



Organisational ethics policies: a primer

Most people are familiar with codes of conduct. Often overlooked, however, is the important role that organisational ethics policies have not only as the backbone for such strategies but also for more general policies – such as transparent accounting and non-discriminatory human resources practices – related to the ethical performance of an organisation. This U4 Brief describes the different dimensions of ethics policies and outlines elements of good practice in developing and implementing them.

Why is “policy” important?

The term “policy” is used in many different ways in English, and translation of these various senses into other languages can be particularly problematic. It is defined here as “a framework for making and evaluating management decisions in organisations”, from sub-units within agencies to entire governments. The term covers a continuum from minor administrative

or procedural rules (“it is our policy that all claims for payment must be accompanied by an original invoice”), to higher-order, strategic priorities and issues (“our international aid policy will be directed towards supporting the Millennium Development Goals”).

Those who work in, or in partnership with governmental aid agencies and international non-governmental organisations (INGOs) which administer aid programs have a particular interest in policy setting: They must be able to define not only what outcomes are to be expected, when, by whom, and under what conditions, in the usual way, but also how any particular policy of the organisation satisfies a public interest test which is coherent with the organisation’s mandate, objectives, and values.

Staff conduct and management: two dimensions of ethics policies

When considering an organisation's policy on ethics matters, there are two dimensions to bear in mind. At one level the organisation's policies and standards will reflect its **policies for encouraging ethical conduct** by individual staff, volunteers, and others who deliver the organisation's activities. This level of policy-making and standard-setting should include specific policies that govern such matters as the giving and receiving of personal gifts, ancillary employment, conflict of interest situations, patronage, political activity, fraud, harassment, political activity, and whistleblower reporting of defined wrongdoing, among many other matters. Standards are increasingly necessary to regulate relations with external suppliers that may be required to subscribe to particular ethical standards as a conditionality of doing business with the organisation, dealings with representatives of governments, and relations with media, lobbyists, and other non-government organisations.

The second dimension focuses on the organisation's **policies for encouraging ethical management** in order to protect its integrity. Policies which set standards for competent financial management, merit-based recruitment and advancement, transparent accountability for organisational decision-making, effective protection of staff and others who disclose misconduct fraud and corruption, meaningful program evaluation, and workable disciplinary processes, are essential to demonstrate integrity, as an organisation, to funding agents and national legislatures who are legitimately concerned to see their funds used appropriately.

At the level of the organisation, ethics policy is properly concerned with providing that assurance which is essential to all trust-based relationships, namely that the organisation will not abuse its privileged position, deal inequitably with beneficiaries or any other party, support corruption, or act from self-interested motives, in any of its dealings with recipients of international aid and development assistance, whether they are individuals, communities, businesses, governments, or partner agencies.

Basic elements of effective ethics policies

"Good policy" in relation to organisational ethics and integrity matters is no different in principle from good policy in any other area. It must first have **unequivocal authority** and the endorsement of boards and senior management, and must be:

- o founded on the organisation's core values, mandate, and ethical principle

- o developed in consultation with those affected by it
- o realistically achievable
- o written in plain language, coherent with other policies, and easily available
- o clearly understood by staff, and by other stakeholders
- o consistent with the organisation's policies on rewards and sanctions
- o regularly reviewed and evaluated with all stakeholders
- o universally applied, and transparently enforced.

Management boards and organisational leaders will use policies for a wide range of purposes, such as strategic development of the organisation's objectives and priorities; managing risk factors; or specifying the preferred methods to be used for intervention, aid delivery, or regulating staff conduct. Policies also provide the basis for evaluation, and modification or abandonment of policies and practices. Policies, in this sense, are "the rules of the game", and fundamental ethics concerns are necessarily part of the rationale for those rules. In this context, an organisation's ethics policy creates part of the normative framework for the expression of the acceptable means by which the various duties of management may be pursued.

Generally, an aspirational approach based on voluntary compliance with the ethical principles giving focus to the organisation's practices, will provide scope and encouragement for individuals to maximise the ethical values expressed in its governance policy. However, when

the management in an organisation is weak (that is, when set standards are implemented badly or not at all), special attention will need to be directed towards vulnerable areas, through the development of specific policies, which need to be coupled with appropriately targeted training, rewards, and sanctions, until the organisation's integrity is restored.

When organisations aim at improving integrity, ethics, and governance – in other words, their "ethical performance" – they typically deal in some detail with the following major areas of ethical risk:

- o financial management and accountability standards
- o internal and external audit processes
- o professional ethics, conduct, and conflict of interest standards
- o fair treatment rules for staff and clients
- o processes for the prevention of fraud and other abuse of trust
- o integrity mechanisms governing proper decision-making
- o provision of transparent information to

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- stakeholders
- o complaints and whistleblower disclosure processes
- o principled policy dispute processes
- o transparent and objective evaluation mechanisms.

A strong, overt **commitment by organisational leaders** to high standards of integrity is crucial: the right “tone from the top” is a prerequisite for policies to have a trickle down effect. That commitment can be shown in the making and promulgation of policies, but must also be shown in other ways. Coherent leadership in the application of ethics-related policies send powerful signals within an organisation and to external stakeholders, especially when appropriate sanctions are deployed against conduct which fails to meet set standards. Conversely, failure by management to ensure that its ethics policies are taken seriously also sends powerful signals about the organisation’s commitment, and its reliability. Consistent and coherent application of an ethics policy is therefore essential.

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While each organisation should develop the ethics policies that best suit its current circumstances and strategic direction, experience demonstrates that some **common elements** are essential for success:

- **Basic ethics-related** policies, including the following:
 - o a code of conduct/ethics based on the organisation’s core values
 - o professional practice standards interpreting the code’s principles
 - o procedures for managing conflict of interest situations (including the registration of relevant interests and assets of decision makers)
 - o procedures for offering and accepting gifts and business courtesies
 - o criteria for the proper use of organisational assets and authority
 - o prohibition of harassment and discrimination in the workplace
 - o criteria for protected reporting of unethical or illegal behaviour
 - o rights of clients to obtain service, including complaint procedures for failure to meet standards
 - o obligations for accountability and transparency, and information provision
 - o standards for dealing with confidential and privileged information
 - o constraints on ancillary and post-separation employment
 - o standards for providing reasons for administrative decisions.
- A commitment to **training staff** in the full range of ethics-related activities. Training will improve

personal awareness and strengthen the ability to define and manage improper conduct, whether by co-workers, managers, or external stakeholders. The range of training themes should include the organisation’s integrity system, specific anti-corruption measures, harassment-free workplaces, non-discrimination principles, financial management and audit, integrity in procurement practices, donor relations, personal and institutional conflict of interest, accountability, responsibility, procedural fairness, and strategic problem-solving.

- Policies and procedures for **regular management reporting** to boards and executives, in particular to enable monitoring of matters which may be of particular concern from time to time.
- **Independent, external scrutiny** of policies provide an important resource for boards and executives for ensuring that espoused core values and actual behaviours are aligned, and to identify areas of policy and management practice requiring improvement.
- Policies and procedures for **protected reporting of improper conduct**, both to enhance worker and stakeholder confidence in the integrity of an organisation, and to provide avenues for early detection of inappropriate behaviour. Genuine whistleblowing must be effectively endorsed, and effectively protected, to ensure the organisation’s credibility.
- Procedures for the **sanctioning of improper conduct** and failure to meet relevant standards by staff, structured so as to enhance management’s capacity to deal effectively with ethical issues in the workplace.

Administering ethics policies

An effective ethics policy is a necessary overhead cost in the management of any organisation. Failure of implementation is often hard to measure, whether in monetary or reputational terms. What does corrupt behaviour cost? How do we measure the benefit of prevented corruption? How do we calculate the cost-benefit analysis of training in, and enforcement of, the organisation’s integrity system? All these questions must be considered if the value of ethics risk management is to be properly understood.

It is furthermore important to keep in mind that costs of failure may be higher now than they were in the past. As recent scandals have demonstrated, blame for ethical default is now personal, permanent, and often sensationally public. Some **administrative tools** for maintaining policy effectiveness include:

- o a standardised and accessible format for policy documents
- o clear procedures for policy-making by the relevant authority (board or executive)
- o effective mechanisms for communicating policies
- o sustained commitment to delivering skills-based training in the application of policy and standards, and assessing training outcomes, especially for middle and senior managers
- o established procedures for holding and updating policy documents (register, manual, index, etc) to ensure that there is no uncertainty about authority
- o commitment to ensuring that the ethical performance of the managers and leaders of the organisation, and of organisation itself, is formally reviewed and evaluated on a regular basis.

expectations, and set criteria for the judgement of individual conduct. Conversely, ethics policies can be seen to constitute implicit organisational promises of performance against the set standards, whether aspirational or disciplinary in character, or both. Such policies – because of their inherent concern with ethical norms and principles – can also foster legitimate dissent by those who are at odds with the organisation’s performance against its set standards, or with the established standards themselves.

Managers and leaders need to understand that ethics and integrity policies provide a crucial expression of the organisation’s ethical standards, which necessarily have significant implications for their role as gate-keepers in relation to those standards. Institutionalising such standards, in the ways set out in this paper, is increasingly seen as appropriate and feasible, and an essential way of demonstrating that an organisation is concerned about its integrity. ■

The importance of institutionalising ethics

Ethics and integrity standards based on abstract norms and values are often not properly understood as “policy” by managers. In practice, however, ethics policy statements **set standards** by defining functional role responsibilities and limits on conduct. They can also serve as dictionaries of terms, and as cautionary reminders of specific cases. Their principal purpose is to provide assurance about the terms of trust on which the organisation claims to rely.

Understood in this way, it becomes clear that properly formulated ethics policies not only regulate business conduct and personal acts, but also offer an important form of liability limitation. They limit unreasonable

Further Reading

Whitton, H (2008) “Making Whistleblower Protection Work: Elements of an Effective Approach” *U4 Brief 2008:24* Bergen: CMI/U4

Whitton, H (2009) “Teaching Ethics in Highly Corruption Societies: Concerns and Opportunities” *U4 Brief 2009:5* Bergen: CMI/U4

