This chapter explores how an enterprise becomes a responsible business. It explores how a business ethics program helps the responsible business enterprise (RBE) improve its business performance; help build social capital in its economy; and work with leaders in business, government, and civil society to develop a market framework and the supporting legal infrastructure. It examines specific sets of global standards and best practices of business ethics programs, and it concludes with eight questions that responsible owners and managers must ask themselves for their enterprise.

Improving Business Performance

There is much support for the notion that the discipline of responsible business conduct outlined here contributes to improving business performance and expanding opportunities for growth. Principal benefits coming to an enterprise that implements a business ethics program are

- Enhanced reputation and goodwill
- Reduced risks
- Reduced costs
- Protection from unethical employees and agents
- Enhanced performance, productivity, and competitive position
- Expanded access to capital, credit, and foreign investment
- Increased profits and sustained long-term growth
- Increased international respect
Enhanced Reputation and Goodwill

An enterprise’s reputation for integrity is important for securing the loyalty of customers, for recruiting and retaining the most professional and honest employees, for becoming the business partner of choice, for winning local community acceptance, and for increasing access to capital and credit.

A business ethics program contributes to the enterprise’s reputation for integrity. By giving adequate guidance to employees and agents, it ensures that they know what is responsible business conduct. By helping form reasonable expectations among its stakeholders, it minimizes disputes with customers and other stakeholders and increases stakeholder satisfaction.²

Reduced Risks

Every business, even if it strives to comply strictly with the law, is subject to risks such as these:

- Being exposed to criminal prosecution for bribing a government contracting officer
- Being debarred from government contracting or a strategic partnership for an inappropriate gift or gratuity
- Having to recall products for failure to follow quality standards and procedures
An RBE develops processes with which it identifies, assesses, and manages the full range of factors that might pose a risk to social and financial performance. The processes include assessing risks, establishing adequate standards and procedures, training, and monitoring and auditing systems. These processes help owners and managers plan, organize, and control the day-to-day operations of an enterprise to minimize risks to its capital, earnings, and reputation. They include management of risks associated with accidental losses, as well as operational risks such as those arising from financial mismanagement, fraud and embezzlement, corruption, and loss of reputation.

**Reduced Costs**

By providing employees clear guidelines on how to conduct day-to-day business in compliance with laws and ethics through a business ethics program, the RBE can reduce transaction costs. A business ethics program institutes procedures to detect and to prevent violations of the law and ethics. It provides employees with clear guidelines on a host of day-to-day transactions: how to conduct bids and tenders; how to conclude contracts;
how to use confidential information; how to avoid conflicts of interest; and how to work with customers, suppliers, service providers, and competitors.

The cost of bribery, kickbacks, and other forms of illegal or corrupt conduct is not only the amount paid. The full cost includes management effort to allocate time to work with officials, to maintain a second set of books, and to deal with the threat of extortion and blackmail. The real cost is the risk to reputation and pride in the enterprise and the reduced prospects for participating in a market economy.

**Protection from Unethical Employees and Agents**

It is not pleasant to contemplate, but the enterprise itself is often abused by its employees and agents. Embezzlement of enterprise funds is a major example. Cheating on time cards or carrying off supplies and tools, while relatively minor, add up to significant losses sustained every year by businesses—both large and small. It has been estimated that enterprises in the United States lose some 6 percent of their revenues annually to employee misconduct.³

A business ethics program is designed to establish standards and procedures to prevent and detect violations of the trust put in employees. Among these standards and procedures are processes to protect enterprise assets. These specific processes may include establishing standards and procedures, monitoring and auditing systems, and reporting mechanisms.

However, at the heart of a business ethics program is the desire of owners and managers to foster the commitment of their employees to the welfare of the enterprise as a whole. Fostering this sense of loyalty and commitment

---

**Fraud**

According to the Association of Certified Fraud Examiners’ (ACFE) “2002 Report to the Nation on Occupational Fraud and Abuse,” the per-employee losses from fraud in the smallest businesses are 100 times the amount of their largest counterparts.

---

**Practice Note**

Joseph T. Wells

“Protect Small Business”
among employees and agents may be the most effective way in which a business ethics program protects the enterprise from disloyal employees.

**Enhanced Performance, Productivity, and Competitive Position**

An RBE increases effectiveness and efficiency by enabling all stakeholders to work together closely on the basis of respect, shared values, and mutual trust. Such efforts lead to what one author calls “invisible savings” by reducing employee conduct that is harmful to the enterprise but difficult to detect.4 After a business ethics program becomes a part of operations, many of the costs of monitoring and supervision can be reduced.

Product quality may improve and transaction costs, such as contracting, may decline. For example, many large, complex enterprises (LCEs), most of which have business ethics programs, are developing preferred supplier lists to reduce the number of suppliers that they deal with. To ensure that there is no interruption in supplies and services, these LCEs require that their supply chains adopt the same good management practices that they follow, including a business ethics program.5 See, for example, Box 2.1, which gives in part Gap Inc.’s code of vendor conduct. See Appendix E for a sample supply chain management questionnaire.

Since, in the minds of most employees, ethics are essentially a matter of fairness,6 a business ethics program often increases employee morale. Better

---

**Sample Vendor Code**

This Code of Vendor Conduct applies to all factories that produce goods for Gap Inc. or any of its subsidiaries, divisions, affiliates or agents (“Gap Inc.”).

While Gap Inc. recognizes that there are different legal and cultural environments in which factories operate throughout the world, this Code sets forth the basic requirements that all factories must meet in order to do business with Gap Inc. The Code also provides the foundation for Gap Inc.’s ongoing evaluation of a factory’s employment practices and environmental compliance.

II. Environment

Factories must comply with all applicable environmental laws and regulations. Where such requirements are less stringent than Gap Inc.’s own, factories are encouraged to meet the standards outlined in Gap Inc.’s statement of environmental principles.

A. The factory has an environmental management system or plan.

B. The factory has procedures for notifying local community authorities in case of accidental discharge or release of any other environmental emergency.

*Gap Inc.*

“The Gap Code of Vendor Conduct”
morale leads to increased productivity and innovation. It strengthens the enterprise’s competitive position in its industry.

**Expanded Access to Capital, Credit, and Foreign Investment**

A business ethics program, including aggressive risk management processes, may increase an RBE’s attractiveness to investors. Before making loans, international lending institutions and domestic banks perform due diligence on whether an enterprise is managed well. They look to see whether an enterprise has strong financial supervision and internal controls. A business ethics program is designed to prevent and detect illegal and unethical practices. Financial institutions may view management as a worthy credit risk and allow access to capital at lower rates.

When entering new markets, foreign investors seek reliable partners who demonstrate integrity and operate on a transparent basis. A business ethics program reflecting global norms and values provides a common language between an enterprise and foreign investors. It creates opportunity to build partnerships that are based on respect, shared values, and mutual trust.

**Increased Profits and Sustained Long-Term Growth**

The discipline of responsible business conduct does not deliver instant results. However, a business ethics program—including infrastructure and processes for continuous monitoring of compliance with law and ethics—should help an enterprise be more reliable and stable over time.

Once an RBE has demonstrated its ability to detect and to prevent violations of the law and ethics, it tends to earn stakeholder confidence. This confidence leads to an increase in the value of shares; to wider access to capital and credit; to new clients, customers, and partners; and to further opportunities for expansion.

**Increased International Respect**

Adhering to the discipline of responsible business conduct can help enterprises gain access to international markets. It encourages compliance with laws and regulations that require a high level of transparency. When the generally accepted business practices of a community are based on sound standards and reasonable expectations, fair competition is the norm and the RBE can operate on a level playing field. Fair competition may encourage trading partners to reduce trade barriers such as tariffs and quotas.

Recent research suggests that a business ethics program is particularly valuable in times of merger, acquisition, and restructuring. It is thought that
the essential elements of a business ethics program may help members of often distinct organizational cultures manage their differences until they find common ground. These elements include core beliefs, standards, and procedures; high-level personnel responsible for the program; and dedicated resources to help employees seek advice. Enterprises undergoing privatization should also consider the advantages of a business ethics program as a means to reduce the risks associated with this transition process.

Generating Social Capital

To define an RBE’s social responsibility, we can think in terms of levels of social responsibility and try to appreciate the role of business in generating social capital. Thinking in terms of levels—social responsibility and ultra-social responsibility—reminds us that if a business were to do no more than accomplish its essential business purpose of meeting the important needs of its customers, it would still be making a significant contribution to the common good.8

Appreciating the role of business in generating social capital confirms the stake that an RBE has in its communities and reaffirms the essential social value of responsible business.

SOCIAL RESPONSIBILITY

The essential function of any business is to identify and meet the most important needs of its customers. In a free market, it is only by serving customers well that the enterprise will survive and prosper over time. An RBE is an essential part of a market economy, serving the needs of customers while making a profit for its owners and investors. It does so by cooperating well with its primary stakeholders—employees, suppliers, service providers, and investors—as well as many others.

By entering the marketplace, an RBE does not cease to be a member of its community. Being in business is not a license to ignore community norms, values, and standards. An RBE uses good judgment in evaluating the social impact of its goods and services on customers and the community as a whole. For example, although it may be legal to sell a product such as tobacco or alcohol, an RBE will not sell to minors, who may abuse the product. This practice is known as “socially responsible business.”

The socially responsible business works hard and competes fairly. It recognizes that to destroy the fabric of a marketplace to make a profit is short-sighted. It does not abuse the public trust or degrade the environment, which
we all rely on. These principles are captured in the following definition of corporate social responsibility:

A new business strategy in which companies conduct business responsibly by contributing to the economic health and sustainable development of the communities in which they operate, offer employees healthy, safe, and rewarding work conditions, offer quality, safe products, and service... are accountable to stakeholders... and provide a fair return to shareholders whilst fulfilling the above principles.9

As a participant in markets and a member of its community, the socially responsible business expresses its needs and concerns to government when appropriate. It avoids using its economic power to gain competitive advantage through political means.

ULTRA-SOCIAL RESPONSIBILITY

Although the essential purpose of an RBE is to improve its business performance, to return a profit to its owners and investors, and to increase the prosperity of its community by meeting the reasonable expectations of its stakeholders, the RBE is nevertheless concerned about the quality of life in its communities, as the Komatsu code provisions in Box 2.2 illustrate.10 Its employees and agents also care about the communities in which they and their families live.

Businesses often support literacy programs, local schools and colleges, and local infrastructure, such as water facilities, roads, or parks. They may
benefit from these as members of their communities. Supporting literacy programs and education, for example, may lead to better employee applicants. Moreover, in some communities, a socially responsible business is expected or required to contribute a certain percentage of its income to institutions caring for the poor and needy.11

In other communities, enterprises support such programs because such involvement makes stakeholders feel better about themselves and the enterprise. For example, one enterprise recently developed a program supporting research on dolphins in the Persian Gulf. Through that contribution to the community, the enterprise not only enhanced its reputation, but also gave great pride to its employees.

Some people confuse this sense of social responsibility with what it means to be a socially responsible business. Nothing could be further from the truth. The important point to remember is that a business is socially responsible simply by virtue of effectively, efficiently, and responsibly meeting the reasonable expectations of its stakeholders.

**TRUST AND SOCIAL CAPITAL**

Responsible business, as an essential part of a free market, is an investment in growth for a country as well as for an enterprise. Trust cannot be imposed; it
must be earned. The RBE makes a singular contribution to the community by positioning itself so that it is able to pursue its purpose as an enterprise over the long run, meeting the most important needs of its customers.

Social capital is “performance-based trust.”12 It is “the ability of people to work together for common purposes in groups and organizations.”13 Each participant in a market or society is responsible for contributing to the pattern of reasonable expectations. In such a community, trust will be rewarded. The RBE strives to be a trustworthy member of its community in order to contribute to its social capital.

Social capital is the foundation of a successful market economy. The benefits of operating in a high-trust environment are many. As one scholar observes, “A high-trust society can organize its workplace on a more flexible and group-oriented basis, with more responsibility delegated to lower levels of the organization. Low-trust societies, by contrast, must fence in and isolate their workers with a series of bureaucratic rules.”14

Another scholar lists eight studies that demonstrate the link between values in general, trust in particular, and profitability. The link is based on an increase in creativity, support of management decisions, knowledge sharing, and pride, among other factors (see Figure 2.1).15

A climate of trust can be abused, however. Customers who are not attentive may purchase goods or services of poor quality. Employees may steal from their employers. Government agents may take advantage of an enterprise that goes to them for aid. Indeed, it is precisely because people put trust in others that many irresponsible business practices are possible.16
The discipline of responsible business conduct described in this manual leads owners and managers to build their enterprises with structures and systems that will compensate for a lack (or abuse) of trust. Over time, such conduct will lead to an organizational culture that is based on shared values and practices; more trust among stakeholders; and more effective, efficient, and profitable performance.

Working with Leaders in Business, Government, and Civil Society

Social capital also accrues through the efforts of civil society: organizations, such as trade groups, business associations, service clubs, charities, university faculty, and other nongovernmental organizations (NGOs) that aim to hold business and government officials accountable. Business enterprises, in general, have the potential to be powerful and influential members of their communities.

The RBE helps create the conditions for good public governance by promoting responsible business conduct—through self-regulation or through public dialogue with government officials. These forms of voluntary action help build social capital—the trust and shared values among individuals, government officials, civil society, the local community, and business that make it possible to work together on a cooperative basis.

Building on the Foundation of Responsible Business Conduct

Though a business enterprise is often portrayed as an isolated entity doing whatever it can to make a profit, the enterprise, whether large or small, is an integral part of its market, its community, and its society. As such, the social responsibilities of a business are to improve its performance, to make profits, and to increase the prosperity of its community by meeting the reasonable expectations of its stakeholders.

Responsible Business Conduct Is Good Management

Responsible business conduct addresses the issues of ethics, compliance with laws and regulations, and social responsibility. Businesses face these issues every day in a market economy. This manual sees responsible business conduct as a discipline, as something responsible owners and managers can build on, and as an integral part of good management practice. Approaching responsible business conduct as a discipline broadens the thought processes of owners and managers by addressing the issues raised by business and professional ethics, organizational ethics, corporate social responsibility, and corporate governance.
A business ethics program provides a toolkit of leadership and management practices to aid any enterprise—large or small—in the responsible pursuit of its envisioned future. It helps owners and managers ensure that their employees and agents comply with applicable laws and regulations. It also helps them minimize risk to the enterprise, enhance the enterprise’s reputation, and bring value to stakeholders by adapting emerging global standards of responsible business conduct and best practices.

**Special Opportunities for Small to Medium-Sized Enterprises**

Small to medium-sized enterprises (SMEs) have an additional incentive to adopt the discipline of responsible business conduct: to create a wider commercial network. Where owners and managers embrace the global language of responsible business through a business ethics program, a network of business enterprises and supportive NGOs based on shared values is possible. Such a network allows the individual SME to develop some of the synergies and economies of scale that only larger enterprises can afford.

**Emerging Global Standards**

Particularly over the past two decades, a number of prominent business associations, NGOs, and international government institutions have developed a body of global standards for the responsible business. These emerging global standards are of four types:

1. A stakeholder engagement standard (AA1000S)
2. Substantive standards (such as SA8000, Caux Round Table’s principles, Interfaith Declaration’s principles, and the *Basic Guidelines for Codes of Business Conduct*)
3. Management process standards (such as SA8000, the CERES Principles, and the *U.S. Federal Sentencing Guidelines for Organizations*)
4. Reporting standards (such as the Global Reporting Initiative)

As Figure 2.2 depicts, these standards provide the foundation for establishing the outcomes that can be expected from a business ethics program.

The major standards-setting institutions are of three major types: business associations, stakeholder groups, and international governmental organizations.

**Business Associations**

Business associations that set standards include the following:

- **Caux Round Table.** A global network of business leaders committed to principled business leadership, the Caux Round Table believes that business has a crucial role in developing and promoting equitable solutions
to key global issues. The Caux Round Table’s Principles for Business serves as a guide to sustainable and socially responsible prosperity as the foundation for a fair, free, and transparent society.18

• **International Chamber of Commerce.** The International Chamber of Commerce (ICC) champions the global economy as a force for economic growth, job creation, and prosperity. ICC activities cover a broad spectrum, from performing arbitration and dispute resolution to making the case for open trade, the market economy system, and business self-regulation. The ICC’s report, *Extortion and Bribery in International Business Transactions*, is another resource that helps fight corruption and commercial crime. The ICC has direct access to national governments and intergovernmental organizations on issues that directly affect business operations.19

• **Coalition for Environmentally Responsible Economies.** A U.S. coalition of environmental, investor, and advocacy groups working together for a sustainable future, the Coalition for Environmentally Responsible Economies (CERES) is committed to continuous environmental improvement. It encourages enterprises to adopt the “CERES Principles,” a 10-point code of environmental conduct.20

• **Institute of Electrical and Electronics Engineers.** The Institute of Electrical and Electronics Engineers (IEEE) is a non-profit, technical professional association of more than 377,000 individual members in 150 countries. Its “Code of Ethics” contains 10 points of agreements to regulate the professional activities of its members.21 It also has a more detailed “Software Engineering Code of Ethics and Professional
Practices” organized under eight principles. The IEEE has an ethics committee and an ethics hotline.

Stakeholder Groups, Including Nongovernmental Organizations

Stakeholder groups such as the following also set standards:

- **Interfaith Declaration.** The Interfaith Declaration provides principles and guidelines to help practitioners identify the role they and their organizations should play in the community and to support problem solving. Particularly valuable are its “Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance.”

- **Global Reporting Initiative.** The Global Reporting Initiative (GRI) was established in late 1997 with the mission of developing globally applicable guidelines for reporting on economic, environmental, and social performance, initially for corporations and eventually for any business, government entity, or NGO. Convened by CERES in partnership with the United Nations Environment Programme, the GRI incorporates the active participation of corporations, NGOs, accounting organizations, business associations, and other stakeholders from around the world. The GRI’s *Sustainability Reporting Guidelines* represent the first global framework for comprehensive sustainability reporting, encompassing the triple bottom line of financial, social, and environmental issues.

- **Social Accountability International.** A non-profit organization, Social Accountability International (SAI) is dedicated to the development, implementation, and oversight of voluntary verifiable social accountability standards. SAI is committed to ensuring that standards and systems for verifying compliance with such standards are highly reputable and publicly accessible. SAI works to improve workplaces and combat sweatshops through the expansion and further development of the international workplace standard, SA8000, and the associated SA8000 verification system.

- **Global Sullivan Principles.** In 1977, the Rev. Leon H. Sullivan developed the “Sullivan Principles,” a code of conduct for human rights and equal opportunity for companies operating in South Africa. To further expand human rights and economic development to all communities, Sullivan created the “Global Sullivan Principles of Social Responsibility” in 1997.

- **International Corporate Governance Network.** A membership association, the International Corporate Governance Network is devoted to improving corporate governance internationally and providing a
voice between investors and management. As of 2001, its members owned or managed US$10 trillion.28

- **Institute of Directors in Southern Africa.** In July 1993, the Institute of Directors in Southern Africa established the King Committee on Corporate Governance. The King Committee has produced two reports on corporate governance for Southern Africa.29

- **Institute of Social and Ethical AccountAbility.** In 1999, the Institute of Social and Ethical AccountAbility launched the AA1000 Framework. AA1000S is an accountability standard designed to help enterprises improve accountability and performance by learning through stakeholder engagement and by integrating their stakeholder engagement processes into daily activities. AA1000S helps users establish a systematic stakeholder engagement process that generates the indicators, targets, and reporting systems needed to ensure the effectiveness of the process in overall organizational performance. AA1000S is designed to complement the GRI’s *Sustainability Reporting Guidelines.*30

**International Governmental Organizations**

International governmental groups also set standards as shown below:

- **International Labor Organization.** The International Labor Organization (ILO) is the U.N. agency that seeks to promote social justice and internationally recognized human and labor rights. The ILO formulates international labor standards in the form of conventions and recommendations setting minimum standards of basic labor rights: the freedom to associate, the right to organize, the right to collective bargaining, the abolition of forced labor, the right to equal opportunity and treatment, and other standards regulating conditions across the entire spectrum of work-related issues. Within the U.N. system, the ILO has a unique tripartite structure, with workers and employers participating as equal partners with governments in the work of its governing organs.31

- **Organization for Economic Cooperation and Development.** Thirty countries sharing a commitment to democratic government and the market economy form the Organization for Economic Cooperation and Development (OECD). Having active relationships with some 70 other countries, NGOs, and civil society, the OECD has a global reach. It plays a prominent role in fostering good governance in the public service and in corporate activity. The OECD produces internationally agreed-upon instruments, decisions, and recommendations to promote rules of the game in areas where a multilateral agreement is necessary for individual countries to make progress in a globalized economy.
• **U.N. Global Compact.** U.N. Secretary-General Kofi Annan first proposed the Global Compact in an address to the World Economic Forum on January 31, 1999. Annan challenged business leaders to join an international initiative—the Global Compact—that would bring companies together with U.N. agencies, labor, and civil society to support nine principles in the areas of human rights, labor, and the environment. Through the power of collective action, the Global Compact seeks to advance responsible corporate citizenship so that business can be part of the solution to the challenges of globalization. In this way, the private sector—in partnership with other social actors—can help realize Annan’s vision: a more sustainable and inclusive global economy.

• **U.S. Department of Commerce.** In cooperation with the Russian Chamber of Commerce and Industry, the U.S. Department of Commerce developed the *Basic Guidelines for Codes of Business Conduct* to reflect extensive input from Russian and U.S. trade organizations and businesses provided in the course of roundtables and discussions conducted in Russia and the United States. The *Guidelines* have served as the foundation for model codes in the Caucasus, Central Asia, Central and Southeast Europe, and Latin America. See Appendix B for the *Guidelines*.

As the result of ongoing global dialogue between these institutions, a body of standards and expectations for responsible business has emerged. These standards address a number of areas of concern to responsible owners and managers:

• Business conduct, including fair competition
• Community relations, including political involvement
• Corporate governance
• Environmental protection
• Human rights
• Marketplace relations
• Workplace relations
• Accountability
• Reporting standards

This manual will refer to these standards often in the practice-oriented chapters that follow.

Table 2.1 identifies a number of emerging global standards affecting different stakeholders. It is organized according to the institutions that sponsor the standards and the major issues they address. The table depicts only the range of international programs and initiatives undertaken to facilitate the widespread adoption of the discipline of responsible business conduct.
Adopting Global Standards and Best Practices

When an enterprise designs a business ethics program, it is helpful to organize emerging standards and best practices as answers to eight questions owners and managers of any enterprise should ask themselves as they structure the enterprise. In Table 2.2, each question is followed by examples of global standards and best practices that an RBE can use to help develop appropriate answers.33

Specific best practices are outlined in the chapters to follow: standards, procedures, and expectations (Chapter 5); business ethics infrastructure (Chapter 6); business ethics communications and feedback (Chapter 7); business ethics alignment practices (Chapters 8 and 9); and business ethics program evaluation and organizational learning (Chapter 10).

All enterprises need to ask themselves each of the questions in Table 2.2. The sample global standards and best practices are drawn from the experiences of LCEs. However, these resources are readily available to all enterprises, including SMEs, on the Internet, and they can aid in working out the answers for individual enterprises and serve to stimulate dialogue and inquiry.
TABLE 2.2 Global Standards and Best Practices: Eight Questions

<table>
<thead>
<tr>
<th>Questions for the Responsible Business Enterprise</th>
<th>Sample Emerging Global Standards and Best Practices</th>
</tr>
</thead>
</table>
| What norms, values, and standards should we set to guide our members and foster reasonable expectations among our stakeholders? | • Sound set of core beliefs  
• OECD Guidelines for Multinational Enterprises  
• OECD Guidelines for Corporate Governance  
• U.S. Federal Sentencing Guidelines for Organizations |
| What style, structure, and systems of authority and responsibility at all levels should we exercise? | • Leadership styles  
• Board-level committees  
• High-level person responsible for program  
• Executive-level ethics committee  
• Ethics office  
• Individual duty to report misconduct  
• Australian Criminal Code corporate culture approach |
| How can we most effectively communicate our standards and procedures and foster reasonable expectations among our stakeholders? | • Executive modeling  
• Formal communications  
• Orientation  
• Ethics training  
• Ethics games  
• Posters  
• Newsletter  
• Stakeholder engagement and dialogue |
| What mechanisms can we establish to know that our members are following our standards and procedures and meeting reasonable stakeholder expectations? | • Independent audit committee  
• Audit department  
• Quality monitoring mechanisms  
• Ethics office  
• Organizational ombudsman  
• Policy prohibiting retaliation  
• Policy allowing confidentiality and privilege |
| How can we ensure that we have the right people in the right places while pursuing our purpose as an enterprise? | • Policy on recruiting and hiring  
• Policy on skills training  
• Policy on assigning, promoting, and terminating staff members |
| How can we encourage our members to follow our standards, procedures, and expectations? | • Recognizing ethical behavior  
• Rewarding ethical behavior in challenging situations  
• Punishing substandard behavior  
• Establishing compensation schemes, especially bonuses and incentive pay, that promote standards |
| What do we owe our stakeholders when mistakes, misconduct, or misunderstandings occur involving our standards and procedures or their reasonable expectations? | • Voluntarily reporting mistakes and misconduct  
• Cooperating with proper authorities  
• Correcting harm caused  
• Conducting required skills and knowledge training |
| How should we monitor, track, and report our performance as an enterprise and continuously learn from it? | • Establishing program goals and objectives  
• Developing appropriate action plans  
• Establishing performance indicators  
• Developing performance measurements  
• Instituting data recording, collection, and analysis  
• Establishing reporting frameworks and schedules  
• Identifying reporting targets  
• Implementing Global Reporting Initiative standards  
• Developing individual skills of generative learning  
• Building a culture of knowledge sharing and quality |
In actual practice, even the LCEs borrow freely from the documents and experiences of other enterprises. See the Glossary for definitions of key terms.

**SUMMARY**

There are at least eight practical reasons why owners and managers should embrace a business ethics program as part of its management practice:

- Enhanced reputation and goodwill
- Reduced risks
- Reduced costs
- Protection from unethical employees and agents
- Enhanced performance, productivity, and competitive position
- Expanded access to capital, credit, and foreign investment
- Increased profits and sustained long-term growth
- Increased international respect

An RBE also contributes to the social capital of its community by basing its business conduct on a solid foundation of responsible business conduct. It works with leaders in government, civil society, and other businesses to develop a market framework and the supporting legal institutions.

Over the past two decades, emerging global standards from a number of business associations, stakeholder groups, and international institutions have been addressing the issues of responsible business conduct: ethics, compliance, and social responsibility.
RESPONSIBLE BUSINESS ENTERPRISE

Checklist

1. What responsible business conduct issues does your enterprise face, and how is it organized to deal with them?

2. What does being a socially responsible business mean to you? At what levels does your enterprise perform: socially responsible or ultra socially responsible?

3. How would you describe your enterprise to a stranger? A government regulator? Your family? Are the descriptions different? If so, why?

4. How much social capital is there in your markets? If the level of social capital is low, how does that affect business transactions?

5. What might motivate your enterprise to consider a business ethics program?

6. What benefits might your community see if more enterprises had business ethics programs?

7. How well could owners and managers of your enterprise answer the eight questions for a responsible business enterprise in Table 2.2?