The Components And Importance Of Code Of Ethics Implementation

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Introduction

A Code of Ethics sets the Responsibilities, objectives, ethics, and values of the company. Employees can solve ethical situations if an organization has a well-written Code of Ethics. A code of ethics enables the employees to operate with ethical conduct and honesty. The firm should outline the penalties that can be used against individuals who act contrary to the ethics code since their violation is the same as a violation of the law. The paper aims to illustrate the necessity of a code of ethics in an organization. The essay will revolve around the components and importance of the code of ethics. Additionally, a financial institution with a well-structured Code of Ethics, as well as the weakness of the code, is discussed.

Code Of Ethics Components

Values: The daily activities of the company articulate the values of a business, for example, in the daily interaction with the customers and the employees. The primary objective of value as a component of a code of ethics is to illustrate the business activities (Chandler, 2014). Furthermore, the value in business ensures that all interactions are carried out with respect, irrespective of the position.

Compliance: There is a set of rules that regulate the daily activity of a business. For example, the Sarbanes-Oxley Act resulted when the executives forged the financial records leading to the Enron Case. Documentation might include ISO 9000, a requirement for financial licensing and reporting for the organizations. Furthermore, all the legal regulations are an integral part of the compliance.

Principles: Principles have an operational credo that supports the value of the business. The employees should adhere to the operational credo in their daily activities. Documentation of the business principle must consider critical factors such as continuous improvement, business profitability, and customer satisfaction (Mandal, 2010). Also, the business principle has a corporate responsibility to the environment. The environment in a financial institution includes the potential customers.

Management support: The code of ethics document contains the management support on the principles and values of the business. The code can also incorporate the open door policies. The policies enable the employees to report ethical issues as well as violations. Many financial institutions' Codes of Ethics have a manager's signature.

Personal responsibility: The personal responsibility of each employee to follow a Code of Ethics is another component. Moral and legal consequences as a result of a violation of the code are other necessary information in the personal responsibility statement. Lastly, personal responsibility ethics involves reporting the ethics violators (Donald, 2016).

Importance Of Code Of Ethics

A Code of Ethics in an organization results in integrity, which promotes respect. An environment of respect, trust and confidence is created when employees follow the Code of Ethics. The written ethical code provides guidance on how employees are expected to behave towards customers as well as each other. It will result in a peaceful environment which is free from misconduct such as violence and work-based sexual harassment (Chakraborty, 1998). An individual can make a personal code of ethics. Operating by a specific Code of Ethics allows an individual to gain respect from other people.

Codes of Ethics promote trust and honesty among the employees. The consistent following of rules among members of an organization promotes trust. An organization should allow the problems resulting from the breach of the ethical code to be dealt with so that employees can learn from the violation. The Ethical Code should give room for individual learning and improvement to enable a better understanding of them. Employees at all levels in an organization gain trust from fellow employees if they value the Code of Ethics. The employees become assured of protection in any situation when the Code of Ethics is taken seriously in an organization. The operations of an organization run smoothly if there is ethical behaviour.

Code of Ethics encourages responsibility in an organization. When employees hold themselves responsible for their actions, their colleagues and the organization benefit. Responsibility creates a productive and cohesive workforce, which benefits the firm and the employees. Employees are more likely to be retained for a long time when the firm promotes and follows rules that benefit and protect everyone equally (Chakraborty, 1998).

The Reason For Code Of Ethics Implementation

The success of a business depends on the Code of Ethics. Many of the thriving financial industries in the world have a well-structured Code of Ethics. Any small business should emulate the strategies used by well-established firms. For example, PricewaterhouseCoopers is among the leading financial institutions in the United States. The success of PricewaterhouseCoopers is based on integrity as a part of their Code of Ethics. The company strictly does not accept bribery either via a third party or

directly. The code has enabled the corporation to maintain the trust of the clients and the employees. The business has successfully reduced money laundering activities since all the clients' and employees' identities are well known by the company. Moreover, PricewaterhouseCoopers can compete favourably with firms such as KPMG, Deloitte, and Ernst & Young since all the contracts between the company and clients are honourable and lawful; hence, all the customers are maintained. Therefore, when a Code of Ethics is set, the organization will not only benefit from reducing fraudulent activities but also increase its business income.

Potential Drawbacks/Issues Associated With A Lack Of A Code Of Ethics

The credibility of a company is lost when the lack of an Ethical Code becomes public knowledge. It is because the lack of a Code of Ethics ruins the image of a company. The investors are not only attracted due to financial growth but also due to the ethics and morals of the company. Customers often prefer to obtain goods and services from a firm that conducts business activities that are ethical (Sims, 2003). Public knowledge of the lack of ethics can result in a loss of customer base, making some companies conduct advertising and reimaging campaigns. It will take a substantial amount of money and time to restore customer confidence and the company's image.

There are unhealthy employee relations as a result of a lack of Ethical Codes in an organization. The employees tend to have the least respect for a head of business or manager who shows a lack of ethical behaviour. Inadequate respect for the leaders of business negatively affects its success. Tension among employees can also occur when there is a lack of an Ethical Code (Stohl, C., Stohl, M., & Popova, L., 2009). Trust among employees is reduced when there is a lack of an Ethical Code in the workplace, and this can be detrimental to businesses that rely on employees' collaboration.

Conclusion

The Ethical Code supports and communicates the values of the organization to staff and customers. It can reassure the customers of the integrity of the organization, hence the success of the business. The Code of Ethics should be in line with the organization's mission, strategic intent, and values. The business stakeholders require the company to have good Codes of Ethics.

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