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Executive's Handbook of Model Business Conduct Codes [review] / Manley II, W. W.

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Book Review:

Executive's Handbook of Model Business Conduct Codes

Manley II, W.W. (1991). Prentice-Hall. Reviewed by William R. Auxier, CEO of Thompson Surgical Instruments, Inc., and doctoral student at Andrews University.

Introduction

If the current state of heart disease were like the current state of business ethics, our nation would be experiencing a heart failure epidemic. Hospitals would be swamped with dying patients. They would barely be able to keep their defibrillators charged and on the ready to tend to the steady stream of individuals in heart failure. Some would die, some barely survive but be debilitated, and others would struggle at various stages on the road to recovery. The irony is that, just like with heart disease, most companies do not even have chest pains, yet they are headed for an ethical crisis.

Enron, WorldCom, Adelphia, and Arthur Anderson are examples of companies that died of ethical heart failure. Tyco, Kmart, and Global Crossing illustrate what happens even if they survive: there is a long road of rehabilitation for many of these debilitated organizations. The recent scandals in church organizations only underlines that the need to develop systems to keep track of the state of the ethical health of any organization.

So what could help Christian organizations as well as the business community to monitor its state of health to avoid such ethical failure? Walter W. Manley II's book, *Executive's Handbook of Model Business Conduct Codes,* may provide a solution. It is an excellent reference for any organization interested in developing or revising a code of ethics. Though it is about 15 years old, I am reminded of Jesus' admonition to bring out of the storehouse both

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things that are old and new. Christian leaders find direction from the eternal moral law provided by the Ten Commandments. By comparison, Manley's work is very contemporary. This is a book that should experience revived interest.

The case for the need of ethics and compliance programs has been made to business leaders for quite some time (Joseph, 2002). To respond to this need Manley has created a practical resource for the ethics practitioner as well as for students of business and leadership ethics. In researching his book, Manley reviewed over 10,000 pages of codes of conduct from 276 of America's best-managed firms. He consulted with over 400 executives including 85 CEOs and chairmen, 71 senior or executive vice presidents, 77 corporate counsel, 105 vice presidents, and 65 directors of corporate responsibility, human resources directors, employee relations directors, treasurers, and chief auditors.

In this review, I will provide an overview of Manley's work, looking at why an organization needs a code of business conduct, the guidelines he suggests for this process, the areas of conduct that require codes of conduct, and his ideas on implementing and enforcing the code. Then I will critique Manley's work, offer research ideas, and make some concluding remarks.

Why does an Organization Need a Business Code?

Big business has used codes of conduct for both strategic and public relations purposes for years. In small- to medium-sized organizations, formal written codes of business conduct are still rare. Why should they be concerned with ethics in the first place? Manley suggests several major benefits that come from a code of conduct.

A code of business conduct provides guidelines to managers and employees alike. It helps acquaint new employees with the firm's values and culture, and improves the firm's public and consumer image as well as its business reputation. It offers protection in preempting or defending lawsuits and improves the company's financial performance. Employees benefit from business code because it enhances morale, employee self-image, company pride and loyalty, and integrity and excellence in the workplace. And it also facilitates the recruitment of outstanding employees. Code can act as a catalyst for constructive change. Stockholders interested in making ethical investments can reference company code. Open and honest communication within the firm is encouraged by it. Code helps integrate or transfer cultures of merged or acquired firms. Code discourages managers from requiring subordinates to perform improper acts, and helps stop subordinates from trying to get mangers to perform improper acts. Code promotes market efficiency, especially in areas where the marketplace and laws are weak or inefficient. Employees have a responsibility to conduct themselves ethically as they take on the various business acts of the organization, and management has a responsibility of setting clear guidelines. Formal written code of conduct ensures more consistent ethical behavior by all members of the organization.

Guidelines for Producing the Code

If business code is so important, how do you develop it in an organization? There are three key questions that need to be answered to start the process of creating a code of business. First, who will approve the code in its final form? Second, how will the code be drafted? Finally, what will be the source of the ethical values that the code will reflect? Generally, the CEO or chairman of the board is the one to give the final approval. Others are involved in its development, including managers, employees, legal counsel, and sometimes outside consultants, but the ultimate approval lies with the CEO or chairman.

Various processes can be followed in drafting a code. There is no single way that works best. The process can be top down or it can be a participative process going across the organizational chart. A specific individual or a small group may be assigned the task. Participants may include the CEO or chairman of the board, and/or individuals or members from the board of directors, the corporate legal department, finance, human resources, communications, corporate task force, employees, and consultants. Some organizations hire consultants to complete the entire process, but most prefer in-sourcing for this important task.

The next step is to identify the ethical values that should be incorporated into the codes. Existing documents can help: old versions of a firm's code of conduct, policy memoranda or statements of procedures, public relations releases, current laws or regulations that affect the firm, etc. Values of the company's founder(s), chairman, board members, executives, managers, and employees should also be considered. Many companies save time and effort by considering codes of conduct developed by other companies and adapt those codes by re-writing or re-shaping them to apply to their specific needs.

After the method for drafting the code has been decided, the people involved in the process chosen, and the ethical values identified, the code can be created. Manley offers several guidelines to follow based on the experiences of different firms. Most importantly, the firm's CEO must be a leader in the code's development. The CEO (or those under his immediate direction) should identify the firm's key objectives, which can serve as ground rules in the creation of the code. While input from large groups within the organization will be helpful, the code should be drafted by a small group of three to six people, including someone from the legal staff. The code should contain (a) an opening statement asserting the need for the code; (b) expectations of high standards of conduct; (c) an explanation of how to interpret the code; and (d) the firm's position on code enforcement, decision making, and sanctions. The code needs to be more than a summary of existing policies; it should clearly distinguish between ethical and legal requirements. The code should require all employees to comply with all relevant laws and professional standards as well as emphasizing key values of the organization. The written code should contain approximately 25 to 35 relevant sections, covering such areas as compliance with the law, dealing with customers and suppliers, conflict of interest, and employee rights. Each section of the code should be comprehensive and yet concise. Operating principles need to be incorporated so that employees can perform daily operations and activities in compliance with the code. Specific examples should be included to help employees understand the code in real life situations. A code should fully describe the most commonly encountered conflicts of interest and make it clear that the company expects employees to exercise upright behavior in all business dealings. Guidelines should be included to address employee conduct.

Once the first draft of the proposed code of conduct has been created, the CEO should carefully review it and then circulate it within the company for comment. The final draft of the code should consist of the modified draft that incorporates employee comments. Codes of conduct help employees know what is "good" and what is "bad." Not having a formal written code of conduct abdicates the responsibility of ethical decision making.

Model Codes of Business Conduct

After giving these general guidelines, Manley provides examples of codes of conduct developed by different companies. He has neatly organized the examples into 23 chapters with sub-categories.

Examples cited are excerpts from existing codes and credited to the company that created it. The categories are:

- Business Conduct
- Business Dealings and Relationships
- International Business Relationships and Practices
- Management Responsibilities
- Rights and Responsibilities of Employers and Employees
- Fundamental Honesty
- Protecting Proprietary and Confidential Information
- Internal Communications
- Equal Employment and Affirmative Action
- Sexual and Non-Sexual Harassment
- Substance Abuse in the Workplace
- Workplace Safety, Consumer Protection, and Product Quality
- Ethics in Marketing and Advertising
- Compliance with Antitrust Laws
- Managing Computer-Based Information Systems
- Ethical Duties of Accountants
- Expense Accounts, Credit Cards, and Entertaining
- Insider Trading and Securities Laws
- Corporate Citizenship and Responsibility to Society
- Protecting the Environment
- Administering the Code, Ensuring Compliance, Reporting Violations, and Issuing Sanctions
- Ethics Training for Employees
- Using Closing Statements in Codes

Implementing and Enforcing a Code of Conduct

After the code of conduct has been completed, it is crucial to plan for its dissemination, implementation, and enforcement. Without proper dissemination, a code of conduct is destined to failure; therefore, careful thought must be given to the question of how to reach every member of the organization. Employee training is critical, even though there may be resistance to the attempt to introduce codes of conduct. Company leaders must convey that change is inevitable. Enforcing the code typically utilizes two methods of compliance: (1) surveillance and oversight; and (2) individual integrity and senior-management role models. Relying mainly on the latter method has been the demise of some organizations in recent scandals. Firms who successfully enforce their codes of conduct more often rely on the surveillance and oversight methodology.

Critique

Manley provides a comprehensive collection of codes of conduct used by established companies. Especially helpful are the guidelines necessary for the creation, implementation, and enforcement of a code of conduct. Manley has done a tremendous job reviewing a mountain of work and condensed it into an easily readable format. As the title indicates, the book is a handbook or how-to guide for creating a code of ethics for an organization, which it does very well.

It is well organized, which makes it easy to look up information or examples. The detailed table of contents (15 pages!) outlines the various topics into a logical sequence, making it simple to locate a specific topic or area of interest. In addition, the examples come from well-known companies from different industries, adding credibility to Manley's work.

Enforcing the Code, Chapter 27, discusses two different methods of business code enforcement. In this discussion, Manley admits that regardless of the written formal code of conduct, senior-management role models and individual integrity are both key to ethical execution. I like the fact that he acknowledges this aspect of enforcing a code of ethics, but he could have done more to explore the negative influences of the failure of ethical leadership. Another concern is that he ignores the skeptics of codes of ethics. Johnson (2005) states that "formal ethics statements are as controversial as they are popular" (p. 251). Despite Manley's advocacy of business code, organizations need to understand that they are not the "cure all" of all ethical failures. Once again, if business codes of conduct are not part of a culture of ethical practice, ethical heart failure is a high probability.

Appendix A provides a questionnaire to measure values and attitudes within an organization to "initiate the process of listening to employees and managers" (p. 224). The idea is to identify areas that need to be addressed by a code of business conduct. It would be easy to modify and adapt the questionnaire as it applies to different situations. The questionnaire uses mainly Likert scale as well as multiple choice answers and check lists. I like the fact that Manley leaves the interpretation of the results solely with the person administering the questionnaire. Since it measures values and attitudes, it is an easy-to-use method to identify issues within an organization.

Manley mentions various studies throughout his book to support his position, but does not always properly cite them. For example, on page 12 he notes that "a study by the Ethics Resource Center found that in 41 percent of the surveyed firms, CEOs had initiated the codes." While he credits the Ethics Resource Center, there is no citation of the source or reference in the bibliography. At times, Manley refers to a study without giving any reference. For example, on page 216 he states, "studies have shown that the most effective employee training sessions for codes of conduct are brief—two to four hours—and interactive." No studies are actually cited or referenced.

While Manley provides excellent examples from many different companies, some categories are better represented than others. For example, while the Employee Responsibilities section lists examples from 13 different companies, in the Union Relations section you will find only one example. I would have liked to see more balance in the categories.

Finally, this work needs to be updated. Chapter 17 is titled, Managing Computer-Based Information Systems. Email and the internet have become prevalent since this work was completed and codes of conduct dealing with these issues are not included. Updating would provide greater relevancy.

Conclusion

Manley provides an excellent handbook for anyone interested in developing or refining an organizational code of ethics. Although a few updates need to be made, this "older" resource reminds leaders, whether they lead a business, a school, a church, or any other organization, why an organization needs a code of business conduct. Manley walks you through guidelines for this process. He provides numerous examples of codes of conduct across a comprehensive list covering several topics. He provides strategies for implementing and enforcing the code. Finally, the questionnaire in Appendix A helps identify areas that need to be addressed within the organization by a code of conduct. Following his suggestions and examples will save an organization a tremendous amount of time. And his real world examples will help leaders find appropriate applications within their own context. In summary, this is a handbook for researchers and practitioners alike.

References list

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