CHAPTER 18.

DRAFTING A CODE OF ETHICS.

Now that the content of the code of conduct has been settled, the code needs to be put into the right format. Again this depends on the individual company’s preference, but here are a few hints that should be taken into consideration:

1. A code that is clear and defines the subject matter well will be much easier to interpret and act upon.

2. Care should be taken to avoid, as far as possible, any goal conflicts within the code. The aims of the business and the ethical conduct that is aspired to must be compatible.

3. An ethics code should:
   - Be accepted by all affected persons (see page 11 concerning “consent”);
   - Be in writing so that there can be no difference in the degree of information for all;
   - Be formulated in clear, simple language;
   - Take the practicability of its conditions into consideration;
   - Include known aspects of conflict in a manner flexible enough to allow future similar situations to be dealt with.
   - Have build-in-flexibility because that facilitates delegation and thinking.
• Be consistent with other company policies and guidelines;
• Be well communicated and discussed and at all times available to all employees.

4. The people who are to act in accordance with the code should be motivated by it and the code should be phrased in a language that will encourage them to act in compliance with ethical norms (see integrity or value based code – page 202, chapter 16 “The First Decisions”). Few employees are inspired by philosophical concepts; they need an understandable message on which they can act. While a code can only be a guide, it must give sufficient lead for managers and staff not to be put in the position of having to make decisions and act in an obscure value system hidden in a mist of uncertainty.

5. As has been said previously on numerous occasions, trust is established through openness, transparency and consultation (see also chapter 7 “Trust”). If the code is to be a success, all affected individuals need to be part of the design of the code as well. Clearly, an organically grown ethic means a high degree of identification of the employees with the company. An ethic that is believed in by staff is a wonderful motivator, adds greatly to the company’s reputation and is a self-disciplinary tool.

6. A way of designing a code (taken from Hartmut Kreikebaum’s book - 38. Kreikebaum, 1996: 193/4 – my translation) used by the German company Bernhard Kupsch GmbH is to set out the main values and illustrate them in a subsequent part of the code of ethics. The values here are:

• Truth-telling is the honest and responsible way of dealing with the truth;
• Reciprocal trust is the foundation of fruitful co-operation;
• Transparency is the fast way to reach a common goal;
• Credibility is the precondition to convince people of our business aims;
• Honest courteousness is the basis of our relations with one-another;
• Different opinions are a way to new knowledge;
• Self-respect is necessary to strengthen the individual and the business;
• Creativity is the inventive power which protects the existence of the business;
• Our success is the result of good co-operation of all employees in the company.
The company then defines these broad guidelines through further explanations that are grounded in the Golden Rule (page 22): e.g., the value “Different opinions are a way to new knowledge” is further elucidated as follows:

- Listening to the opinions of others fosters preparedness for co-responsibility.
- Through focused questioning one learns the opinions of others.
- I see different opinions as the motor for progress and the nursery of fruitful co-operation.
- I am not closed to suggestions from others, but see them as genuine efforts to help me.
- I do not devalue the opinions of others, and try to see the situation through their eyes.
- I accept other opinions even if they are uncomfortable.
- I take care to listen to others and to understand them.

7. As a CEO, I would decide with staff on the basic issues as explained under paragraph 1 of chapter 17 “The Content of a Code of Ethics in Credit Insurance”. Then the employees in the various divisions listed in that chapter in paragraphs 2 – 8 need to suggest which ethical issues should be answered and in what manner. All this work would be guided by the First Decisions as referred to in chapter 16 “The First Decisions.” Thereafter the first draft of the code should be prepared, tested against actual situations and thoroughly discussed by all staff (or by a specifically appointed committee with input being asked from all employees) and others at whom it is directed. On completion the code should be submitted to the board of directors for approval. Once accepted by all, it will be implemented (see chapter 19 “Implementation and Management of a Code of Ethics”), carefully monitored and adjusted according to experience and new circumstances.

8. It is not easy to find the balance between a short to-the-point code of ethics and one that is very comprehensive. For further details on this subject refer to paragraph 3., chapter 16 “The First Decision”.

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9. The length of the code will also influence to some extent the format and look of the final code. If it is a comprehensive code it will be in book form but should preferably be bound so that it is easy to change or add pages. A code must be a living document that is revised from time to time in the light of changing circumstances. Experience with the code will also dictate changes to it. The code of ethics booklet should be attractive, though not opulent, so that it gives the right feel and so that people like the look and use of it.

10. As previously stated, it must have an introduction explaining its rationale, its aim, its audience and should thank all those who have made an input. It should also encourage employees to report any shortcomings in or any changes that they believe should be made to the code and to discuss their experiences in using it. The introduction should be signed by the chairman of the board of directors and the managing director to show full support from the top.

11. The code must be easily accessible to all (in multilingual companies the code should preferably be in all the relevant languages). The language should be plain and user-friendly. Difficult words, phrases and concepts need to be explained. If the code is an unwieldy, difficult to understand document, it will not be used and be nothing more than a waste of time and effort.

12. There must be clear headings and a detailed list of content so that subjects are readily found. For instance Chubb Corporation of the US has divided its comprehensive code into the following main headings:
   - Introduction;
   - The Employment Relationship;
   - Relationships with Customers, Other Business Entities and Government;
   - Responsibility for Compliance.

And the German company, Siemens’s code has the following content:
   - Business Conduct Guidelines;
   - Basic behaviour requirements;
• Relations with business partners and third parties;
• Avoiding conflicts of interests;
• Handling of company assets;
• Dealing with information;
• Environment, security and health;
• Complaints and hints;
• Implementation and control.

As for the Chubb code, these are the main headings which are illuminated by many subheadings in the list of contents. It is also useful to have sections on “How to use the Code” and “How to deal with ethical dilemmas.” The code of ethics should also include a list of all other relevant company rules, such as general staff policies, disciplinary code, underwriting guidelines etc.

13. A credit insurer could of course divide his code of ethics along the lines of the enclosed list of issues shown on pages 209 to 214 of chapter 17 “The Content of a Code of Ethics for a Credit Insurer”.

14. While the code should be in book form, so that every staff member and other affected stakeholder has her/his own exemplar, it is also very useful to have the code on the company’s intranet for staff and on its website for interested outsiders. The code of ethics should not be seen as a confidential document; on the contrary it should be made widely known. This will also serve to underpin the company’s reputation and is necessary for whistleblowers, as otherwise they might not know what represents a digression from the code.