit

- It is a systematic evaluation of an organisation ethics program and performance to determine whether it is effective or not.
- Ethics audit includes regular and complete documented measurement of compliance with the companies published policy and procedure.
- An audit provides an opportunity to measure conformity to the firm's desired ethical standard.
- Ethics audit is a component of social audit.

Ethics Audit

- Social audit is a process of assessing and reporting a business performance and fulfilling the economic, legal, ethical and philanthropic responsibilities expected of it by its stakeholders.
- In contrast ethics focus on ethical and legal conduct
- Ethics audit is a tool that companies can employ to identify and measure their ethical commitment to stakeholders.
- It provides an objective method for demonstrating the companies commitment to strategic planning including its compliance with social and legal responsibility.

Benefits of Ethics Auditing

- Ethical crisis management and recovery.
- The result of auditing process can be a key component of improving organisational performance.
- It can help in identifying potential risk and liabilities and improve compliance with the law.
- It can improve the relationship with the stakeholders and exhibiting greater transparency.

Benefits of Ethics Auditing

- Challenges of measuring non-financial performance such as organisational health, culture and climate.
- Measuring wholeness and soundness of a company.
- Information from audits and reports also helps in identifying priorities among various activities so that the company can ensure that it is achieving greatest possible impact from available resources.
- Ethics audit may uncover ethical problems that a company cannot immediately discover.

Auditing Process or Framework

1. Secure commitment from the top management or board of directors
2. Establish an ethics committee to oversee the ethics audit
3. Define the scope of audit
4. Review organizational mission, values, goals and policies and define ethical priorities
5. Collect and analyse relevant information
6. Verifying the result by independent agent
7. Report the findings

1. Secure Commitment from the Top Management or Board of Directors

- The first step in conducting any audit is securing a commitment from the top management.
- Top management initiate audit based on specific stakeholders concerns or in response to corporate governance reforms.
- Board members have been held responsible for the ethical and legal compliance of the audit program.
- Pressure for the audit can come from the top management who are looking the ways to track and improve ethical performance.

2. Establish an Ethics Committee to Oversee the Ethics Audit

- Next step in the framework is to establish a committee or team to oversee ethics program.
- Company's manager or ethical officer conduct the audit and the team should include individuals within the firm as well as the external auditor.
- An external auditor should not have other consultation or conflict of interest or any relationship with top management.

3. Define the Scope of Audit

- The ethics audit committee should establish the scope of audit and monitor its progress to ensure it stays on track, and the scope is determined by the type of business, risk faced by the firms and the opportunities available.
- Defining the key subject matter or risk areas that are important to the ethics audit.
- Example- working Environment, discrimination, product liability, employee rights, privacy, fraud, financial reporting and legal compliance.

4. Review Organisational Mission, Values, Goals, Policies and Define Ethical Priorities

- Ethics audit generally involves comparing organisation performance to its goal, values and policies.
- The audit process should include the review of current mission statement and strategic objectives.
- It includes review of all the formal documents that makes explicit commitment about ethical, legal or social responsibilities and review all the formal documents including marketing material, workplace policies and standards for the suppliers and vendors.
- This review may reveal a need to create an additional statement to fill identified gaps or to define organisation's priority.

5. Collect and Analyse Relevant Information

- Identifying the tools or methods for measuring progress and improving employee's ethical decision and conduct.
- Collect relevant information for each designated subject matter.
- Collect internal and external documents as well.

6. Verifying the Results by Independent Agent

- Verifying the results through an independent party such as-
 - Social/ ethics audit consultant
 - Financial accounting firm
 - Non-profit special interest group
- Verification by independent parties, give stakeholders the confidence in ethics and credibility.

7. Report the Findings

- Submit the ethics audit findings to internal party namely board of directors and top management executives , if approved by external stakeholders as well as the report should spell the purpose and scope of the audit.
- Methods used in the audit process, role of auditors or any auditing guidelines followed by the auditors and any reporting guidelines followed by the company should also be reported.

Strategic Importance of Ethics Audit

1. Audit should be conducted regularly rather than response to problem.
2. Audit provides a benchmark as to overall effectiveness of ethics initiator and can be important in assets allocation and program development.
3. The audit process can also help companies to fulfil their mission in ways that boost profit and reduce risk.
4. Audit can pinpoint areas where improving operating practice can improve both bottom-line profit and stakeholder relationship.