



Reimagining Codes of Ethics:

Creating a Culture Playbook

*Building a more ethically resilient and
innovative organisation*

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Introduction

Codes of Ethics (Codes) play a crucial role in the good governance and performance of modern organisations which rely on a full range of human intelligences and relationships.

Yet many Codes, which aim to keep an organisation and its people safe from an ethical standpoint, tend to read like instructional rule-books. They gloss over the complexity of human-centric organisations in which people collaborate, make complex decisions, value accountability and show initiative and creativity.

In preparing this paper, we have drawn on our experience in helping organisations become more human-centric, ethically resilient, innovative and culturally authentic. We have also researched what constitutes best practice when it comes to modern and effective Codes.

Our experience has shown that organisations exist in increasingly complex and uncertain contexts. Today people want their workplaces to be meaningful, purposeful, and capable of rising to the challenges of our times. They also want to help create and maintain these kinds of workplaces.

A Code reimagined and presented as a Culture Playbook illustrates how people can individually and collectively contribute to ethical resilience, ongoing innovation and a living culture that is fit for the future.

CODES

We have used the term 'Codes' to refer to Codes of Ethics and as an umbrella term for documents that have a similar intent. Part of our preference for 'code of ethics' over 'conduct' or 'behaviour' is that ethics implies that there must be a sound and reasoned process for decision-making that precedes actual behaviour.

The critical importance of modern Codes



There are **seven** key reasons why Codes are critically important for organisations wishing to develop an ethically resilient culture.

1. A consistent and united approach to decisions and actions

A well-developed Code is a guidebook for creating a consistent and united organisational culture. It helps people at all levels of an organisation, and external stakeholders, connect with and understand the organisation's purpose and values. It is a vital part of an organisation's suite of 'north star' documents, which provides a coherent approach to meaningful decisions and authentic action.

Beyond the articulation of minimum regulatory and legal boundaries, the expectations, high-standards, responsibilities, rights and aspirations of stakeholders are expressed in language that reflects culture and context. A Code, therefore, underpins a mutually understandable, agreed and united work culture characterised by 'a climate of reciprocal trust and a shared sense of belonging.'ⁱ

2. Formal recognition that ethics is a non-negotiable' for stakeholders

Codes play a central role in communicating to all stakeholders an organisation's commitment to act ethically. Studies show that involving stakeholders as ethical partners who contribute to the creation of the Code, awareness raising, and vigilance, reinforces that ethics is a 'non-negotiable'. This stance also helps employees to feel more positive and secure.ⁱⁱ

3. Decisiveness in critical moments

So much more than merely a list of defined rules, modern Codes offer a framework and set out a process to guide decision-making across an organisation.

The Code will cross-reference other relevant internal documents such as the organisation's purpose statement, values, principles, strategic priorities, and procurement policies to name a few. When these are well-defined and culturally realistic, they empower decision-making – especially in the face of ambiguity and complexity.

Thus, people at all levels can refer to the Code to grapple with dilemmas, explore new perspectives, challenge existing practices, transparently explain decisions and seek feedback.

Larger organisations include subject-matter expert contact details and other decision support tools. Experts include risk advisors, HR advisors, employee assistance programs, and in some cases the organisation's internal ethicist.

4. An ethically motivated climate

Best-practice organisations use their Code as a crucial part of a comprehensive ethical system. It has been found that systemic ethics programs contribute to employees feeling they were working in an environment where they feel motivated and empowered to 'do the right thing'.ⁱⁱⁱ

**“A WELL-DEVELOPED
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5. Awareness of mutual responsibilities

Codes communicate to all employees, be they the CEO or somebody in an entry-level role, that ‘we’ have common behavioural expectations of each other and mutual responsibilities. Most Codes also specify additional responsibilities that senior leaders or directors may have in modelling and upholding expectations outlined in the Code.

This transparency assists in creating a culture that invites employees, of all levels of responsibility, to hold each other to account.

6. Support during accountability and alignment conversations

Accountability conversations can feel like difficult and threatening experiences. However, a modernised Code, framed with an appetite for continuous improvement, helps facilitate non-threatening, constructive dialogue by acting as a neutral reference point for reflection.

For internal stakeholders, the Code illustrates individual and collective accountability for decisions and behaviours, framed as meeting expectations of each other in a unified culture.

For external stakeholders, the Code defines mutual expectations. Where performance falls short of expectations, stakeholders can ask an organisation to take corrective or responsible action in alignment with the Code. Similarly, an organisation can use stakeholder feedback and its own reflections on the

Code to influence to affect broader industry or system change, particularly with respect to social justice and sustainability considerations.

7. Continuous improvement

Finally, a well-articulated and thoroughly modern Code that acts as a playbook rather than a rulebook, assists team learning and employee coaching conversations. With playbook in hand, leaders and teams review, challenge and provide feedback to one another about improving alignment with the purpose, values and principles of the organisation.

Insights gained across an organisation are also included in a regular review of the Code. This review ensures the Code reflects the best practices within the culture and is up to the task of giving guidance on emerging issues.

PEOPLE-CENTRIC CODES

Effective Codes speak to real people in the real-world context of their roles. That context is likely to be what the US military has termed: VUCA – Volatile, Uncertain, Complex, Ambiguous.

In VUCA environments people:

- Want responsibility and autonomy (supported by capability) to improve the organisation and not just blindly ‘follow the rules’*
- Must make judgements and take certain risks to do their jobs well*
- Need to see ongoing evidence of their workplace being psychologically safe*
- Are whole-persons that bring their own values, personalities, creativity and imperfections into the workplace*
- Have a sense of justice that requires visibility of senior leaders and directors being held to the same standards as other people*

Trends

Our research has highlighted the key trends in today's best-practice Codes.

Principles-based rather than rules-based

Over the last decade, Codes have progressed from being rule-based instructions to being practical guides to workplace culture and organisational sustainability. The overarching-narrative has shifted from 'follow the rules or be punished' to 'For us to be a responsible organisation with a sustainable future, we agree that we will all...'

Two complementary trends are identifiable:

1. An emphasis on cohesive culture, rather than external or impersonal authority, as the basis for having a Code. The document codifies the behaviours that are expected of each other to stay true to the organisation's purpose and values, to meet the reasonable expectations of all stakeholders, and to perform duties competently.
2. The articulation of principles as a framework for explaining the non-negotiable rules within the Code, and as a higher-order reference point.

These trends, taken together, have re-positioned Codes so they are less likely to be misinterpreted as constraints on performance, or as evidence that people cannot be trusted.

"THE ROLE OF BUSINESS IN DELIVERING REAL VALUE TO SOCIETY AND THE ENVIRONMENT IS CONTINUING TO EVOLVE."

Collective commitment

In the past, Codes were generally one-way documents that drew particular attention to individual employee responsibilities and consequences. The trend with contemporary Codes is to make it clear the organisation is focused on and committed to mutual respect and improving its collective ethical wisdom and behaviour.

Decision support process and assistance

Best-practice Codes include a decision support tool that incorporates the organisation's ethical purpose, values and principles, and explains non-negotiable matters.

This model is often presented as a diagram, supported by a series of questions to ask when making decisions and facing ethical dilemmas.

Stakeholder orientation

The scope of Codes has expanded beyond employees (and other workers such as volunteers and contractors) to recognise the value of external stakeholders in observing, providing feedback and guiding long-term sustainability. We view this positively and not just as an external whistleblower hotline.

Mindful of stakeholder preferences, some Codes make the expectation explicit that suppliers have similar standards of business conduct.

Social and environmental responsibility

The trend in business towards adopting a broader stakeholder orientation is accelerating. The role of business in delivering real value to society and the environment is continuing to evolve. Research into megatrends is showing that the growing demand for sustainable products and services is likely to continue and increase in the next decade^{iv}.

For some time, organisations have been increasingly expected to contribute to better social, economic and environmental outcomes by consumers, employees, investors and the wider community. This is part of the evolving nature of the social contract of organisations^v.

Codes are an important place to house an organisation's priorities and philosophy concerning responsibilities to stakeholders. Contemporary Codes often include a summary of expectations concerning the environment and broader society, and explicit mention of human rights, modern-day slavery and the UN Sustainable Development Goals is also common.

Leadership and accountability

Best-practice Codes demonstrate leadership commitment and overall accountability for the organisation's ethical performance. Close attention needs to be paid to the tone of the Code in conveying that accountability is shared; all individuals are accountable for their decisions and behaviours, and leaders are expected to co-lead on culture.

A common way for organisations to signal leadership commitment is to ensure the CEO or Chair is the 'chief communicator' for the Code. Most often, they will pen an introduction to the Code.

Case studies to humanise and clarify

Case studies (generally based on real organisational experience) are helping humanise Codes and confirm that all employees, irrespective of where they sit within an organisation, are expected to make deliberate decisions on complex matters.

We have seen case studies that inform and inspire, frequently providing examples of complex ethical

issues faced by leaders. Such cases reinforce the relevance of the Code to all people across the organisation.

Several Codes we reviewed offered case studies to support clarification on specific issues, for example, lobbying governments; joint-ventures in foreign countries; behaviours outside of office hours and outside of the workplace.

Declaration of culture

The language used in Codes has moved from being legalistic to more down-to-earth, empathetic and engaging – inherently reflective of the organisation's brand identity and culture.

Ideally, any external stakeholder or new employee will read your organisation's Code as a clear declaration of a values-based culture.





Challenges and recommendations when creating a Code

Risk reduction *and* authenticity

While traditional Codes will be didactic and legalistic, as they focus primarily on risk reduction, we recommend a Culture Playbook that encourages both compliance and authenticity. The aim here is to help organisations pursue their purpose with integrity and to live their values.

A Statement of Intent in the front of every Code sets the scene, not for a ‘gotcha’ document but for a set of non-negotiable rules and standards that will keep the organisation ‘real’, ethically resilient and sustainable.

Culture without fluff

Culture is not about being nice, packing the lunch-room dishwasher or glossing over difficult issues. If the description of culture in the Code is either sloganistic or over-the-top, it needs to be revised.

We recommend keeping things simple, but substantive. We also say that there is room in a Code for organisations to acknowledge they don’t always get it right, and to provide a feedback loop.

Consistent messaging

An organisation’s Code is best thought of as a public document. Its content and tone must be consistent with other communication materials the organisation is proud to issue publicly.

Bear in mind the Code may be interpreted differently

by different audiences, so we recommend jargon be minimised or translated in the same way it would be to a new employee.

Breaches and self-reporting of any issues

Codes traditionally communicate contact details and information on how to report suspected breaches. Careful consideration of the language used, as well as any case studies, will assist in communicating that reporting a suspected breach is not a disloyal or accusatory action that involves ‘dobbing in’ colleagues.

We recommend the Code also provides people with ‘psychologically safe’ avenues to report inadvertent breaches (which may be realised only with hindsight) or grey areas.

Anchored in reality

Each organisation’s Code must be informed by stakeholder expectations and experience, rather than being a generic document. Ideally, the content is developed in consultation or collaboration with stakeholders and with specific consideration of material issues, and the introduction to the Code will state how this took place. Furthermore, stakeholder engagement ought not to end with the Code’s first release.

We recommend that a Culture Playbook states the name (or at least the job title) of the document owner and provide details on how stakeholders can offer



suggestions for improvement.

Out-of-office, out of bounds?

Delineating actions that occur outside of the normal workplace or outside of usual hours is a complex challenge for today's Codes. At the simpler end are issues relating to BYO devices, working from home and behavioural standards when wearing a work uniform. There is a good deal of added complexity when dealing with social media, leisure time on team retreats/conferences, religious and cultural expression, and cause-related or political activities that may conflict with the employer's stance or interests.

We recommend organisations confront these issues, regardless of the difficulties, and engage in a dialogue, rather than remaining silent or ambivalent towards them.

RISK CULTURE

Codes are vital documents in the management of risk and, in particular, the creation of a positive 'risk culture'. Much has been written about the creation of sound risk cultures and the importance of setting a clear tone 'from the top' and throughout the organisation. A Code must echo that tone and be positively oriented towards both effective risk-mitigation and risk-taking

Reviewing your Code

The following table compares older-generation Codes with contemporary best practice.

CATEGORY	CODE OF CONDUCT	CODE OF ETHICS AS CULTURE PLAYBOOK
Intent	A compliance rulebook, focused on legal standards and regulations, with the motivation to hold employees accountable.	A cohesive guide that defines and demonstrates both minimum ethical standards and 'who we are' at our best, with the motivation to foster a healthy and united corporate culture.
Relevance	A default list of issues common to industry Codes. Looks and sounds much like other Codes in the same industry.	Specific to the organisation. An authentic response to the material issues and behaviours, relevant to the organisational / sector context.
Framing	Outlines individual employee responsibility for reducing risk.	Outlines positive behaviours and clear examples with stories that communicate what the organisation is doing and what 'we' are aiming for individually and as a collective.
Applicability	For internal stakeholders.	For internal and external stakeholders, including business partners and suppliers.
Development	Developed by a small team with a focus on regulatory compliance, HR and conduct-related risks.	Developed with participation from all parts of the organisation and external stakeholders. Grounded in stakeholder feedback and the lived experience of the organisation.
Continuous improvement	Reviewed as a policy, once every few years with little assessment against stakeholder feedback.	Actively used in a process of improvement, to reflect on the alignment of organisational culture with practices, and the relevance of guidance provided.
Decision making	Provides specific guidance for defined issues.	Provides specific guidance, especially around 'non-negotiable' issues, but also provides a framework and tools for complex decision-making.

Developing a new Code: key considerations

The process of developing the Code sets it up for success.

How to develop a culturally authentic Code

The approach needs to include internal and external stakeholders and invite them to participate meaningfully and to raise controversial issues. An inclusive and participatory process serves to make a Code more effective, by:

- unearthing elements from across the organisation
- developing language that is relatable to stakeholders
- educating employees and stakeholders in the organisation's guiding framework
- sourcing case studies and stories, anchoring the Code in 'real world' experience
- offering opportunities for challenging existing practices and assumptions

How we work

Building a more ethically resilient and innovative organisation



DISCOVERY



Analyse the effectiveness of your current Code, reviewing it against organisational priorities and best practices, and identify opportunities for improvement.

Develop actionable insights with your stakeholders about their experience of your current culture and Code.

DESIGN



Design and deliver an inclusive process to develop your new Code as a Culture Playbook.

EMBED AND ACTIVATE



Support you in communicating, embedding and activating your Culture Playbook.

ⁱ Garegnani, G.M. and Merlotti, E.P. (2015) Scoring Firms' Codes of Ethics: An Explorative Study of Quality Drivers, *Journal of Business Ethics*, 126, 541-557

ⁱⁱ Stohl, C. Stohl, M. and Popova, L. (2009). A new generation of corporate codes of ethics. *Journal of Business Ethics*, 90, 607-622; KPMG & Delphi (2015) Codes of Conduct in the Swedish Business Sector; Wood & Rimmer (2003). Codes of ethics: what are they really and what should they be? *International Journal of Value-Based Management*, 16, 181-195; and PWC (2013). Codes of Conduct: a barrier or breakthrough for corporate behaviour?

ⁱⁱⁱ Singh (2011). Determinants of the effectiveness of Corporate Codes of Ethics: An empirical Study. *Journal of Business Ethics*, 101, 385-395.

^{iv} EY (2020) Are you reframing your future or is the future reframing you? *Megatrends 2020 and Beyond*, EYQ 3rd Edition.

^v *ibid*

Ready to reimagine your Code of Ethics as a Culture Playbook?

We specialise in supporting a wide range of organisations to become more ethically resilient and innovative.

Please contact us if you would like more information or wish to discuss your organisation's specific situation.



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We look forward to working with you to develop a best-practice Code of Ethics.