

COMPLIANCE WEEK

Eight Essentials for a Global Code of Conduct

By Andrea Bonime-Blanc — March 11, 2008

With corporate scandals continuing unabated and hitting the headlines daily (the U.S. sub-prime mortgage crisis, Siemens' bribery probe, Societe Generale's rogue trader, to name a few), more and more organizations—whether corporate, non-profit, academic, or governmental—are adopting global codes of conduct for their employees, executives, agents, partners, and vendors. And these global codes are not necessarily being used as organizational wallpaper like they might have in the past.

Increasingly, organizations are looking to adopt practical, useful, and relevant global codes that will help their people and their business solve problems, mitigate dangers, and even gain competitive advantage. This article focuses not on what should be in a global code per se, but on how an organization can create a living, breathing, customized, and relevant document that goes beyond being decorative to becoming useful. The focus then is to provide a practical blueprint of the ingredients that go into the creation of a global code that is useful and powerful—that is, a representative, respected, and evolving part of the organization's DNA.

A well-conceived global code will provide stakeholders with ways to tackle not only the easy black-and-white decisions but, more importantly, the harder (and more common) grey areas that we all inevitably and not so infrequently confront in our daily work. A global code should ultimately be viewed as an educational and helpful manual that empowers stakeholders to integrate doing business with doing “the right thing.”

The eight essential ingredients of a useful and potentially powerful global code are:

- *Consistency with values.* A global code should be directly or indirectly tied to (or be consistent with) the organization's core values.
- *Integration with strategy.* A global code should embed and reflect the core business strategy and mission of the organization.
- *Customization to key risks.* The subject matter of a global code needs to reflect the risk profile of the particular business or organization, and be customized to both broad general business risks as well as the particulars of the organization.
- *Connection to citizenship.* A global code should contain a breadth

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Bonime-Blanc previously served as General Counsel and Chief Compliance Officer of the global power division of PSEG, a leading U.S. energy company. Prior to that, she practiced international transactional law at Cleary, Gottlieb, Steen & Hamilton and King & Spalding.

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of subject matter to cover not just compliance topics, but ethical and behavioral ones as well.

- *Global and local relevance.* A global code must be broad enough to appeal to universal values and practices, and still localized enough to be understandable and useful at each local culture.
- *Educational.* A global code should not be preachy. It should be helpful and educational, providing readers with practical examples of desirable or undesirable behaviors and actions.
- *Feedback friendly.* A global code should include a clear, simple, and direct way for employees and others to report problems and seek advice.
- *Subject to continual improvement.* A global code should be subject to review, revision, and improvement on a periodic and regular basis both to reflect changes and improvements in law and best practices, as well as lessons learned from real cases within the organization.

Those are the elements of a good global code at a very high level; now let's examine each element in more detail to see what it really means. For most, I have examples from actual companies that you can review for reference. [To read the companies' codes of conduct, please see box at right.]

1. Consistency with values.

The most successful codes of conduct are those that try to relate directly (or at least indirectly) to the organization's stated values and principles. When a code can build on values, and indeed express and realize those values, it becomes a much more useful tool for accomplishing desired results.

Take a look at Accenture's global code of conduct. Each of the company's stated values—stewardship, best people, client value creation, one global network, respect for the individual, and integrity—is actually used as the core organizational principle for the code of conduct. Employees can see, in a very practical way, how they are supposed to behave given the company's values. Too often, statements of values are dismissed by workers as feel-good fluff. Accenture relates those values to concrete expectations of behavior.

2. Integration with strategy.

To realize and internalize the statements made in a code of conduct fully, the code should reflect the relevant industry or business of the company. It should attempt to weave clear aspects of the core business focus into the elements of the code.

The BP code of conduct is a good example of how an oil and gas major has woven aspects of its business throughout its code. It provides examples and question-and-answer guidance to illustrate its values and to educate employees and other stakeholders. Much like Accenture's example, BP shows employees how its ethical expectations translate into daily behavior on the job.

the Council on Foreign Relations, and the Board of Directors of the American Association for the International Commission of Jurists.

Related Resources

-  [Accenture's Code of Business Conduct](#)
-  [Text of BP's Code of Business Conduct](#)
-  [Baxter International's Code of Business Conduct](#)
-  [General Electric's Code of Business Conduct](#)
-  [Merck's Code of Business Conduct](#)

Related Coverage

-  [How to Manage Codes of Conduct \(Sept. 18, 2007\)](#)

3. Customization to key risks.

Companies that engage in a holistic risk-management program, where ethics, compliance, and governance risks are regularly and systematically identified, addressed, and considered will be in a far better position to deal with such issues than companies that do not. Moreover, companies that go a step further and link their predominant risks to their code of conduct and training program come even closer to managing their risks, because by populating their code with these issues they educate and engage the help of their employees.

A look at the Global Business Practice Standards Manual of Baxter International, a medical devices manufacturer, shows how the company has identified a number of potential risks that directly relate to the business Baxter is in. Consider the headings in the code: “Advertising Sales and Labeling,” “Clinical Consultants, Grants, Honoraria, and Sponsorships,” and “Government Sales,” to name a few.

4. Connection to citizenship.

Any one of the codes already mentioned demonstrates how broad and diverse the subjects covered in a code of conduct can be. Some companies specifically have a corporate responsibility section embedded in their code; others may include their code within their corporate responsibility program. Whichever way a company presents this issue, it remains indisputable that codes of conduct are, and will continue to be, intrinsically and inextricably linked with corporate responsibility.

For codes of conduct that are particularly well connected to their company’s corporate citizenship or responsibility program, see the examples of GE, L’Oreal, Novartis, Shell, and Xerox.

5. Global and local relevance.

Many companies decide to have one global code of conduct, despite the possibility that by having only one code, the key principles stated are so general and vague that they could become meaningless to a globalized workforce. On the other hand, multiple codes with extensive local variation can create a nightmare of values, laws, and regulations that can be nearly impossible to manage and enforce. The right balance to strike, therefore, is a framework of global values and guidelines that goes beyond the requirements of law while simultaneously allowing local operations to add nuances of local law when necessary.

Many of the companies cited in this article specifically allow their local operations to augment the global guidelines and rules with locally relevant content. That is a good policy, and another step toward the all-important goal of a code that shows how company values should be applied in the worker’s daily routines.

6. Educational.

The best codes of conduct contain educational materials that allow employees and other stakeholders to understand what the topic covered is about, ask questions, get answers, and see examples.

A couple of codes of conduct that do this well are the BP code mentioned above and the code of conduct of Merck & Co. See the “Our Values and Standards” section in Merck’s code. Throughout the document, it uses a Q&A format, with a first-person voice, walking employees through dilemmas they are likely to encounter.

7. Feedback friendly.

An indispensable part of any code of conduct is to ensure that a clear and very visible section describes how

employees and other stakeholders can seek advice and report concerns, anonymously or otherwise. Feedback “friendliness” is vital to a successful code; without a continuous feedback loop between employees and relevant ethics and compliance resources, a code becomes a worthless piece of corporate wallpaper or an empty bit of Website decoration. All of the aforementioned codes of conduct contain good examples of how some leading companies have made such resources visibly available.

8. Subject to continual improvement.

A code should be viewed as a living document subject to continual improvement, as new best practices arise, legal or regulatory rules change, mistakes are made, and lessons are learned. All of these events should be used to refresh corporate messages. Several of the codes of conduct named in this article represent new editions of codes that have existed for years.

A global code will be at its most useful and powerful if these simple but essential principles are followed both at the creation of a new code and at its future revision and rejuvenation: connection to values, strategy, risk, and corporate citizenship; global and local relevance; educational tone, feedback friendly; and always subject to improvement.

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