

# Business Ethics Infrastructure

## 6

*T*his chapter examines an essential element of a business ethics program: business ethics infrastructure—the structures and systems that help enterprise owners and managers address issues of responsible business conduct.

### Designing Business Ethics Infrastructure

One of the most important questions owners and managers of a responsible business enterprise (RBE) must ask themselves is “What style, structure, and systems of authority and responsibility at all levels should we exercise?”<sup>1</sup>

This manual details the best practices that have been developed, particularly over the past two decades, by large, complex enterprises (LCEs). These practices will be valuable for similarly situated enterprises in emerging market economies, which may look to formal structures and systems to help speed the evolution to a free market by improving their own business performance.

Although developed by LCEs, these best practices are also valuable as models for small to medium-sized enterprises (SMEs). By considering the best practices that LCEs, international institutions, and nongovernmental organizations (NGOs) have generated over countless hours of reflection, dialogue, and negotiation, SMEs can design business ethics infrastructure that meets world-class standards but is tailored to the requirements of an SME.

- **Designing Business Ethics Infrastructure**

- **Determining Systems of Authority, Responsibility, and Accountability**

## IMPORTANCE OF BUSINESS ETHICS INFRASTRUCTURE

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When designing business ethics infrastructure, owners and managers will consider the nature of the enterprise—its size, its complexity, and the resources available to it. As stressed in Chapter 3, an enterprise uses infrastructure and formal alignment practices to emphasize enterprise strengths and to compensate for and reform enterprise weaknesses.

Over the past few decades, various offices and committees—for example, the business ethics officer and business ethics council—have developed to serve a number of necessary functions. These offices and committees meet the needs of LCEs, and it is valuable to describe them for those designing and implementing a business ethics program of any size.

An example of how complicated these offices and committees can be is the program of HCA Inc., a large, very complex health care provider. Reflecting its complex organization, the program is overseen by a senior vice president for ethics, compliance, and corporate responsibility, who supervises over 20 individuals in a corporate ethics and compliance department, works with over 20 executives, and provides direction and oversight to over 200 ethics and compliance officers.<sup>2</sup>

At the other extreme, many enterprises have neither dedicated business ethics personnel nor a separate business ethics program.<sup>3</sup> In such cases, companies make business ethics a general management function. They provide no dedicated mechanism for employees and agents to seek advice or report concerns without fear of retribution, especially in cases where management is unable or unwilling to help or is part of the problem.

There is no right way to design and implement a business ethics program. However, *formally* addressing each of the seven levels of responsibility that this manual discusses below will serve an enterprise and its stakeholders well, especially in an emerging market economy.

The reader should also remember that, in describing offices and committees, this manual is really addressing functions. It is important that these functions be performed, not that any particular office or committee be established. If owners and managers adequately address the functions, they can design and implement an effective business ethics program that is relevant to their organizational culture and stakeholder expectations. Failure to address any of these functions will often lead to a significant lack of perspective or capacity to respond to issues and problems related to ethics, compliance, and social responsibility. RBE Worksheet 8, at the end of this chapter, will help owners and managers ensure that all necessary levels of responsibility are considered.

## **RESPONSIBILITY FUNCTIONS**

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Leading enterprises, government agencies, and NGOs have found that an effective business ethics program addresses functions at seven levels of responsibility:

1. Overseeing the program at a high level (the responsible officer)
2. Performing or coordinating the specific functions of the business ethics program (the business ethics officer)
3. Advising the responsible officer and business ethics officer and representing the enterprise as a whole (the business ethics council)
4. Advising the responsible officer, business ethics officer, and employees and agents about specific professional ethics, compliance, and social responsibility issues, such as biomedical, engineering, or community issues (the professional ethics council)
5. Linking various levels of the enterprise with a central ethics office (business conduct representatives)
6. Performing related executive and department functions (the chief financial officer; legal counsel; human resources; internal audit; environment, health, and safety; government procurement; and investor relations)
7. Abiding by standards and procedures and striving to meet reasonable stakeholder expectations (every employee and other agent of the enterprise)

Although these functions are discussed separately, the nature of the enterprise and its size, complexity, and resources may argue for combining any number of them. Informal channels and reporting relationships can also be integral parts of the design of a business ethics program.

## **BUSINESS ETHICS INFRASTRUCTURE FOR THE SME**

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The average SME may not have enough staff members to dedicate an employee or employees to each of the seven responsibility functions. For example, if an enterprise is large and complex, such as HCA Inc., an RBE may need a central coordinator and many high-level responsible individuals at dispersed facilities or regions. For an SME that has only one location, the function can be served by a high-level individual who has enough time to perform the duties—and is sufficiently detached from the issues raised—that he or she can be an effective channel for employees and agents seeking advice or reporting concerns. Often, for these reasons, owners and managers of SMEs will turn to trusted independent advisers, as Box 6.1, “Ten Ways Small Business Owners Can Prevent and Detect Fraud,” suggests.<sup>4</sup>

Table 6.1 describes how a typical SME might staff the seven responsibility functions.

### TEN WAYS SMALL BUSINESS OWNERS CAN PREVENT AND DETECT FRAUD

1. Hire a CPA to examine the books.
2. Have a written code of ethics.
3. Set a good example.
4. Have reasonable expectations.
5. Treat employees well.
6. Restrict bank account access.
7. Perform regular bank reconciliations.
8. Adequately secure inventory and supplies.
9. Adequately prescreen employee applicants.
10. Give employees a way to report fraud.

**Joseph T. Wells**  
“Protecting Small Business”

### Determining Systems of Authority, Responsibility, and Accountability

Support for a business ethics program must start at the top of an enterprise. The following general elements of leadership are typically found in successful programs:

- The owners or owner representatives ensure that the program provides them with adequate information regarding enterprise performance.
- The owners and managers set a tone of support for responsible business conduct.
- A high-level person is responsible for the business ethics program.
- The supervisors are responsible for how things are actually done in the enterprise.<sup>5</sup>

#### **INFRASTRUCTURE FOR OWNER REPRESENTATIVES**

A business ethics program provides an information and reporting system for both the owners and the managers. An emerging corporate governance standard is that owner representatives are responsible for ensuring that they receive the information they need to prevent and detect wrongdoing. They may be held individually liable for losses caused by noncompliance with applicable legal standards.<sup>6</sup>

While delegating authority to the chief executive officer (CEO) to conduct day-to-day operations, an RBE’s board of directors must provide for systematic and rigorous monitoring of enterprise performance through an information and reporting system. Boards often delegate the authority to

**TABLE 6.1 Business Ethics Infrastructure: SME Conversion**

Function	Typical SME Staffing
Overseeing the program at a high level (the responsible officer)	Often an owner performs this function, but another highly respected employee who has substantial authority in the enterprise is preferable.
Performing or coordinating the specific functions of the business ethics program (the business ethics officer)	Typically, a respected staff member performs or coordinates the functions of the business ethics officer. An SME can form or join a business association to develop training materials and provide a forum to discuss issues, problems, and solutions related to ethics, compliance, and social responsibility. The SME can employ an independent answering service to provide a mechanism for employees and agents to seek advice or report concerns anonymously. The SME can use an outside service to conduct a periodic evaluation of its business ethics program.
Advising the responsible officer and business ethics officer and representing the enterprise as a whole (the business ethics council)	An SME can conduct regular meetings of all or representative employees for perhaps 30–60 minutes, once a month, to discuss enterprise core beliefs; standards, procedures, and expectations; and current issues of ethics, compliance, and social responsibility. A medium-sized enterprise—especially one with multiple locations—can appoint members to a council that meets regularly by telephone. An SME can form or join a business association to provide a forum to discuss current issues, problems, and solutions related to ethics, compliance, and social responsibility. A college, university, or business development council might host a forum for SMEs. A large enterprise can—and often should—host a forum for its suppliers and service providers.
Advising the responsible officer, business ethics officer, and employees and agents about specific professional ethics, compliance, and social responsibility issues (the professional ethics council)	An SME can conduct regular meetings of all or representative professionals, for perhaps 30–60 minutes, once a month, to discuss core beliefs; standards, procedures, and expectations; and current issues of professional ethics, compliance, and social responsibility. A medium-sized enterprise—especially one with multiple locations—can appoint members to a council that meets regularly by telephone. An SME can form or join a business association to develop training materials and provide a forum to discuss current issues, problems, and solutions related to professional ethics, compliance, and social responsibility. A college, university, or business development council can host a forum for SMEs. A large enterprise can host or sponsor a forum for its suppliers and service providers.
Linking various levels of the enterprise with a central ethics office (business conduct representatives)	For the SME, these representatives may be respected, knowledgeable staff members at various levels or locations who have the right to communicate directly with the owner, owner representatives, responsible officer, or business ethics officer on issues of ethics, compliance, and social responsibility. These business conduct representatives can also conduct training and education and assist in program evaluation at local levels.
Performing related executive and department functions (the chief financial officer; legal counsel; human resources; internal audit; environment, health, and safety; government procurement; and investor relations)	SMEs often use trusted, independent professionals to perform many of these functions. If so, they should participate in the training programs for the enterprise's responsible business conduct and, where practicable, its discussions of current issues of ethics, compliance, and social responsibility. These independent professionals can form their own independent forums to discuss current issues of ethics, compliance, and social responsibility. They may also be engaged to advise SME owners and managers on how to design and implement a business ethics program using this guide and other resources.
Abiding by standards and procedures and striving to meet reasonable stakeholder expectations (every employee and agent of the enterprise)	Individual responsibility of employees and agents applies in all enterprises, regardless of their size. In SMEs, it may be difficult for employees to seek advice or report concerns confidentially and anonymously. Owners and managers of SMEs must work to develop an organizational culture in which employees and agents are able to speak up confidently and safely.

monitor enterprise performance to a committee, sometimes called an audit committee, less often a responsible business conduct committee.<sup>7</sup> Delegation of authority, however, does not relieve the board as a whole of its responsibility.<sup>8</sup> It is important that the audit committee have unrestricted access to necessary records and personnel. A policy that authorizes direct but limited access to the audit committee is set forth in Box 6.2.<sup>9</sup>

An audit committee is usually responsible for arranging for competent independent auditing. In this regard, it should be alert to any conflicts of interest that potential auditors might have, including conflicts stemming from their role as consultants.

Where managers sit on a board, an emerging best practice is for the audit committee to be composed wholly or predominantly of independent directors.<sup>10</sup> If committee members are managers, or are closely allied with managers, the board may be unable to represent the owners without bias in favor of management. This situation is an inherent conflict of interest. Moreover, the confidence of employees and agents to seek advice and report concerns may be compromised for fear of retribution.

### **HIGH-LEVEL RESPONSIBILITY**

A first step toward an effective business ethics program is to assign responsibility for its operation to a specific individual or group of people, which this guide calls a *responsible officer*. A responsible officer may be an individual, a committee, or an individual supported by a committee. An RBE should

#### **B O X 6 . 2**

### **BOARD-MANAGEMENT LINKAGE POLICY**

Direct, but limited, access to the board by the Responsible Officer, Business Ethics Officer, or Chair of the Business Ethics Council (individually or collectively referred to as “Senior Ethics Personnel”) are exceptions to the exclusive role of the CEO in connecting governance and management.

1. If, after having brought to the CEO’s attention any impropriety discovered in the course of his or her work, Senior Ethics Personnel deem that the CEO has failed to address the impropriety (or if the CEO is materially involved therein) he or she must report that impropriety to the Audit

Committee [Business Ethics Committee]. *Impropriety*, in this context, means a violation of law; material violation of board policies prohibiting the treatment of stakeholders in an unsafe, undignified, or unnecessarily intrusive manner or causing or allowing conditions that are unsafe, unfair, or undignified to employees; and failure to address recommendations of any external evaluation of the Business Ethics program itself.

2. Senior Ethics Personnel, in all other respects, are subject to the CEO’s managerial authority over all staff and have no direct access to the board or board committee.

## Translating the Vision

It is the job of every single employee to translate the Vision, the Charter, and the Policies into action. However, a particular responsibility for keeping the company's actions attuned to stakeholders' demands lies with the Board of Directors, Executive Management, and cross-organisational committees. Three committees, each chaired by a member of Executive Management, have specific responsibilities for sustainable development:

- The Environment and Bioethics Committee
- The Social and Industrial Relations Committee
- The Health Policy Committee

These committees' tasks are to identify issues, establish and revise policies, and devise strategies, targets, and action plans within their specific areas. Triple Bottom Line issues are reviewed twice a year at the Board of Directors' meetings.

**Novo Nordisk**  
**“Translating the Vision”**

avoid creating a situation in which no one is responsible because everyone is responsible. In the pressures of day-to-day operations, it is easy for employees and agents to focus on immediate tasks and goals. A single person needs to be tasked with ensuring that responsible business conduct becomes the norm at the enterprise.

For the business ethics program to be effective, the responsible officer, whether an individual or a group, should have a number of basic characteristics:

- Be at a high level of responsibility in the organization
- Have unrestricted access to the CEO and the board, or a designated board committee
- Have a high degree of trust and respect from senior management
- Have access to the resources necessary to ensure that the organization has an effective program
- Be given incentives and rewarded for proactively carrying out the roles and responsibilities of the office
- Have the skills to operate effectively with the media, public forums, government agencies, and the legal process<sup>11</sup>

### Ethics and Business Conduct

The Ethics and Business Conduct Committee is responsible for oversight of the ethics program. The committee is appointed by the Boeing Board of Directors and its members include the company chairman and chief executive officer, president and chief operating officer, presidents of the operating groups, and senior vice presidents. The vice president of Ethics and Business Conduct administers the ethics and business conduct program.

Boeing Company  
Boeing Ethics and Compliance Program

It is important that the person or group assigned responsibility for the business ethics program be at a high enough level to demonstrate the owners' and managers' commitment to the program. That person or group should be heard when business strategy and other important enterprise decisions are discussed, because an integral part of management's general responsibility is to ensure that enterprise resources are applied to achieve its goals and objectives. This requires that the person or group have substantial control over the enterprise or a substantial role in making policy.<sup>12</sup>

The responsible officer has three major objectives:

1. Ensuring that the enterprise establishes adequate standards and procedures to guide employees and agents and to create reasonable stakeholder expectations
2. Ensuring that these standards and expectations are institutionalized and enforced within the enterprise
3. Evaluating and reporting on the enterprise's performance against these standards, procedures, and expectations<sup>13</sup>

The reporting relationships of the responsible officer are critical. One key way in which owners and managers demonstrate support for a business ethics program is to demand regular reports on performance. Access of the responsible officer to the board and CEO serves a number of functions: it provides greater opportunity for responsible business conduct to be given

### Responsible Executives for Particular Areas of Risk

Individuals within the corporate office have been identified as the subject matter experts in particular areas of compliance risk and named Responsible Executive for those areas of risk. As such, they are responsible for identifying compliance risks; overseeing development of policies and procedures and training programs; performing monitoring; responding to auditing efforts; assisting with response to concerns that are raised; and providing support regarding their areas of expertise.

HCA Inc.  
“Responsible Executives”

due attention; it reinforces the authority and credibility of the responsible officer; and it provides resources to high-level decision-makers for guidance and support in dealing with difficult issues.

The responsible officer function may be served from any number of positions: an executive, a committee, an individual in charge of a business unit or major function, or someone with a substantial ownership interest.<sup>14</sup> The position may be full-time or part-time, depending on the enterprise.

High-level responsibility may also be assigned for specific areas of ethics, compliance, and social responsibility. For example, in enterprises such as hospitals, one person may be responsible for the organizational ethics program and a medical professional may be assigned responsibility for the biomedical ethics program. In an enterprise that does a lot of government contracting, a high-level person may be assigned to monitor that specific function.

In a highly regulated enterprise, legal demands may be such that a compliance officer should be appointed to deal only with compliance issues, in coordination with the ethics and social responsibility functions. This may be the case, for example, in an economy where the enterprise must be especially diligent against corruption. In another enterprise, issues of responsibility to external stakeholders may be so demanding that a social responsibility officer should be appointed to deal with those issues, in close coordination

with the responsible business conduct functions. This may be the case, for example, in an economy where environmental issues or relations with indigenous tribes are common.

### **BUSINESS ETHICS OFFICER**

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Independent of high-level responsibility for the business ethics program, a number of specific business ethics staff functions must be accomplished for the program to be effective. It is critical that a specific individual or individuals be assigned responsibility for these functions. Responsibilities for reporting to the owners (or their representatives) are typically retained by the responsible officer. However, a best practice is for both the responsible officer and the business ethics officer to have access to the CEO and board.

#### *Roles and Responsibility of the Business Ethics Officer*

The business ethics officer is the staff officer responsible for the day-to-day operations of the business ethics program. Two practitioners have identified the following 12 functions of a business ethics officer:

1. Coordinate development and implementation of the business ethics program.
2. Establish and chair a business ethics council representing all levels of the enterprise.
3. Develop and maintain standards of conduct and procedures, as well as related policies, which will guide employees and agents and will foster reasonable stakeholder expectations.
4. Establish internal reporting channels, including, but not limited to, a help line that employees and agents may use to seek advice and report concerns without fear of retribution.
5. Establish or coordinate monitoring controls and measures to ensure that correct processes are established and followed.
6. Implement or coordinate enterprise-wide communication and training programs to ensure that all employees, agents, and other stakeholders are educated on the standards, procedures, and reasonable stakeholder expectations.
7. Coordinate or conduct inquiries and investigations to ensure proper follow-up on reports and resolution.
8. Delegate authority to conduct appropriate inquiries and investigations (for example, legal, human resources, internal audit) when necessary.
9. Monitor and evaluate the business ethics program for periodic modifications when needed.

10. Maintain a working knowledge of relevant issues, laws, regulations, and emerging standards of ethics, compliance, and responsibility through periodicals, seminars, training programs, and peer contact, including membership in professional associations.
11. Respond appropriately when a violation of these standards is uncovered, including making a direct report to the board or external agency if a violation of law or regulation is involved.
12. Report quarterly to the appropriate board committees on the status of the business ethics program, report to the CEO or appropriate board committees whenever necessary, and report to stakeholders annually.<sup>15</sup>

### *Location and Centralization of Business Ethics Offices*

The functions of the business ethics officer may be performed by one ethics officer out of a central location or may be decentralized. For example, the business ethics officer may be located at headquarters, or each plant may have a business ethics officer. The significant differences relate to responsibility and reporting. In a decentralized program, the local business ethics officer will be personally responsible for the conduct of the program at the local level and be required—and entitled—to report to the CEO and board on issues of responsible business conduct. He or she may also have more responsibility for training and investigations.

The advantages of centralization include a more consistent message, economies of scale in production and distribution, more effective monitoring of the program, and more uniform and efficient enforcement. Advantages of a more decentralized approach include messages that are more tailored to local circumstances, more employee involvement, and more nuanced and inclusive decision-making.<sup>16</sup>

### *Business Ethics Officer Qualifications*

Business ethics officers generally have extensive experience throughout the enterprise over a number of years. They have developed personal networks that allow them to understand and relate well to the enterprise as issues arise.<sup>17</sup> Owners and managers often bring in someone from the outside when there has been a pattern of serious misconduct or when they see the need for significant change in the organizational culture.

In terms of their operational experience, staff members from departments such as general business, finance, internal audit, and human resources tend to be tapped to be business ethics officers. Appointing a lawyer as business ethics officer, especially where legal compliance is a significant program element, often leads to responsible business conduct being treated as simply an extension of the legal function. However, as two lawyers write, “Compliance is not just another legal matter. It is a management responsibility demanding a full

range of management resources and skills, and the exercise of those in the day-to-day management of the business.”<sup>18</sup>

### **BUSINESS ETHICS COUNCIL**

The business ethics council serves principally as an adviser on setting policy, resolving issues, and monitoring the business ethics program. In larger enterprises, it often consists of representatives of executive management, including finance, general counsel, human resources, internal audit, quality, and public affairs. It is typically chaired by either the responsible officer or the business ethics officer. It is advisable that all levels of the enterprise be represented so that the council’s advice fully reflects the enterprise as a whole. Wider participation may also contribute to greater employee acceptance of the program and its message.

A business ethics council should meet on a regular basis, perhaps monthly or quarterly. It raises issues of concern in the enterprise, reviews disposition of help-line requests for advice or reports of concerns, previews training materials, and recommends policy changes or program modifications. It meets on call when there are urgent matters to address, such as unforeseen conduct issues or a compliance violation that may require disclosure to government agencies.

If the business ethics officer is highly respected and has an extensive network of managers and specialists that he or she can turn to for advice, a business ethics council may not be especially valuable. The risk of not having such a council, however, is that the business ethics program lacks the formal acknowledgment that input from all levels of the enterprise is important to management. Also, the lack of a council tends to identify the business ethics program with one person, which may require restructuring the business ethics program when he or she leaves the post.

#### **Application to SMEs**

An SME can benefit from having a business ethics council composed of representative members of the enterprise. It serves as a forum to allow members to raise their concerns and demonstrates the owners’ commitment to responsible business conduct.

### **PROFESSIONAL ETHICS COUNCIL**

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The business ethics council is concerned with standards of conduct that affect the RBE as a whole. In many enterprises, well-developed bodies of professional ethics standards guide day-to-day operations. For example, biomedical ethics guide health care providers, especially physicians and nurses. Other examples include legal, engineering, accounting, and environmental ethics, but there are many others, including specific social responsibility issues.

In each of these areas, significant issues will arise that require the same sort of consultation and advice process that the business ethics council provides on more general issues. To address these more specific issues, an RBE might establish a professional ethics council. For example, biomedical ethics is such a significant part of hospital operations that hospitals often have a separate biomedical ethics council, which reports directly to senior management on biomedical issues.<sup>19</sup>

If an enterprise wants to contribute to the welfare of its community as a whole, beyond its essential function as a business, it might appoint a community relations committee. Such a committee might identify specific community needs not met by government or civil society, coordinate with NGOs, and organize voluntary employee work projects. It would usually coordinate closely with the public affairs function to further enhance the reputation of the enterprise.

### **BUSINESS CONDUCT REPRESENTATIVES**

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An RBE must also determine how best to engage its employees and agents in its business ethics program. If the enterprise is large or complex, local personnel can be appointed to serve as advisers to local managers, employees, and agents and as channels for communication back to a central business ethics office. An SME will generally not make formal appointments of business conduct representatives at individual units since the responsible officer and business ethics officer will generally be able to give each unit adequate attention.

Business conduct representatives generally report directly to both the senior manager at the location and the business ethics officer. They advise managers and other employees on standards, policies, procedures, and the business ethics program as a whole (see Box 6.3). They facilitate the functions of responsible business conduct at the local unit, such as training; monitoring, auditing, and investigating; providing employee incentives and discipline; and evaluating the program. They are responsible for coordinating with other functions at the local level such as legal; environment, health, and safety; quality management; and human resources.

## BUSINESS CONDUCT REPRESENTATIVES

Business conduct representatives advise employees on standards, policies, procedures, and the business ethics program as a whole. The following question, from the Standards and Ethics Web page of Raytheon, is typical of the issues a business conduct representative deals with:

**Q:** I was just assigned as the company's in-country program manager for a major foreign government contract. I want to host a business lunch at a local restaurant for a senior official of the Ministry of Defense for the purpose of reviewing contract/program status. Is this permissible?

**A:** Maybe. You need to review the company's policy on offering business courtesies to customers. Company policy requires that

the offer of any business courtesy (including meals) to a foreign government person meet a three element test. First, the proposed gratuity must be legal under the laws and regulations of the person's home country. Second, the gratuity must be a reasonable and bona fide expenditure incurred by or on behalf of the foreign official. Third, the gratuity must be directly related to the promotion, demonstration, or explanation of Raytheon's products or services or performance of a contract with a foreign government. In all cases, business meals being offered to any foreign government person must be approved in advance by your Legal Department Vice President.

**Raytheon**  
"Standards and Ethics"

Business conduct representatives must be familiar with enterprise standards, procedures, and expectations and all communications channels. They must be able to give unbiased advice that will not interfere with the conduct of their primary duties. For this reason, they should not be appointed from the human resources, procurement, or legal units of the enterprise, which are often either the source of the issue or the unit responsible for resolving the issue.

## RELATED EXECUTIVE AND DEPARTMENT FUNCTIONS

The business ethics officer is responsible for coordinating the enterprise's ethics, compliance, and social responsibility programs. This task requires that the business ethics program be integrated well with other enterprise functions.

The chief financial officer, for example, is responsible for maintaining the enterprise's financial integrity, including all of its financial practices, books, and records. He or she will also have significant influence in the allocation of resources for business ethics infrastructure, including training.

An enterprise's internal auditor is closely involved in the enterprise's internal controls and processes. (LCEs will often have an audit department.) The internal auditor will be able to provide significant support to the business ethics officer by providing advice on internal controls and processes and by conducting inquiries and investigations.

The business ethics officer will often turn to the chief legal officer for advice on legal requirements of a compliance program, due process requirements of inquiries and investigations, legal risk analysis, and possible program outcomes.

In the minds of many employees, when one speaks of ethics one speaks of “fairness.”<sup>20</sup> Many ethics issues, therefore, involve human resources issues: assignments, compensation and benefits, discipline, employee assistance, and promotions. The business ethics officer will need to recognize human resources issues and work with human resources personnel to resolve them.

Other enterprise functions that the business ethics officer will work with closely are training, education, and development; environment, health, and safety; security; quality management; and operations and administration in general.

### INDIVIDUAL RESPONSIBILITY

To be a truly responsible business, the enterprise must articulate the responsibilities of all of its employees and agents in a positive, constructive manner. For owners, managers, and supervisors, this effort may involve complete awareness of the business ethics program itself. Owners, managers, and supervisors must demonstrate commitment to the program in all that they say and do. They are responsible for maintaining an organizational climate in which pressures to violate standards are minimized and incentives to achieve enterprise goals and objectives, pursue the enterprise purpose, and meet reasonable

#### PRACTICE NOTE

#### Individual Responsibility Is Key

15. All officers, executives, and managers of Alcatel and its subsidiaries are responsible for the continuing enforcement of and compliance with this policy, including necessary distribution to ensure employee knowledge and compliance. Non-compliance with this policy will result in disciplinary measures.

16. Any employees meeting with difficulties in the application of this policy must consult with their management.

Alcatel Group  
“Statement on Business Practices”

stakeholder expectations are high. Managers and supervisors may be required to certify regularly that they have no conflicts of interest and that they—and those they manage—are following the business ethics program.

For all employees and agents, their specific responsibilities under the business ethics program may require familiarizing themselves with the standards, certifying receipt of the code and compliance with code requirements, attending scheduled training, participating in feedback sessions and investigations, and seeking advice and reporting concerns.<sup>21</sup> They may also be charged with contributing to an organizational climate in which all employees can work together to achieve the enterprise's purposes.

## **SUMMARY**

Responsible managers consider the strengths and practices of the enterprise when designing business ethics infrastructure. Owners and managers of an RBE design and implement business ethics infrastructure by answering this question: “What style, structure, and systems of authority and responsibility at all levels should we exercise?”

To support employees and agents in their day-to-day conduct of responsible operations, owners and managers establish certain functions and positions, such as high-level oversight of the program; a business ethics staff to administer the program; representative councils of the enterprise and professionals; legal, human resources, and internal audit linkages; and individual responsibilities of staff members. Such infrastructure may be particularly valuable for an enterprise as it participates in the evolution of an emerging market economy.



**RESPONSIBLE BUSINESS ENTERPRISE**

## **Checklist**

1. **How should a board of directors organize itself to best represent the shareholders and provide proper guidance and oversight to management?**
2. **What style, structure, and systems of authority, responsibility, and accountability should we employ at each level of responsibility in our enterprise?**
3. **What do we need to do to develop adequate systems to support this infrastructure?**
  - a. **For communications and feedback mechanisms, see Chapter 7.**
  - b. **For management alignment systems and practices, see Chapter 8.**
  - c. **For program evaluation and organizational learning systems, see Chapter 10.**

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**Business Ethics Infrastructure Worksheet**

RBE Worksheet 8, which may be photocopied for use within your organization, provides a tool for ensuring that all necessary levels of responsibility are considered. Owners, managers, and staff members should engage stakeholders to address each element of their level of responsibility along the vertical axis to ensure that they are consistent with their enterprise standards: their core beliefs and the standards, procedures, and expectations developed in Chapter 5. From this dialogue, they will be able to identify any required elements of the business ethics infrastructure.

Function	Enterprise Standards	Required Infrastructure
Owner representative governance		
Overseeing the program at a high level (the responsible officer)		
Performing or coordinating the specific functions of the business ethics program (the business ethics officer)		
Advising the responsible officer and business ethics officer and representing the enterprise as a whole (the business ethics council)		
Advising the responsible officer, business ethics officer, and employees and agents about specific professional ethics, compliance, and social responsibility issues (the professional ethics council)		
Linking individuals at various levels of the enterprise with a central ethics office (business conduct representatives)		
Performing related executive and department functions (the chief financial officer; legal counsel; human resources; internal audit; environment, health, and safety; government procurement; and investor relations)		
Abiding by standards and procedures and striving to meet reasonable stakeholder expectations (every employee and other agent of the enterprise)		