Nine benefits of managing ethics in the workplace

Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well. The following list describes various types of benefits from managing ethics in the workplace.

- Attention to business ethics has substantially improved society.
- Ethics programs help maintain a moral course in turbulent times.
- Ethics programs cultivate strong teamwork and productivity.
- Ethics programs support employee growth and meaning.
- Ethics programs are an insurance policy — they help ensure that policies are legal.
- Ethics programs help avoid criminal acts “of omission” and can lower fines.
- Ethics programs help manage values associated with quality management, strategic planning and diversity management — this benefit needs far more attention.
- Ethics programs promote a strong public image.
- Last - and most — formal attention to ethics in the workplace is the right thing to do.

Source: http://www.managementhelp.org/ethics/ethxgde.htm#anchor29959

Ethical banking

An ethical bank, also known as social, alternative, civic or sustainable bank, is a bank concerned about the social use of its investments and loans. Although there are differences among the main ethical banks, they share a common set of principles, the most prominent being the transparency and the social environmental aim of the projects they finance. Some of them are specialized in microcredits.

Ethical banks are regulated by the same authorities as traditional banks and have to abide by the same rules. They have to be distinguished from ethical institutions that provide certain banking services but do not meet the legal definition of bank.

The name of “ethical bank” is somewhat controversial, because it seems to imply that the other banks are not ethical. However, it is the most extended denomination.

Ethical banks usually work with narrower profit margins than traditional ones, and therefore they tend to have few offices and operate mostly by phone, Internet or mail. An extreme case of this is Smile (a branch of Co-operative Bank) : it was the first ethical bank that operates exclusively by Internet, followed by eBay Microplace.

The “conscience of the board”

The current trend is for boards to reduce the number of standing committees. But at least one new committee is being created more frequently: a Governance Committee or Board Affairs Committee. The Governance Committee replaces the nominating committee or board development committees, but does more than either. The governance committee serves as the “conscience of the board.”

The governance committee examines how the board is functioning, how board members communicate, and whether the board is fulfilling its responsibilities and living up to the objectives and aspirations set for itself and the organization. While all board members should understand the organization’s mission and goals, the governance committee must consider them with an eye on the board’s responsibility to guide the organization and what is required of the board to best accomplish that. The governance committee must be able to articulate the board’s vision for the board and find the board members who can put it into action.

Source: Betsy Rosenblatt

Thanking an outgoing board member

Well, there are always certificates and clocks and paperweights. One unusually nice idea is to write a resolution that recalls the particular acts, statements, and personality of the outgoing board member, have the board pass the resolution, and then frame it (easy to do nicely with today’s software). Another idea: One board member volunteers to host (at his or her own cost) a dinner after the board meeting in honor of the outgoing board member.

The real mechanism for corporate governance is the active involvement of the owner.

--Louis Gerstiner

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The top ten reasons to use policy governance:

- The Executive Director and the volunteers can do their work well. Policy Governance gives the volunteers and senior staff a common language with which to communicate well.
- Everyone knows the game. Policy governance defines the rules and roles, the purposes and penalties for the game of running an organization.
- So you know why the organization is doing what it does. Policy Governance provides the way to relate the core principles of an organization to what it is actually doing.
- So you know how you’re doing. Policy Governance requires the organization to include evaluation as a part of completing the work.
- So there is a big picture. Policy Governance insists on having the big picture defined so that the details can fit in appropriately and consistently.
- So the organization learns. Policy Governance, when chosen for the right reasons and when it is well implemented, is the best way for an organization to move to being a learning organization.
- So you know when you’re done. Policy Governance gives a compass to organizations, both the incentive and the way, to keep on track.

Source: Carol Humphries, Executive Director with the Reflexology Association of Canada
http://www.axi.ca

Benefits of good corporate governance in family-owned firms:

Family owned-firms tend to be more prone to miss management due to lack of good corporate governance, sometimes. But with good corporate governance at hand, benefits would be countless:

- Increased professionalism in company management.
- Higher degree of formalization of the work processes.
- Improvement of the decision-making process of top management.
- Clearer separation of roles between representatives of the ownership (directors) and of management (chief executive officer and other executives).
- Better management of the risks associated with the investment and improvement of internal controls.
- Increased ability to attract and retain talented personnel.
- Admission of independent board members and their active participation in committees.
- Better criteria for the evaluation of performance and for a system of compensation for executives (establishment of measurement of added value).
- Development of better accounting practices and managerial instruments.
- Better perception of the corporate roles by the investors.
- Increased access to capital.
- Increase in liquidity and volume of shares traded.
- Possibility of wider diversification of assets by the controlling shareholders.
- Greater precision in share-pricing.
- Increase in the number of international issuances for the raising of funds, mostly through debt securities.

Source: Brazilian Institute of Corporate Governance (IBGC)

Governance risks in family-owned firms:

The Brazilian Institute of Corporate Governance (BICG) has enumerated the following governance risk in family-owned firms:

- Imbalance between the growth of the company’s profitability and family growth: the geometric increase of family size and the family’s needs in relation to the company may compromise growth and investment in projects that are crucial for the long-term success of the organization.
- Transition between generations and succession plan: the replacement of leadership and the entry of new generations into family-controlled companies is a critical moment, creating situations which may generate internal conflicts and a decrease in management quality.
- Separation of interests between company and family: the discussion of family affairs in the company (and vice versa) and the lack of criteria in the separation between family and corporate assets may be harmful to the organization.
- Maintenance of professionalism under certain situations: long-term family dynamics (personal relationships and the emotional history involved) could influence business-related decisions. Additionally, it may be harder to exercise authority and market practices among relatives.
- Nepotism: the automatic promotion of an individual based on family relationships may undermine meritocracy in the work environment, causing the flight of talented personnel and an increase in personal rivalry between members of top management.
- Rivalry between generations and siblings: the coexistence of different generations in the same company may bring about disputes for self-assertion and power. Additionally, an attempt on the part of different partners to promote their respective family-branch or the influence of in-laws, coming into play as time goes by, may have negative impacts on the company.

“Governance” is a quarterly publication of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). It highlights ideas, best practices and trends in good corporate governance. Copyright, 2016, ADFIAP. Article contributions can be sent to robert@adfiap.org