ON ETHICAL, SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEMS

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Abstract

There are three types of solutions to the problems deriving from companies’ ethical, social and environmental responsibilities: those based on regulation by an authority or agency; those designed to create market incentives; and those that rely on self-regulation by companies themselves. In the specific field we are concerned with here, regulation has significant costs and drawbacks that make it particularly desirable that companies should set up their own ethical, social and environmental management systems or programmes. The purpose of this article is twofold. On the one hand, it explains how implementing voluntary ethical, social and environmental management systems or programmes may help to develop and sustain ethical behaviour in organizations, overcoming the conflict between compulsory regulation and occasional ethical practices. On the other, it shows what conditions must be met for an ethical management programme to be effective.

Keywords: ethics code; ethics; ethics programme; ethical, social and environmental management programme; ethical, social and environmental management system.
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Introduction (1)

Recent debate on the reform of corporate governance has highlighted the fact that there are basically two approaches to reform: one that places the emphasis on laws and regulations, and one that prefers to rely on voluntary undertakings by organizations themselves. Advocates of the former point of view seem very sure of what is right and wrong, and so are confident that legal standards and regulations will achieve the desired results. Those who take the latter view are not so sure that what is right for one company will necessarily be right for another, or that what works in one set of circumstances will necessarily hold true in different circumstances. They are naturally reluctant, therefore, to establish rules and regulations, preferring to leave it to corporate initiative to find the best approach in each case.

The former model will therefore rely primarily on compulsory rules that all companies must obey –rules that say whether or not a company’s CEO may also serve as chairman of the board of directors, for example, or how many or what proportion of outside directors it should have, or exactly who shall count as an outside or independent director. The latter model, in contrast, will lay down a small number of legal requirements and then leave the companies themselves to regulate everything else. Of course, as such regulation is vital to the soundness of companies and the efficiency of the financial markets, and indeed of the market economy as a whole, they will demand that companies take definite measures in this respect and disclose information about their rules of operation and how those rules are applied, subjecting them to internal and external audit as necessary.

The same tension between compulsory regulation and self-regulation exists in other fields. For example, the complex world of environmental protection, food quality or health and safety at work. In all of them, market failures (incomplete and asymmetrical information, externalities or public goods, lack of competition, etc.) need to be corrected, and this often takes the form of regulations laid down by an authority, be it political (a government department) or administrative (a regulatory agency) (2).

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(2) For a detailed specification of when market failures occur, see Winch (1971). For a modern treatment of the subject, cfr. Viscusi et al. (2000).
However, regulation of this kind is so costly that people have looked for other ways to achieve the same results. Thus, alongside command and control regulatory approaches, we find market-based approaches and management-based approaches. The goal of market-based approaches is to design and put in place incentive systems that will lead the regulated parties to produce the desired results of their own accord. Management-based approaches, in contrast, shift the locus of decision making from the regulator to the company being regulated, requiring it to plan and decide for itself how best to achieve the outcomes that have been identified as desirable (3).

The purpose of this article is twofold. On the one hand, it explains how implementing voluntary ethical, social and environmental management systems or programmes may help to develop and sustain ethical behaviour in organizations, overcoming the conflict between compulsory regulation and occasional ethical practices. On the other, it shows what conditions must be met for an ethical management programme to be effective.

In the following section we discuss the advantages and disadvantages of leaving companies to voluntarily develop their own ethical, social and environmental management systems as opposed to having a system of rules laid down by authority. After that, we explain what an ethical management system or programme consists of, its possible strengths and weaknesses, and what it can be expected to achieve. We then consider how a company may go about preparing and implementing a programme of this kind, ending with some conclusions.

Legal regulation and ethical management

Society has an undeniable interest in ensuring that the results of corporate activity are compatible with ethics (4). Even from a purely economic point of view, ethical behaviour in business helps to reduce transaction costs and internalize negative externalities, thus improving efficiency. Yet there are other, deeper reasons why organizations and the people who belong to them should always behave in a consistently ethical manner.

When society decides that certain outcomes obtained by ethical behaviour are desirable, it may resort basically to any of three different procedures to achieve them (or to any combination of the three): 1) allow the authorities to dictate compulsory regulations (command and control); 2) establish market incentives that favour ethical behaviour (market-based); or 3) seek voluntary undertakings by the agents involved (management-based). If we distinguish between the planning, the process and the outcome of business activities, we find that (5):

1) The command and control approach tends to stipulate a desired outcome, leaving the organization free to organize the planning and the process as it sees fit. An example would be when the law prohibits discrimination between job applicants on the grounds of race, gender, political or religious beliefs. Alternatively, the law

(4) Society cannot demand that people or organizations be ethical, but only that certain outcomes of their decisions be compatible with ethical principles. However, it is unquestionably in society’s interest that people and companies should always behave ethically, because then it can be sure, at least in most cases, that the outcomes will be ethical. It is also clearly in society’s interest that organizations should constantly improve as centres of ethical and economic decision making.
may stipulate a process which is expected to lead to the desired outcome. An example of this would be when the regulatory body obliges companies to use certain technologies and adopt certain measures to ensure the safety of employees in the workplace.

2) The market-based approach also fixes certain desired outcomes and sets conditions under which companies may achieve those results, giving them considerable freedom in the planning and process stages. An example of this would be when the authorities create a market for pollution, such that the “dirtiest” factories may purchase pollution rights from other, more modern and more efficient factories that have not used up their full pollution allowance (6).

3) The management-based approach, in contrast, leaves the company free, right from the planning stage, to choose whatever processes it likes to obtain the outcomes it has previously identified as a desirable goal, taking into account not only the internal interests of the company itself but also those of society (which also is to some extent involved in setting the goals and monitoring the entire process).

Let us take a closer look at the advantages and disadvantages of each of these three procedures:

1) The authority-driven approach gives rise to a complex body of laws, rules and regulations on a wide range of subjects, including the recognition and exercise of property rights, freedom of enterprise, protection against fraud, disclosure of accounting information and protection of the environment, which, at least in theory, are capable of producing the desired economic, social and ethical outcomes. However, legal or governmental regulation of ethical behaviour has certain obvious limitations. First, because the relationship between ethics and the law is ambiguous. On the one hand, many aspects of human behaviour have to do with ethics and yet cannot be dealt with by legal means –everything to do with intentions and motivations (7), for example. On the other hand, not everything required by law has an immediate ethical dimension (8). Also, laws must be formulated, enacted and brought into force according to established procedures and so cannot be continuously updated or swiftly adapted to advances in knowledge, technology and practice.

What’s more, there are laws that are immoral because of what they require or prohibit –and the legality of the process is not a proof of their morality. There are also “government failures” which can result in sub-optimal legislation –through the “capture” of the regulator, for example, or the abuse of power by a majority. Lastly, laws change the agents’ behaviour, so that the results tend not to be exactly as the legislator originally intended.

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(6) In practice, one rarely finds a purely market-based system; it tends always to be combined with coercive standards and rules.

(7) Ethics cannot be reduced to a set of consequences, because what shapes people’s and companies’ behaviour and learning is precisely those same intentions and motivations; cfr. Pérez López (1993).

(8) Whether traffic drives on the left or on the right is not, in itself, an ethical issue, merely a practical issue. The fact that once the direction of the traffic has been established by law, obeying that law is an ethical act, is a different matter.
2) In the market-based approach the authorities specify certain outcomes that are considered desirable and allow the private agents considerable freedom to choose the most suitable mechanisms for achieving them. In the case of a particular company, for example, the regulator may stipulate a maximum level of exposure of workers to toxic particles in the production process, leaving each individual plant to find the most appropriate means to achieve this outcome, depending on the peculiarities of its technology. On the one hand, this clearly gives companies an incentive to meet the desired standard as efficiently as possible, but it does not give them an incentive to aim for even higher standards, even though they may be well within the companies’ reach. On the other hand, even though each company may comply with the established standards, the outcome will not be optimal for society as a whole, as the marginal costs and benefits of the different plants or companies will not be balanced to achieve the sought-after social outcomes.

The market incentive-based approach is capable of overcoming these problems, at least in theory (9). Measures such as taxes on toxic emissions or the creation of a market for pollution rights can be used to shift production towards companies that use less highly polluting technologies, while at the same time creating incentives to keep pollution to a minimum in the long term at the lowest possible cost.

And yet this approach, too, has its limitations (10). First, continuing with the example of the pollution caused by a factory, the authorities will have to define the social value of private companies’ product, which is no easy task—and much less so if we turn instead to ethical problems such as accounting disclosure or non-discrimination of employees. Second, this approach has proved liable to run into serious political difficulties. And lastly, measuring compliance with the established standards can be very difficult—for example, determining when a food product is sufficiently free from the risk of bacterial contamination.

3) The assumption behind the management-based approach is that when it comes to ordering the relationships between planning, process and outcomes, companies have lower transaction costs than governments. In a slaughterhouse, for example, the company’s own technicians will know better than outside experts where the real risks of contamination lie, whether in the transport of the animals for slaughter, in the cutting rooms or in the refrigerated rooms. Therefore, it would seem logical to let them decide what procedures should be adopted to prevent contamination. And this means that the procedures will be different for each slaughterhouse, depending on the technology it uses, the way it is organized, its location, its working practices, etc.

In the case of ethics, the arguments in favour of a management-based approach are even stronger:

1) Companies can be forced to adopt certain practices and attain certain outcomes, but they cannot be forced to behave ethically. Therefore, in a truly ethical management system the agents involved need to be given scope for free initiative (11).

(11) This is not to say that laws or regulations imposed from outside cannot also be accepted willingly and therefore obeyed ethically.
2) Except in certain extreme cases, ethics is never black or white, but a choice between more or less ethical behaviours. Therefore, what is ethically desirable for a company at any given moment will be subject to different interpretations, not because there is any difference in the basic principles underlying the interpretation but because the way those principles are applied to the particular circumstances, and people’s perception of those circumstances, are liable to differ (12). Therefore, the government may insist on certain outcomes or processes that it considers desirable, but any truly ethical, social and environmental management system must leave a wide margin for the interested parties to decide of their own free accord.

3) Often, a company that has introduced an ethical management system will try to go beyond an ethics of minimums and aspire to excellence (13). Therefore, given that there are degrees of excellence and excellence can be achieved in different areas, it is only fair that the company should be given scope to define its own action programme.

4) The regulator is most unlikely to be able to predict or assess the outcomes of a command and control programme once the programme enters the field of ethics, as many of those outcomes will materialize in the attitudes, values and virtues of the people in and around the organization and so will not be observable. An exclusively command and control-based ethical regulation system is therefore likely to be suboptimal.

5) Legal regulation cannot take account of the variety of circumstances of different companies. A programme that is right for a large chemicals firm may not be right for a small travel agency. And the same is true of the socioeconomic environment: in a country in which corruption is rife, a programme focused on fighting extortion and bribery may be more important than an environmental protection programme, while in another country the priorities may be reversed.

6) Similarly, a command and control programme cannot take into account all the changes that take place over time, because these changes affect the learning that people undergo in terms of knowledge, abilities, attitudes and values. Consequently, a programme that is optimal at one point in time may not be optimal some time later, not only because outer circumstances (market, technology, etc.) will have changed but also because the company’s culture and the values on which it is built will not be the same.

7) For the same reason, a clearly defined and relatively rigid public programme may thwart any attempt to adapt the ethical measures to future developments of the programme.

8) A programme established on a voluntary basis may be more motivating and represent more of an obligation for the company’s management and those of the employees who have had a say in preparing it than one imposed coercively by a regulatory body.

(12) On the permanence of the higher-order principles or values, despite differences in their application, cfr. Argandoña (2001).
However, the management-based approach will not be optimal, nor even workable, unless the company and its personnel have the right training and, above all, the right incentives to put the necessary monitoring procedures into practice. Herein lies the first difficulty of the management-based approach.

The second difficulty derives from the play of interests, information and pressures between the company, the regulatory authorities, the auditors and civil society when it comes to setting demanding but achievable goals, and updating them frequently and efficiently (14).

And thirdly, management-based programmes are liable to run into political difficulties when they are first introduced. They may be rejected by society or by policy makers because they seem to leave regulation in the hands of precisely the people who are to be regulated, or to reduce regulation to an undemanding minimum, etc. Therefore, before any programme of this kind is implemented certain conditions must be met.

Ethical management systems

All of the above argues in favour of adopting ethical management systems or programmes similar to those already in use in fields such as environmental protection or health and safety, etc., which obviously also have major ethical implications (15).

An ethical management system or programme is a set of internal rules that a company’s management uses to standardize and mould behaviours with a view to achieving within the organization certain goals of an ethical nature (16).

To make an ethical management system work a company needs to have at its disposal tools such as rules of conduct, lines of communication (ethical helplines for queries, reports or complaints, for example), ethics committees (to develop ethics policies, review performance, conduct research and impose sanctions), ethical officers and ombudspersons, ethical training programmes, ethical reporting, disciplinary procedures, and so on. However, an ethical management programme must go beyond this. Even assuming these tools are in place and are effective, it must include, as we shall see later, specific management actions aimed at formulating ethical goals, defining formal processes, ensuring that ethics is present in all aspects of the company’s management, implementing clear (internal or external) auditing and review processes, and designing continuous improvement mechanisms (17).

(14) If only the company knows what is best, it may choose to conceal this information from the regulator, so that the resulting plans will not be optimal: it is precisely when it most important that the company should use its knowledge of the process and the circumstances to detect ethical failures that it is most likely to have least incentive to do so. There is an “agency problem” here between the regulator and the company that draws up the rules by which it will be judged (a problem that will be further complicated if external auditors, who are also agents of the regulator, are involved).

(15) We shall use the terms ethical, social and environmental programme and ethical, social and environmental system interchangeably, even though the former has more specific and operational connotations while the latter tends to be more abstract; cfr. Meidinger (2001). Other commonly used terms are ethics programmes, shared values programmes, compliance programmes, responsible conduct programmes, etc.; cfr. Weaver and Treviño (1999).

(16) This definition is based on one given in Coglianese and Nash (2001).

(17) Some authors seem to adopt this less ambitious viewpoint when defining ethics programmes; cfr., for example, Cohen (1993), Hoffman (1995), Jackson (1997), while others espouse the more demanding conception proposed here; for example, Berenbeim (1992), Brenner (1992), Weaver et al. (1999a,b).
An ethical management system may be introduced in the following circumstances:

1) When the goal is to achieve certain outcomes that the authorities consider desirable but it does not seem appropriate to lay down strict rules as to exactly how they are to be achieved. For example, the law forbids extortion and bribery, but companies and private citizens are free to decide what should be done to ensure that they do not occur. Thus, there may be a wide range of possible means to the desired end, and the means will vary from one geographical region or industry to another, and from one company to another (18). In any case, when the authorities take the initiative, they tend to lay down certain rules, demand compliance with certain formal requirements, set certain conditions concerning the content and scope of the programme, or make it subject to regulatory approval, etc. (19).

2) When the companies in a particular industry decide, in concert with one another, to set themselves the target of achieving certain ethical, social or environmental results (20)—a reduction in industrial accidents, for example, or the eradication of bribery and extortion in public sector procurement.

3) When the management of an individual company wishes to demonstrate or enhance its social legitimacy, change the corporate culture, guard against illegal or immoral behaviour on the part of its employees, or obtain certain ethical, social or environmental outcomes (21).

In a nutshell, an ethical management system is a set of internal efforts to formulate, plan and implement policies to achieve certain outcomes that will result in the company performing its ethical duties more satisfactorily and the people who work for the company improving ethically. The following are some guidelines that may inspire such programmes (22):

1) A systematic approach adopting specially designed measures will yield better results than a sporadic and haphazard approach.

2) Ethical management is a process, not an outcome. Accordingly, the focus must be on the process.

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(19) Sometimes regulators turn the undertakings freely assumed by companies and approved by the authorities into legal obligations. Or they demand that companies have such programmes in place in order to be eligible for government contracts, or make them a point in companies’ favour. Or they allow companies that have such programmes to benefit from less stringent government controls. Or they authorize companies to use special logos that mark them out as ethically, socially or environmentally responsible, etc. Intervention by regulators in private ethical management programmes should not be confused with what is known as negotiated rule making (cfr. Coglianese 2001).

(20) There is no such thing as “social, ethical or environmental results”: all results are to a greater or lesser extent ethical, social and environmental. What we are referring to here are results or outcomes that are desirable not only from an economic and socio-political point of view, but also and above all on account of their ethical dimension, insofar as they contribute to improving people and organizations.

(21) Companies may have all sorts of reasons for starting an ethical management programme: the demands of a regulatory agency; pressure from the media, NGOs or the general public; the recommendations or requirements of industry associations; imitation; the influence of consultants; internal initiative (values and commitments of managers or owners), and so on.

(22) Cfr. McNamara (1999), among other sources.
3) The goal is to achieve the desired behaviour; values and intentions are not enough. Values must be projected into policies, procedures and training plans, which in turn will influence behaviour and outcomes.

4) Ethical management must be integrated with other management practices. Strategic planning and all the company’s actions must be driven by the organization’s values and measured in terms of their economic, socio-political and ethical effects.

5) The fact of having an ethical, social and environmental management system will encourage a company to search for solutions that would not otherwise have been considered.

6) The programme will also motivate managers and employees to achieve the results they are aiming for.

7) The programme will establish valuable links between the company and other stakeholders, such as the local community, the unions, customers and suppliers, and NGOs.

If the programme is not a success, its results will be limited to fulfilling the letter of the programme. If it is a success, however, it may bring about a change of culture, thanks to the emphasis placed on meeting programme objectives and creating new working routines, new information and communication patterns, and new incentive systems. Putting an ethical management programme in place may create a new awareness of the relationship between the company’s culture and the ethical outcomes of its actions, and so provide a framework for identifying possible changes that may improve the company’s ethical and business performance.

Obviously, there is no guarantee that these possible benefits of adopting an ethical management system will actually be obtained. Success is never guaranteed, certainly not unless a company’s top management is seriously and deeply involved and commits the necessary means and resources. On the other hand, success may be due not to the programme itself but to other factors such as top management’s commitment to ethical excellence and the spirit in which the organization as a whole is managed. And there are always bound to be those within the organization who will see the programme as nothing more than pointless red tape.

And yet there is good reason to believe that a combination of determination and vision on the part of top management, enthusiasm in preparing and implementing the ethical management system, prudence in administering it and perseverance in correcting, updating and continuously improving it will lead to a change of culture in the company, which we earlier identified as the key to success from the ethical point of view (23).

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(23) Also, a continuous and ongoing programme has obvious advantages over occasional measures taken to put things right or improve the ethical quality of management decisions: organizational roles are created for ethical management; the programme is monitored continuously; efforts are made to bring behaviour into line with values; management and employees develop an awareness of and interest in ethical issues; ethics becomes an integral part of decision making; mechanisms are devised to deal with any problems that may occur; the programme is regularly evaluated and reviewed, and so on.
How to draw up and implement an ethical, social and environmental management system

Very generally speaking, an ethical, social and environmental management system or programme is based on four pillars:

1) Design an ethical, social and environmental management programme.

2) Put it into practice, assigning responsibilities, allocating resources and training employees.

3) Monitor progress by means of systematic audits.

4) Act to correct any problems that may be detected, constantly updating the system.

In practice, an ethical, social and environmental management system will tend to include the following stages (24):

1) Define the company’s activities

2) Identify the stakeholders and their representatives, as well as any ethical issues deriving from their relations with the company and the impacts the company’s activities may have on them. The ethical scope of the programme will depend to a large extent on how complete this list of stakeholders and impacts is.

3) Announce publicly and in writing the organization’s ethical commitments and policies towards itself, towards relevant stakeholder groups and towards society. In this as in subsequent stages, the fact of making the programme public is important, as it represents an undertaking towards the company’s stakeholders and towards society (25).

4) Draw up an ethical code of conduct and management manual (in consultation with the interested parties) (26).

5) Select, within the company’s top management, an individual or body with sufficient power and independence to ensure that the policy is complied with and the programme works as it should.

6) Identify the processes affected by the ethical management system and the organization’s ethical undertaking.

(24) Here we are drawing on the Experimental Standards Project carried out in Spain by Aenor, under the title of “Ética. Sistema de gestión de la responsabilidad social corporativa” (“Ethics. A Management System for Corporate Social Responsibility”) (draft, December 2002). It is important to point out that it is not a collection of juxtaposed components, but a combination of values, policies, procedures and activities that make up an organization’s morality (cfr. Brenner 1992).

(25) Although the programme is voluntary, it may end up becoming a de facto requirement, as a way to improve stakeholder relations and the company’s reputation, avoid compulsory regulation, improve organizational efficiency, respond to customer and supplier demands, inspire confidence in shareholders, and so on. Cfr. Meidinger 2001.

(26) The ethical management manual specifies the organization’s ethical management system. Obviously, it will have to take account of the size and nature of the company.
7) State the specific objectives and actions that must be performed to ensure that the different processes adopted satisfy the requirements of the ethical, social and environmental management programme. This is the core of the programme.

8) Plan these specific objectives and actions in good time and in such a way that they can be performed effectively.

9) Make sure that the necessary resources and information to support the operation and monitor the actions are available. The resources required include employee and management training in ethical, social and environmental matters.

10) Perform the necessary actions to achieve the planned objectives.

11) Determine the necessary criteria and methods to ensure that the solutions adopted are maintained and remain effective.

12) Define a system to verify and, wherever possible, measure the objectives, activities and results. Not all parts of the programme will be measurable, but it is important that those that are measurable be formulated in those terms, and also that the results be presented in that way (27).

13) Define and implement internal and external audits to provide independent verification that the ethical, social and environmental management system has been fully implemented, is effective, and is fit for its purpose. Independent verification of the programme’s results is vital for its credibility and also for its improvement over time (28).

14) Review the system at regular intervals to check that it fulfils its purpose and is effective.

15) Put in place the necessary improvement processes and measures to achieve the planned results and ensure the continuous improvement of the programme. This is another crucial aspect of management systems, as it entails a commitment to continuous improvement, which is the key to ethics in companies.

16) Establish methods to inform stakeholders of the commitments acquired and the extent to which they are being met, giving them access to internal information that is relevant to them.

17) Foster personal commitment and, if necessary, demand that the requirements of the ethical, social and environmental management system be met.

18) If the organization chooses to outsource some of the processes that may be affected by the ethical, social and environmental management system, steps must

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(27) This may make the programme too rigid and will need to be considered. Having clearly defined, measurable goals removes ambiguity and makes it easier to meet requirements, but it also lends itself to a purely formal, top-down control system that is liable to elicit hostile reactions to what may be seen as coercion or even indoctrination. Cfr. Nijhof et al. (2000).

(28) Treviño and Weaver (2001) stress the importance of monitoring to ensure the programme remains effective, give employees a sense of justice, discourage immoral behaviour and continually identify problems as they appear.
be taken to ensure that those processes are carried out in accordance with the requirements of the programme.

As we said earlier, an ethical, social and environmental management programme should not be simply the brainchild of a company’s top management, but should involve all of the company’s stakeholders, each according to its particular interests and abilities. This is especially important at certain stages, such as the drafting of the code of conduct, the identification of the processes affected by the ethical management system, the training of personnel, the implementation of the continuous improvement processes, and the nurturing of employee and managerial commitment (29).

An ethical management system centred on compliance, control and discipline may be very useful, but it may also generate perverse behaviour. Therefore, it is best if it is accompanied by a system that strengthens people’s values, which implies showing confidence in employees and other stakeholders and allowing them to have a say in the process and take a share of responsibility for its results (30). This means that there are two parts to an ethics programme: an explicit part made up of the codes, manuals, programmes, training seminars, decisions, etc., and an implicit part made up of the company’s culture, incentive systems, personnel policies, performance measurement systems, etc. (31).

It is also common to try to get other parties involved, such as:

1) The authorities and regulators, at least insofar as they are the ones who draw up and enact the laws and rules to which the company’s ethical system must conform (32).

2) External auditors, who may help to monitor and certify the processes and results. They tend to be professional auditors or non-governmental organizations specifically qualified for this purpose (33).

3) Standards bodies, which may be public or private, national or international, including NGOs and industry associations (34).

(29) The dialogue must not stop with the drafting of the code of conduct but must continue throughout the entire process. Cfr. Jackson (1997).

(30) The distinction between compliance-based and values-based systems of ethical management comes from Weaver and Treviño (1999); cfr. also Paine (1994). Values-based systems place the emphasis on developing shared values and supporting the aspirations of all employees, on identification and commitment; they are, in theory, more effective, particularly when it comes to changing an organization’s culture, but they are more open to manipulation and uncertainty of behaviour. Compliance-based systems place the emphasis on rules, control, and sanctioning of unethical behaviour; in appearance they are more effective, but they tend to be minimalists, insisting on outward compliance, and are less effective in changing culture and building active and creative commitment.


(32) We already explained earlier some other ways in which regulators may become involved in private ethical management systems.

(33) There are reasons why this should be done by professional, outside auditors, as they bring to the job their experience and knowledge, a thorough justification of each of their decisions, and their independence (if they are, in fact, independent). Cfr. Meidinger (2001).

(34) For example, the ISO (International Organization for Standardization) standards, those developed by the Forest Stewardship Council (FSC) for the forestry industry, or those of the American Responsible Care (ARC) program for the chemicals industry.
4) It is also common to use outside consultants, either to help design the ethical management system or to help get it certified. Their role must always be auxiliary, so as not to detract from the involvement and responsibility of the company’s managers and employees.

5) If appropriate, public or private certification agencies may also be involved.

6) In one way or another, all of the company’s stakeholders should be involved in preparing and implementing the ethical management programme. This means that the company will need to open up channels of communication to allow a fruitful dialogue to take place between management, employees and other stakeholders (35).

Conclusions

Knowingly or unknowingly, every company has an ethical management system which conditions the ethical outcomes of its decisions, moulds the behaviour of its managers and employees, and creates its distinctive culture (36). There is no denying, however, that it is best for the company if it deliberately designs and implements a coherent ethical system based on the values that it specifically wishes to foster and that are most likely to lead to the goals it wishes to achieve on an ethical, social and environmental level. Nevertheless, it is true that certain small companies that have a sound ethical culture will not need the highly varied and complex provisions of the type of ethical programmes proposed here (37).

Designing a good ethical programme and persevering in the effort to put it into practice is something of an art. It is important to make sure that the programme matches the peculiarities of the company, industry and geographical area (38). The company must anticipate any cultural changes that are likely to occur as a result of the implementation of the programme, and the learning that will take place in managers, employees and other stakeholders. The areas in which ethical problems are most likely to arise must be pinpointed, in order to prepare measures to prevent them, or to resolve them if they do arise. And efforts must be made to stimulate a process of ethical dialogue within the company, a process that will start with the drafting of the ethics code but will continue throughout the following stages. An ethical management programme is an open, ongoing process that should grow continuously, because, as we said earlier, the commitment to continuous improvement is an important part of any such programme.

In this paper we have shown that there are sound reasons for companies to establish ethical management systems, whether on their own initiative or in response to the demands of society, their stakeholders, the regulators or industry itself. Beyond introducing useful tools, such as ethics codes, ethical ombudsmen, ethics hotlines, ethical training and ethical reporting, companies would be well advised to develop an integrated system that combines declarations of principles, commitments and codes with specific measures to give them practical effect and the means to evaluate, correct and update them. Such a system is no

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(37) Cfr. Weaver et al. (1999a).
substitute for individual ethical behaviour, nor for a corporate culture and strategy that foster ethical behaviour. But it may be a good means to achieve these objectives by orienting them towards corporate excellence, including ethical excellence.

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