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Volume 1, Issue 2

Leadership: Legal and Ethical Behaviour
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Leadership: Legal and Ethical Behaviour

The Definition

There are two types of compliance when it comes to behaviour within an organisation: legal and ethical. Legal compliance is about following the law, rules, and regulations, while ethics means doing what is right and behaving with integrity. It is important to note that you can be legally compliant and yet unethical.

The Stage

Every organisation should aspire to be legally and ethically compliant, and not just for moral reasons: research has shown that organisations adopting a high standard of ethical behaviour do better in the long run.

The starting point for an ethical organisation is the board and senior management, who should always act with the objective of protecting the organisation’s reputation and financial integrity. Having ethics as a fundamental value of an organisation elevates the performance of everyone in it. When employees see their leaders acting with integrity and living up to the organisation’s values or code of conduct, there is a sense of alignment and unity. A good business practice, developed with integrity at its heart, also builds the reputation of an organisation with its customers and stakeholders, and contributes significantly to its continued success.

Unfortunately, corruption and bribery are endemic in many businesses around the world, especially in those where there is great pressure to perform. To help avoid this, an organisation needs a robust risk assessment process, one which both identifies risks and prioritises risk management. This means the compliance officer is now more important than ever. Not only is he or she responsible for managing the organisation’s compliance and reputational risk, he or she also has a bigger role in shaping its ethical culture.

Organisations need to ensure their ethical and compliance programmes enable them to achieve their goals. Regular audits, checks, and appropriate controls are necessary to maintain a high standard of legal and ethical behaviour. Ultimately, organisations should try to go beyond a culture of compliance to a culture of trust and integrity. Employees working in a culture of trust choose to be ethical not because they have to be, but because they want to be.

In This Report…

1. What is legal and ethical behaviour?
2. Which organisations have received recognition for their legal and ethical behaviour?
3. How have organisations achieved high levels of legal and ethical behaviour?
4. What research has been undertaken into legal and ethical behaviour?
5. What tools and methods are used to achieve high levels of legal and ethical behaviour?
6. How can legal and ethical behaviour be measured?
7. What do business leaders say about legal and ethical behaviour?
8. Conclusion.

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1. What is Legal and Ethical Behaviour?

1.1 Ethical Behaviour
Source: NIST, United States (date of information: 2019)
Link (video): Baldrige Excellence Framework 2019-2020
Application/Key learning points: The Baldrige Program is the United States’ public-private partnership dedicated to performance excellence. Baldrige defines ethical behaviour as being the “actions your organisation takes to ensure that all its decisions, actions, and stakeholder interactions conform to its moral and professional principles of conduct.” It places emphasis on senior leaders acting as role models, and being responsible for the organisation’s mission and vision aligning with its core principles. These are the foundations for an organisation’s culture and values. This is what helps employees to distinguish right from wrong.

1.2 Legal and Ethical Behaviours in the Workplace
Source: Powtoon, United Kingdom (date of information: 2017)
Link (video): Legal and Ethical Behaviour
Application/Key learning points: This two-minute advertisement for Powtoon, an animated video designer, provides a basic overview of the differences between legal and ethical behaviour in the workplace. It gives you a few good examples of what constitutes legal and ethical, legal and unethical, and illegal and unethical behaviours.

1.3 Legal vs. Ethical: a Crisis of Leadership and Culture
Source: TEDx Talks, Cox School of Business, United States (date of information: 2015)
Link (video): Legal vs. Ethical Liability
Application/Key learning points: Mel Fugate is a management professor, specialising in improving individual and organisational performance. In this informative 15-minute TEDx talk, he explains how corporate leaders can spend up to 15 per cent of their time dealing with ethical issues in the workplace. In addition, 98 per cent of workers or students have been adversely affected by unethical behaviour. Fugate underlines a pervasive problem: a great deal of unethical behaviour is not illegal. He underscores the importance of ethical leadership, where an organisation’s leaders actively deal with unethical conduct and forge a culture of zero tolerance for this type of behaviour.

1.4 Workplace Ethics: Things that Might Be Legal but Unethical
Source: Ethics Alarms, United States (date of information: 2013)
Link: Workplace Ethics: 62 Things that Are Legal, but 22 of them Are Unethical
Application/Key learning points: The human resources (HR) department deals with more ethical issues and dilemmas than any other area of an organisation. One of the major issues HR departments face has to do with conduct that, while being legal, might be unethical. This article, by Jack Marshall, a veteran HR professional in the United States, deals with 22 workplace practices of this type; they are legal, yet are, in his opinion, clearly not ethical. A quick read of the list will show many nuances of workplace practices that you may come across in corporate life.

1.5 Ethics and Law Aren’t the Same Thing
Source: intheblack.com, United States (date of information: 2015)
Link: Why Ethics and Law Are Not the Same Thing
Application/Key learning points: “Ethical behaviour,” writes Eva Tsahuridu, a policy advisor with CPA Australia, “is not always best defined within the confines of the law.” Ethics and the law are not identical. Typically, the law tells us what we are prohibited from doing and what we are required to do. Throughout the history of organisations, we have seen things that are legal, but which are considered unacceptable. Similarly, what may long have been acceptable may have been illegal. The law sets minimum standards of behaviour, while ethics sets the highest standards.
2. Which organisations have received recognition for their legal and ethical behaviour?

2.1 Exemplary Legal and Ethical Behaviour

Sources & Links:
- Ethical Enterprise Award, Australia
- EU Cities for Fair and Ethical Trade Award, Belgium
- Golden Peacock Award for Corporate Ethics, India
- Asia Pacific International Honesty Enterprise – Keris Award, Malaysia
- FASPE Award for Ethical Leadership, Poland
- Swiss Ethics Awards, Switzerland
- Ethical Corporation Awards, United Kingdom
- Ethical Leadership Award, United Kingdom
- Ethisphere Institute: World’s Most Ethical Companies®, United States
- National Capital Business Ethics Awards, United States
- Ethics & Compliance Initiative, United States

Application/Key learning points: These are examples of ethics-related awards from around the world. You will be able to discover some of the world’s best organisations in this space, and read about what makes them exceptional. Award winners are usually excellent organisations to contact and from which to learn.

2.2 Award for Innovation in Corporate Ethics

Source: Ethics & Compliance Initiative (ECI), United States (date of information: 2018)

Link: Leadership in Ethics Award

Application/Key learning points: For almost 10 years, the Ethics & Compliance Initiative (ECI) has given out the Carol R. Marshall Award for Innovation in Corporate Ethics to leaders who have demonstrated outstanding moral leadership and integrity in achieving their corporate vision. The award aims to exemplify ethical leadership for other organisations around the world, and to encourage them to follow suit. Some of the recipients over the past years include the global director of compliance from Ford, the chief ethics officers from L’Oréal, and the chief ethics officer from Best Buy. Take a look at the criteria for award recipients to discover the attributes of exceptional ethical leadership.

2.3 The Ethisphere Institute

Source: Ethisphere Institute, United States (date of information: 2018)

Link: Ethisphere Institute: World’s Most Ethical Companies®

Application/Key learning points: The Ethisphere Institute has to be considered as the global leader in the advancement of business integrity. Since 2007, it has been hosting the World’s Most Ethical Companies® awards. The institute’s mission is to drive ethical standards in business practices and to provide an independent objective assessment using an ‘ethics quotient’. This is decided by five parameters: ethics and compliance programme (35%); corporate citizenship and responsibility (20%); culture of ethics (20%); governance (15%); and, leadership, innovation and reputation (10%). Check out the full list of Ethisphere honourees to benchmark and learn from the best.

“Globalisation means that business strategy and business ethics cannot be separated from each other.”
—Ofra Strauss, Business magnate and industrialist
3. How have organisations achieved high levels of legal and ethical behaviour?

3.1 Wyndham Earns World’s Most Ethical Company Distinction 2019
Source: Ethisphere Institute, United States (date of information: 2019)
Link: Wyndham Earns World’s Most Ethical Company Distinction
Application/Key learning points: Wyndham Destinations, a global hospitality company, has won the distinction of being the company with the highest standards of business practice globally. The company is committed to the highest standards of ethics, integrity, and responsible business practices across its global operations. Exposed to many different laws, customs, and cultures, it aims to go above and beyond compliance standards, and align with global best practices in the local markets in which it operates. The company has also developed an outstanding “Count on Me” service philosophy, which roots integrity and accountability in its company culture.

3.2 Kao One of ‘World’s Most Ethical Companies’ for Eleven Straight Years
Source: Ethisphere Institute, United States (date of information: 2017)
Link: Kao Named One of the ‘World’s Most Ethical Companies’ for Eleven Consecutive Years
Application/Key learning points: For 11 consecutive years, Kao Corporation, a high-value cosmetics and chemical company, has been named one of the world’s most ethical companies by the Ethisphere Institute. Kao’s president and CEO places integrity at the core of the company’s philosophy. Kao has established the Kao Business Conduct Guidelines, which are instilled in employees via training programmes, as well as through the daily modelling of ethical business practices by the organisation’s leadership.

3.3 Compliance and Ethics Framework at Major Internet-Based Retailer
Source: BPIR.com, New Zealand (date of information: 2015)
Download (PDF): Compliance and Ethics Framework at an Award-Winning Internet-Based Retailer
Application/Key learning points: MidwayUSA is a privately held retailer of various outdoor-related products, headquartered in Columbia, Missouri. The company won the Malcolm Baldrige National Quality Award in 2009 and 2015. MidwayUSA’s Compliance and Ethics Framework was reviewed by its board of directors and senior leadership team through the Legal, Ethical and Regulatory Compliance Report, which can be found in paragraph 1.2 of the document. All key applicable occupational health and safety regulations; accreditation, certification, or registration requirements; industry standards; and environmental, financial, and product regulations included compliance with all relevant national, state and local regulations. MidwayUSA became ISO 9001:2000 registered in 2008, and completed five successful continuing assessment audits and two re-certification audits with no significant issues.

3.4 Code of Ethics at Organ Transplant Organisation
Source: BPIR.com, New Zealand (date of information: 2015)
Download (PDF): Code of Ethics at an Award Winning Organ Procurement Organisation
Application/Key learning points: The board of directors and leadership team at Mid-America Transplant Services (MTS), an American non-profit organ procurement organisation and winner of the 2015 Malcolm Baldrige National Quality Award, developed an environment that promoted and mandated legal and ethical behaviour through a Corporate Compliance Program (CCP). The programme can be found in paragraph 1.2 of the PDF. All MTS employees were required to adhere to the organisation’s code of professional conduct: they received training on conflicts of interest and expectations around the code of conduct, as well as annual online CCP training. All employees have to sign a disclosure statement, and renew their commitment to legal and ethical behaviour annually. MTS employees are encouraged to report any questionable behaviour, and an anonymous hotline reporting system ensures confidentiality. An email reporting system gives all key stakeholder groups an additional method to report possible violations anonymously. Breaches are investigated by a CCP Officer and reported to the board’s executive committee.
3.5 Code of Ethics at an American Medical Centre
Source: BPIR.com, New Zealand (date of information: 2015)
Download (PDF): Code of Ethics at an Award-Winning Medical Centre
Application/Key learning points: The Charleston Area Medical Centre Health System (CAMC), a hospital system in West Virginia and winner of the 2015 Malcolm Baldrige National Quality Award, took a five-step approach to promote and ensure ethical behaviour within the organisation. These five steps, which can be found in paragraph 1.2 of the PDF, were to 1) establish ethical requirements using information from the listening and learning posts and systems that guide the organisation’s enterprise model; 2) deploy these requirements through training; 3) use appropriate policies and procedures; 4) validate their use by means of an audit; and 5) investigate potential breaches of ethical behaviour and take corrective action as necessary. Various boards, committees and the senior leadership team enable and monitor ethical behaviour throughout the governance structure by means of a seven-step ethical compliance guidance and validation process.

3.6 Wipro Named World’s Most Ethical Company 2018
Source: Ethisphere Institute, United States (date of information: 2018)
Link: Wipro India Named 2018 World’s Most Ethical Company
Application/Key learning points: Wipro Ltd., a leading global information technology, consulting and business process services company from India, was recognised by Ethisphere as a World’s Most Ethical Company®. This designation recognises organisations that have had a material impact on the way business is conducted by fostering a culture of ethics and transparency at every level of the company. Wipro won the award from Ethisphere for being one of the world’s most ethical companies for seven consecutive years. The company has dedicated itself to its values, which are explained in The Spirit of Wipro. It is foundational to the way Wipro does business and conducts itself.

3.7 Tech Mahindra Wins Golden Peacock Award for Corporate Ethics
Source: Golden Peacock Award for Corporate Ethics, India (date of information: 2017)
Link: Tech Mahindra Wins Golden Peacock Award for Corporate Ethics
Application/Key learning points: As a benchmark for the highest levels of corporate ethics, the Golden Peacock Award for Corporate Ethics assesses some 1,000 applications each year to judge the best-performing organisations against a set of stringent criteria. Tech Mahindra, an Indian digital transformation specialist, won the corporate ethics awards for its high standards of corporate ethics and governance in its practices. It supports a corporate culture of ethical conduct – and an intolerance of misconduct. The company’s Code of Ethical Business Conduct and Anti-Bribery Policy cover ethical conduct for all its stakeholders. The company also has a corporate ombudsman with daily responsibility for overseeing the management of the ethics programme.

3.8 3M Named World’s Most Ethical Company 2017
Source: Ethisphere Institute, United States (date of information: 2017)
Link: 3M Named 2017 World’s Most Ethical Company
Application/Key learning points: 3M is a science-based company with more than 55,000 products on the global market. In 2017, it was recognised by the Ethisphere Institute for being one of the world’s most ethical companies for four years in row. Amongst the five categories used to assess the award, 3M scored the highest in citizenship and corporate responsibility, as well as in the ethics and compliance programme grouping. Take a look at 3M’s Code of Conduct to find out why it has made such a difference in the companies’ business ethics and success.

3.9 Ghent: EU City for Fair and Ethical Trade of 2019
Source: EU Cities for Fair and Ethical Trade Award, Belgium (date of information: 2019)
Link: Ghent: EU City for Fair and Ethical Trade of 2019
Application/Key learning points: The European Union’s Fair and Ethical Trade Award recognises cities who have the greatest impact through fair and ethical trade involving consumers, businesses, and the international community. The City of Ghent has been actively engaging its community through events and multi-stakeholder platforms to spread awareness, collaborates across borders to exchange best practices, and develops and disseminates tools to support businesses in improving their sustainable value chains. There is a clear vision in line with Belgium’s 2030 Agenda, established in its long-standing tradition of fair and ethical trade as an import hub in the past.
4.1 Corporate Responsibility and Ethics

Source: Businessballs, United Kingdom (date of information: 2017)

Application/Key learning points: Ethical leadership breeds ethical organisations. This 31-page document will help you discover the wide range of concepts and issues that are encompassed under an organisation’s ethical considerations. Strangely enough in this day and age, there are no universal or absolute standards, and also no fixed reference points. There are, however, many guiding philosophies available for organisations to adopt and adapt. Some of the most important are detailed in this research.

4.2 Trends and Conceptualisation in Unethical Leadership

Source: Comenius University in Bratislava, Slovakia (date of information: 2015)

Application/Key learning points: One of the most serious forms of managerial misconduct is unethical leadership. This informative 10-page article underlines how its destructive nature has a negative impact on employee well-being, retention, and performance, and how it promotes counter-productive workplace behaviour. In addition to providing a new definition of unethical leadership, the paper also classifies “harm” into two categories: 1) leader acts to the detriment of people; and, 2) leader acts to the detriment of organisational goals. The discussion in this paper is interesting and insightful.

4.3 Three-Dimensional African Perspectives on Leadership and Organisational Ethics

Source: BMC, South Africa (date of information: 2013)

Application/Key learning points: This is a high-level concept paper addressing the issues surrounding leadership and organisational ethics in Africa. It describes the complexities and diversities of cultures and topology in the continent, and how an understanding of three categories of people can shed light on the future of ethical leadership. It also addresses the need to engage more actively in bioethics, the study of ethical issues emerging from advances in medicine and biology.

4.4 2018 Global Business Ethics Survey

Source: Ethics & Compliance Initiative, United States (date of information: 2018)

Application/Key learning points: For more than 20 years, the Ethics & Compliance Initiative has been a global benchmark on workplace ethics. Released four times per year, the Global Business Ethics Survey is the world’s most comprehensive, cross-cultural survey of workplace behaviour. The 2018 survey consists of a cross-sectional study of 18 countries and 18,000 respondents, and how they fare against misconduct indicators. Overall, statistics indicate there might be trouble ahead. This could be due to the worsening of two indicators: fear of retaliation after reporting a misconduct; and, pressure to perform. The highly interactive maps make this an excellent, user-friendly resource.

“History has proven repeatedly that business ethics, shared value, and corporate governance determine the longevity of an enterprise.”

—Azim Premji, Chairman, Wipro Ltd.
4.5 The Difference Between Ethics and Compliance
Source: Society of Corporate Compliance and Ethics, United States (date of information: 2016)
Download (PDF): The Difference Between Ethics and Compliance
Application/Key learning points: This excellent 44-page publication features several articles, of which the most relevant is the first. It highlights the difference between ethics and compliance: compliance is about following the law, whereas ethics is about doing what is right. The Fraud Triangle shows when fraud or misconduct is likely to occur, i.e. where opportunity, pressure, and rationalisation coincide. To reduce this likelihood, organisations have to invest in a strong ethics programme, and leaders would do well to minimise the pressure to perform without integrity. The other articles in this issue are also worth a read. They deal with issues such as everyday ethics, the temptation for corruption, and whistleblowing and retaliation.

4.6 Asia-Pacific Insights into Business Ethics and Anti-Corruption
Source: Norton Rose Fulbright, United States (date of information: 2017)
Download (PDF): Business Ethics and Anti-Corruption: Asia-Pacific Insights
Application/Key learning points: If you are interested in what happens to organisations who break the law and corporatize corruption, this publication is for you. One thing common across governments is the tightening of anti-bribery laws and steps to increase extraterritorial enforcement. Current trends indicate that, as elsewhere in the world, corruption is rife in the Asia-Pacific region; in this edition, both China and Hong Kong are featured as case studies. The final article discusses the privatisation of enforcement against corruption, which has hitherto exclusively been a public enterprise.

4.7 Organisation for Economic Co-operation and Development (OECD) & Anti-Corruption
Source: OECD, France (date of information: 2019)
Link: Key OECD Anti-Corruption Documents
Application/Key learning points: The Organisation for Economic Co-operation and Development (OECD) was established to help governments recognise the interdependence of their economies. Its Anti-Bribery Convention, now in its 22nd year, addresses corruption by foreign officials in international business. Though the convention and its recommendations have reduced bribery in a number of countries, many challenges remain. The website presents two sets of documents: the first deals with legally binding instruments to help in the fight against bribery in international transactions; and, the second provides guidelines and tools to encourage best practices and principles for good corporate governance and trading.

4.8 Corruption Perceptions Index 2018
Source: Transparency International, Germany (date of information: 2019)
Download (PDF): Corruption Perception Index 2018
Link (video): CPI 2018 Video
Application/Key learning points: The Corruption Perceptions Index ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople. It uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. More than two-thirds of countries score below 50 on this year’s Corruption Perceptions Index, with an average score of just 43. This reveals that the continued failure of most countries to significantly control corruption is contributing to a crisis in democracy around the world. While there are exceptions, the data shows that despite some progress, most countries are failing to make serious inroads against corruption. Of the 180 countries ranked for corruption, most countries have made little to no progress in improving their country’s overall perception of corruption. The two-minute video provides highlights of the findings. It is interesting to note that no country has scored 90 or above for two years in a row.
5. What tools and methods are used to achieve high levels of legal and ethical behaviour?

5.1 United National Development Programme (UNDP) Code of Ethics
Source: UNDP, United Nations (date of information: 2017)
Download (PDF): UNDP Code of Ethics
Application/Key learning points: The United National Development Programme (UNDP) has developed its code of ethics primarily for employees and affiliated personnel around the world. It embodies the highest ethical code of conduct and expectation in all dealings to uphold the principles of and trustworthiness of UNDP. It also provides guidelines for ethical decision making in the context of work, and to help develop a culture of integrity within UNDP. In the guidelines, you will find links to various rules and regulations, as well as email addresses of people who might help you to make a connection where necessary.

5.2 World Health Organization (WHO): Code of Ethics and Professional Conduct
Download (PDF): WHO Code of Ethics and Professional Conduct
Application/Key learning points: The World Health Organization (WHO) has prepared this comprehensive document to foster ethical behaviour amongst employees and collaborators. All employees are required to sign an oath of office, embodying the highest level of conduct and behaviour expected. The basic principles of ethical behaviour include integrity, accountability, independence and impartiality, respect for the dignity, worth, equality and privacy of all persons, and professional commitment. Page 13 provides a link to a document on whistleblowing and protection from retaliation: this is a vital resource to safeguard those who may fear repercussions should they whistle blow.

5.3 Governing the Global Commons: an Ethical-Legal Framework
Source: The New Zealand Centre for Global Studies, New Zealand (date of information: 2017)
Download (PDF): Governing the Global Commons: an Ethical-Legal Framework
Application/Key learning points: If you enjoy philosophy and discussion around the subject of ethics and law, this paper is for you. It puts forward the argument that ethical challenges can be seen as a humanitarian challenge in the current international environment. This means each country is a trustee with the obligation of sustaining legal and ethical practice in every facet of business and living. The problem lies in the different interpretations of what is ethical and what is not. Though the solution is a unilateral agreement on an ethical-legal framework, turning theory into practice is proving to be much harder than expected.

5.4 Ethical Leadership: Best Practices
Source: Texas McCombs, United States (date of information: 2019)
Link (video): Ethical Leadership: Best Practices
Application/Key learning points: This six-minute video from the University of Texas at Austin, McCombs School of Business, shows how to create a workplace that encourages employees to behave in accordance with the organisational code of conduct. It contains many short excerpts from interviewees coming from all walks of life. Generally, they agree that leadership by example, communicating the espoused values, and providing incentives are key to upholding the code of conduct. The video also shares psychological details, including how providing a clean, bright physical environment can help promote ethical behaviour.
5.5  Summaries of Multiple Survey Results on Business Ethics 2017
Source: Institute of Business Ethics, United Kingdom (date of information: 2019)
Download (PDF): Surveys on Business Ethics 2018
Application/Key learning points: This useful briefing by the Institute of Business Ethics comprises nine summaries of credible research on business ethics. The survey reports cover a wide range of topics related to business ethics and compliance, and include mental health, modern slavery, fraud and corruption, and public opinion on business behaviour. To read any of the full reports, simply click on the links provided.

5.6  Five Ingredients for Great Ethics and Compliance Programmes
Source: Deloitte, United States (date of information: 2018)
Link: Building world-class ethics and compliance programmes
Application/Key learning points: To build a world-class ethics and compliance programme, you need to start with leadership. It is imperative to have a commitment to preserving your reputation, to protecting financial assets, and to empowering employees to contribute to a culture of trust. Then you need to aim for this culture of trust; this will mitigate corporate risks and help in the success of the programme. Next comes a robust risk assessment system to identify and prioritise risk action plans. If this and other related duties can be performed by a chief compliance officer, the organisation can have an edge on the competition. Finally, audit your processes and controls to see if they measure up. Though you may have all five ingredients, there is no guarantee you will attain a world-class standard. Read the report to understand just what it takes to reach the pinnacle of legal and ethics compliance.

5.7  Ethical Leadership in South Africa and Botswana
Source: Scientific Electronic Library Online, Brazil (date of information: 2017)
Download (PDF): Ethical Leadership in South Africa and Botswana
Application/Key learning points: Used as a tool, this quantitative study provides a more incisive and deeper level of measuring ethical leadership. The questionnaire utilised a combination of scales, particularly, the Ethical Leadership Scale, to determine how employees perceived the moral conduct of their managers. Data was obtained from 108 respondents from public utilities in South Africa and Botswana. While the results indicated that the South African managers had weaker moral conduct than their counterparts in Botswana, the key takeaway is the effective approach and method used to solicit results on ethical leadership from Africa.

5.8  Code of Ethics and Conduct: New South Wales Government
Source: Scientific Electronic Library Online, Brazil (date of information: 2017)
Download (PDF): Code of Ethics and Conduct: New South Wales Justice
Application/Key learning points: From a government perspective, the code of conduct is a plumb-line against which employees can check their actions and behaviour. The code of conduct represents a framework to help employees decide what to do when faced with an ethical issue or difficult situation. It also provides guidance for the type of action to be taken should breaches occur, at the same time making provision for the protection of dignity and giving respect where respect is due.

“Never deceive others, in business or in life. In 1995, I was deceived by four companies – four companies that are now closed. A company cannot go far by deceit.”
—Jack Ma, Co-founder and executive chairman of Alibaba Group
6. How can legal and ethical behaviour be measured?

6.1 Is Your Ethics and Compliance Programme Effective?
Source: LinkedIn, United States (date of information: 2014)
Link: Measuring the Effectiveness of Your Ethics and Compliance Programme
Application/Key learning points: This is a useful set of slides on how to measure ethics and compliance. It will help improve your approach to setting indicators that are both activity-based and results-based. Trailing and leading indicators are provided, depending on whether you want to measure the past or the future (predictive and threat analysis). In addition, the many examples presented in the slides give you an overall picture of how different organisations approach ethics and compliance measures.

6.2 Ethical Culture Measurement
Source: Ethical Systems, United States (date of information: 2018)
Download (PDF): Brown Cat Construction Corporate Culture Report
Application/Key learning points: Ethical Systems believes good ethics breeds good business. Its surveys are based on behavioural science research and focus on building an ethical culture in organisations. Using a two-factor model, the assessment consists primarily of Disqualifiers (indicators that undermine a genuine focus on ethics) and Qualifiers (indicators that denote a robust ethical orientation). This 13-page document is an excellent example of how Ethical Systems has performed a comprehensive survey and interpretation of its results.

6.3 Ethical Scenarios at Work
Source: BPIR.com, New Zealand (date of information: 2009)
Download (PDF): Ethical Scenarios at Work
Application/Key learning points: This is an excellent self-assessment tool to help you assess your ethical style in terms of the use of your employer’s time and resources. The assessment takes a mere 5-10 minutes to complete, and presents a number of scenarios to help you evaluate your ethical stance. A useful exercise would be to have a group of employees respond to the assessment questions and then have a discussion to discuss the reasoning behind their responses. The company’s viewpoint on these ethical issues could then be presented and differences discussed.

6.4 Workplace Ethics Questionnaire
Source: Baylor University, United States (date of information: 2018)
Link: Workplace Ethics Questionnaire
Application/Key learning points: This 15-20 minute survey will help you understand what you deem as ethically acceptable, and how certain statements apply to your organisation. There is also a qualitative segment for you to list the three most difficult ethical issues faced at work.

6.5 The Ethical Leadership Scales
Source: Institute for Ethical Leadership, Canada (date of information: 2018)
Link: The Ethical Leadership Scales
Application/Key learning points: Since 1998, the Institute for Ethical Leadership has been committed to ethical leadership awareness and advocacy. The Ethical Leadership Scales are three scales designed to promote quiet and comprehensive reflection about qualities that together constitute ethical behaviour and ethical leadership. By using a measuring scale they also enable a respondent to determine his or her level of ethical competence. The scales consist of three parts: an individual ethical quotient; a leadership ethical quotient; and, the ethical organisation quotient. Simply total up the scores for each part of the five-point scale for a maximum score of 100. Use the score to interpret the results.
6.6 Measuring Compliance Effectiveness

Source: Australian Taxation Office, Australia (date of information: 2012)

Download (PDF): Measuring Compliance Effectiveness

Application/Key learning points: Compliance effectiveness is presented in this comprehensive 36-page, four-phase guide. Although the guide has been developed for risk evaluators and managers in the tax office, the methodology is applicable to any type of organisation. The four phases include understanding and articulating risk as it relates to organisational intent; expressing desired outcomes; developing a suite of indicators; and, evaluating effectiveness. The appendix is also very useful, showing several data collection methods and sources.

7. What do business leaders say about legal and ethical behaviour?

“In looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And, if they don’t have the first, the other two will kill you.”
—Warren Buffet, Business magnate, investor and CEO of Berkshire Hathaway

“To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity.”
—Douglas Adams, English author, scriptwriter, and dramatist

“If you look to lead, invest at least 40% of your time managing yourself – your ethics, character, principles, purpose, motivation, and conduct. Invest at least 30% managing those with authority over you, and 15% managing your peers.”
—Dee Hock, Founder and former CEO of Visa

“Corporate executives and business owners need to realise that there can be no compromise when it comes to ethics, and there are no easy shortcuts to success. Ethics need to be carefully sown into the fabric of their companies.”
—Vivek Wadhwa, American technology entrepreneur and academic

“Universities should be about more than developing work skills. They must also be about producing civic-minded and critically engaged citizens – citizens who can engage in debate, dialogue and bear witness to a different and critical sense of remembering, agency, ethics and collective resistance.”
—Henry Giroux, Canadian scholar and cultural critic

“Globalisation means that business strategy and business ethics cannot be separated from each other.”
—Ofra Strauss, Business magnate and industrialist

“More and more companies are reaching out to their suppliers and contractors to work jointly on issues of sustainability, environmental responsibility, ethics, and compliance.”
—Simon Mainwaring, Social media specialist, and author of We First

“We live in a world where there are a hell of a lot of new inputs that need to be factored in to your business. It used to be just about your employees and your customers. Now there are all the issues about global warming, about sustainability, about ethics and now about gender and the distribution of wealth.”
—Stuart Rose, Former executive chairman of Marks & Spencer
“The question is, when so many others cut corners, shave the truth, self-deal, believe in the fast buck, and follow the crowd along the low road of least resistance, can we even afford to travel the high road of ethical behaviour? Frankly, we can’t afford anything else. Any other competitive angle is a pure crapshoot in today’s business world. Companies with shaky ethics and shabby standards will be crippled as they try to compete in our changing world.”
—Price Pritchett, Specialist in mergers, culture and organisational change

“Never deceive others, in business or in life. In 1995, I was deceived by four companies – four companies that are now closed. A company cannot go far by deceit.”
—Jack Ma, Co-founder and executive chairman of Alibaba Group

“The real threat to business is from within, from poor ethical standards and lack of integrity that can do incalculable harm. History has proven repeatedly that business ethics, shared value, and corporate governance determine the longevity of an enterprise.”
—Azim Premji, Chairman, Wipro Ltd.

8. Conclusion

The English author Douglas Adams once said that to “give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity.” In an ideal world, every organisation would have ethics and integrity firmly entrenched in its corporate DNA. Yet, this doesn’t always seem to happen. This is strange, because research has consistently shown that those organisations that adopt a high standard of ethical behaviour fare significantly better – financially, socially and corporately – in the long run.

Organisations should know the difference between legal and ethical compliance: legal means you are following the law, rules and regulations; ethical means doing what is right and behaving with integrity. Put another way, legal compliance is meeting minimum requirements, ethical compliance is achieving the gold standard.

It all starts, of course, in the boardroom. You can discover what the Baldrige Program says about leadership influencing ethical behaviour in Section 1.1, and Eva Tsahuridu, a policy advisor with CPA Australia also makes a series of excellent points on the subject (1.5). One of the leaders in the advancement of business integrity, the Ethisphere Institute, exists to drive ethical standards in business practices and to provide an independent objective assessment using an ‘ethics quotient’, which you can discover (2.3). It awards the World’s Most Ethical Company® designation, and several of the recipients are featured in Section 3 (3.1; 3.2; 3.6).

A great deal of research has been undertaken into legal and ethical behaviour, and Businessballs has provided an excellent document (4.1) to explain a number of guiding philosophies for companies. BMC offers an essential African perspective on leadership and organisational ethics (4.3), while the Ethics & Compliance Initiative (4.4) undertakes a quarterly Global Business Ethics Survey on workplace behaviour.

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Learning from the best is an essential part of developing your own code of ethics, and the World Health Organization (5.2) and UNDP (5.1) are both featured in this report. In addition, Deloitte has provided a superb article on the five ingredients you need to develop a world-class ethics and compliance programme (5.6); this is essential reading. In Section 6, you will find a series of self-assessments and measurement tools, including the excellent Ethical Leadership Scales (6.5) from Canada’s Institute for Ethical Leadership. And should you need any assistance along the way, we here at BPIR.com are available to help at any time.

Disclaimer: Recent information has been included in this report to ensure our readers are kept up to date with the latest research; where possible, permanent links have been provided. At the time of publishing, all links are live. We apologise in advance for any broken links that might occur after publication due to matters beyond our control.
• Action Planning
• Activity Based Management
• Awareness & Prevention of Diabetes
• Benchmarking
• Benchmarking 2
• Business Continuity Planning
• Business Excellence
• Business Excellence 2
• Business Outsourcing
• Call Centre Representatives
• Change Management
• Collaborative Tools and Methodologies
• Compensation Schemes
• Corporate Culture
• Corporate Governance
• Corporate Performance Management
• Customer Complaint Resolution 2
• Customer Complaints Resolution
• Customer Knowledge Management
• Customer Loyalty
• Customer Loyalty 2
• Customer Market Segmentation
• Customer Order Management
• Customer Profitability Management
• Customer Satisfaction Management
• Customer Satisfaction Surveys
• Customer Service Excellence
• Customer Service Training
• Customer Support and Service
• Customs
• Design Thinking
• Design Thinking 2
• Diversity Planning
• Drones
• Emotional Intelligence
• Employee Communication
• Employee Development
• Employee Happiness
• Employee Interviewing
• Employee Motivation
• Employee Motivation 2
• Employee Onboarding
• Employee Suggestion Schemes
• Employee Recognition
• Enterprise Risk Management
• Ethical Business Practices
• Excellence in Local Government
• Fleet Management
• Flexible Work Arrangements
• Green Supply Chain Management
• Healthcare Excellence
• Holacracy
• Ideas Management
• Information Communication Technology
• Innovation
• IT Outsourcing
• Knowledge Creation
• New Product Development Tools
• Occupational Safety
• On the Job Training
• Organisational Ethics
• Paramedic Training
• Performance Management
• PM Systems for Emergency Services
• Procurement
• Product Lifecycle Management
• Product Lifecycle Management 2
• Project Management
• Quality Education
• Recruitment and Selection
• Relationship Management
• Six Sigma
• Smart Services
• Social Media
• Strategic Planning
• Strategy Deployment Metrics
• Succession Planning
• Succession Planning 2
• Supply Chain Management
• Sustainable Development
• Target Marketing
• Think Tanks
• Total Quality Management
• Training for the Arts and Culture Sector
• Work and Life Balance
• Workplace Conflict Resolution
• Workplace Wellness