

Global Corporate Ethics Practices: A Developing Consensus

The Conference Board's Working Group on Global Business Ethics Principles
May 1999

Background

Objective: To discover why ethics codes are necessary and what subject matter they should address.

Method: Questionnaires completed by 124 companies in 22 countries in 1998. Meetings of business executives held during 1997 and 1998 in India, Brazil, France and Japan to discuss global business ethics practices.

Results

Rationale for Codes of Ethics

- Role of Business
 - Need worldwide set of business conduct standards
 - Profits are first imperative, but public opinion will judge some business activity by social impact
 - Search for common ground between “property” (profit maximization) and “social entity” (social contribution) theories of business continues
 - Regardless of theory used, still need to address specific problems, e.g. child labor standards
- Company Autonomy
 - As deregulation continues, corporations must cease their reliance on governments to set standards and they must assume responsibility in their own business activities
 - Preservation of autonomy is essential to institutional growth and effectiveness
 - Independence depends on capacity to exercise moral restraint
- Global Business Practice
 - Ethics provides a reference point for the reassessment of corporate behavior from a more global perspective
 - Laws vary by jurisdiction, so need to state common principles in the language of ethics
 - Diversity of cultural responses needs to be addressed
- Ethical decision-making procedures
 - Encourage discussion regarding the consistency of individual decisions with the company's established broad principles of business conduct
 - Enable employees to recognize ethical problems that threaten a company's independence from judicial or legislative intrusion
 - Resolve ethical problems using moral principles at core of corporate identity
- Ethical decision-making environments of trust
 - Essential in business practice

- Requires skillful adaptation of procedures to the requirements of individual cultures, regions, and countries
- Should be free from reprisals
- Difficulties come from constraints that limit a company's ability to monitor its ethics practices

Dramatic increase in Board and Senior Management ethics program involvement from 1987 to 1998

- Board of Directors: 21% in 1987; 78% in 1998
- CEO: 80% in 1987; 95% in 1998
- General Counsel: 41% in 1987; 92% in 1998

Growing Consensus on Subject Matter in Codes Surveyed

- Corruption of purchasing process: over 90%
 - Bribery/Improper payments
 - Conflicts of interest
 - Security of propriety information
 - Receiving gifts
- Legally mandated corporate conduct standards: over 70%
 - Equal opportunity
 - Environmental responsibility
 - Sexual harassment
 - Workplace safety
- Issues addressed by fewer companies (not many directly affected)
 - Child labor
 - Nepotism
 - Substance Abuse

Conclusion

Between 1987 and 1998, the role of the corporate code and the company's ethics program changed dramatically. Codes became public documents. The text of the 1998 codes included greater evidence of awareness and integration of basic ethical principles than the text of the 1987 codes. By 1998, codes were being reviewed and revised frequently. Code formulation became a more participatory and inclusive process.

However, the meaning and long-term impact of the changes remains unclear. Ethics codes may simply be an effort by companies to achieve self-governance and to exercise greater control over employees. Yet, perhaps codes represent a more ambitious effort by transnational companies to play a major role in the determination of business conduct standards for global business practice. Since the current global economic system erodes the rule-making powers of national governments, companies cannot avoid a growing responsibility for formulating business conduct standards.

The full text of this report can be accessed at:

<http://www.conference-board.org>.