UNIT 96 – UPSC - Codes of Ethics

Code of ethics is a written set of rules issued by an organization to its workforces and management to help them conduct their actions in accordance with its primary values and ethical standards. Basically, it is guidelines of principles for experts to conduct business honestly. The Code of Ethics describes the principles and anticipations governing the behaviour of individuals and organizations in the conduct of business. It defines the minimum requirements for conduct, and behavioural expectations instead of specific activities.

A code of ethics document may shape the mission and values of the business or organization, how professionals attempt to resolve problems, the ethical principles based on the organization's core values and the standards to which the professional will be held. Both businesses and organizations have code of ethics that its personnel must follow. If they disobey the rules of the code of ethics, it may result in termination or dismissal from the organization. A code of ethics is important because it clearly lays the "rules" for behaviour and provides a preventive cautioning.

A code of ethics is an important document for any type of business because breaches of ethics can create serious trouble with customers, other organizations or government authorities. When company has a code of ethics, Management can take wise decision. It can reduce ambiguity and considerations of individual perspectives in ethical standards.

The main purpose of a code of ethics is to guide all managerial decisions, creating a common framework upon which all decisions are founded. This can aid to create a unified understanding of the boundaries within an organization and the standards set for interacting with external stakeholders. A formal, well-communicated code of ethics can also assist to shield a company's status and legal standing in case of a breach of ethics by an individual worker. A code of ethics can help company to show customers that it values integrity, define the terms of ethical behaviour at work and guide decision-making in difficult situations.

Principles of code of ethics:

The five fundamental principles of code of ethics are as under:

1. Integrity: A professional should be straightforward and honest in all professional and business dealings.
2. Objectivity: An expert should not allow bias, conflict of interest or unnecessary influence of others to supersede professional or business judgments.
3. Professional competence and due care is another principle of code of ethics. A professional has a responsibility to maintain professional knowledge and skill at the level required to guarantee that a customer or employer receives competent professional services based on current developments in practice, legislation and techniques. A professional should act assiduously and in accordance with applicable technical and professional standards.
4. Confidentiality: An expert should respect the confidentiality of information acquired as a result of professional and business relationships and should not reveal any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal benefit of the professional accountant or third parties.
5. Professional behaviour: A professional should obey with pertinent laws and regulations and should avoid any action that discredits the job.
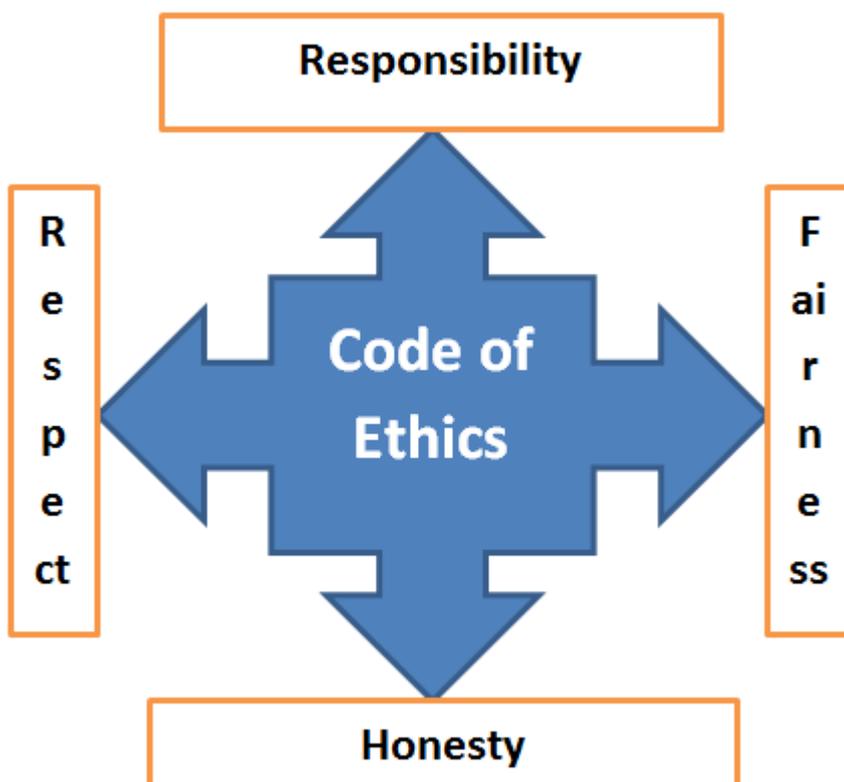
There are two main types of codes of ethics. The short code of ethics and the longer code of ethics.

The shorter codes are meant to be a general framework that guides the professional of the society towards certain moral goals and responsibilities. These code have strength in the fact that they are concise and therefore more likely to be read by the members of the society. They are also more open to personal interpretation and application which may allow the flexibility to apply the ethics in a large assortment of situations. The drawbacks of the shorter codes are that they do not provide

a specific course of action. A member must decide the suitable course by interpreting the codes themselves.

The longer codes of ethics are more precise. Benefit of these codes are that they can give specific solutions to some ethical dilemmas that may be encountered by their members. A shortcoming of the longer codes is that many of the members will not have the patience and motivation to read through all of the details of the codes, and are more likely to not use them because of the intimidation of the length and complexity.

Content of code:

- o Rationale
- o Values
- o Guidelines for conduct
- o Guidelines for ethical-decision making
- o Sanctions
- o Resources and references

Steps of writing code of ethics:

When writing a code of ethics for organization:

1. It is important to first consider organization's mission, values, and goals, including its position on sustainability.
2. Secondly, use clear language to make the code user friendly.
3. Include expectations for general conduct at work, as well as examples of unprincipled behaviour.

The scope of code of ethics is wide. Codes of ethics can cover from the corporate level to the workgroup level. Corporate level ethics standards speak in grand, principled terms, communicating the entire ethical idea of the organization in a single document. Ethical standards for business units or geographical divisions can be more specific, applying to the particular industry or region in question. Codes of ethics at the departmental level often deal with highly specific issues, which are often related to experiences and trends within the department.

The process of code of ethics is quite simple. An executive of company can create in the privacy of his own office, but an individually dictated set of standards can often fail to achieve its purpose. Involving a wide range of workers from all levels of company in the process of enlisting and formalizing a code of ethics can aid to safeguard that all employees are on board with and dedicated to the standards.

It is a good practice to revise code of ethics from time to time in order to make changes in the industry or legal environment. It can help to guarantee that company's ethical reputation remains perfect.

Codes of ethics has great prominence in the international arena. Ethical standards vary between countries and regions. International business people must develop good understanding of each culture's ethical standards to get success in business and the company's code of ethics either be written to compromise with foreign ethical standards or to maintain a single code in all nations.

Benefits of developing code of ethics are that these guidelines identify core values, encourage reflection on the meaning and application of values, enhance reputation, build trust both internally and externally and increases awareness of ethics issues. Code of ethics also stimulates ethics talk, guides decision-making, reduces ethics risks, fosters reporting of problems, encourages seeking advice and enhances good governance and leadership.

To summarize, a code of ethics, elucidates an organization's mission, values, and principles, associate them with standards of professional conduct. A code of conduct is guiding process for managers and personnel when making decisions for organization. A code of ethics is a document, customarily issued by a board of directors of company that outlines a set of principles that affect decision-making.