

Asia-Pacific Economic Cooperation

Business Ethics for APEC SMEs Initiative

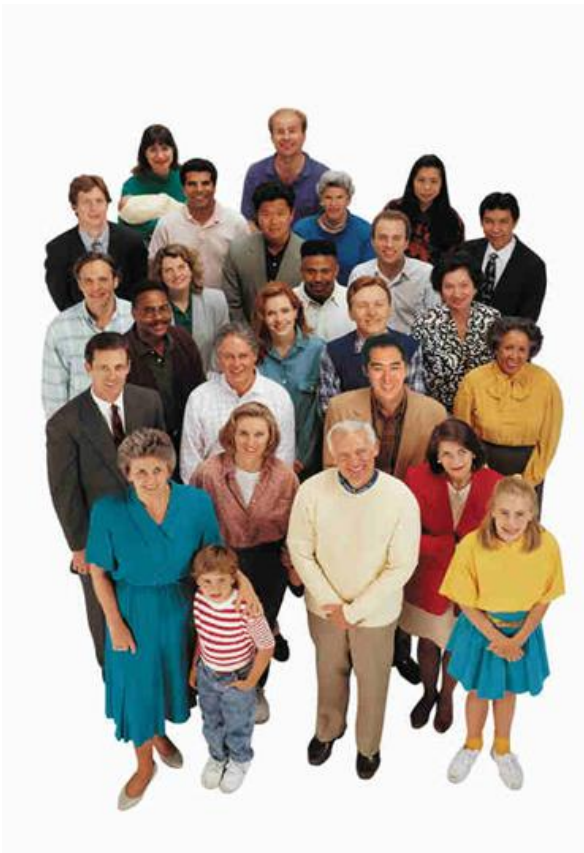
Communicating the Value of High-Standard Business Ethics (Internally) – Challenges and Opportunities



**Asia-Pacific
Economic Cooperation**

**Business Ethics for APEC SMEs
Biopharmaceutical Sector**

Patients are our Business



Business practices that unduly or improperly influence healthcare professionals or other stakeholders are NOT in the best interest of patients.



Internalizing Ethical Conduct – Start at the Top!

- Studies have shown that companies that work to build and maintain ethical workplace cultures are more financially successful and have more motivated, productive employees.*
- Internalizing ethical conduct within a company's culture requires champions.
- Managers play a key role in determining whether employees embrace a company's values. If managers and top leaders do not model ethical behavior or enforce rules in a fair manner, employees lose trust.



* For example, from 1998 to 2015, the annualized stock market returns of the Fortune 100 Best Companies to Work For in the U.S. were 11.4 percent compared with 6.4 percent for the Russell 3000 index, according to the Great Place to Work Institute (<http://www.greatplacetowork.com/our-trust-approach/what-are-the-benefits-great-workplaces#sthash.1c3ZTerS.dpbs>.)



Six Elements of an Effective Ethics and Compliance Program

- Written standards of ethical workplace conduct
- Training on standards
- Company resources that provide advice on ethics issues
- A process to report potential violations confidentially or anonymously
- Performance evaluations of ethical conduct
- Systems to incentivize ethical conduct and discipline violations



Clear Code and Ethical Standards

- Consider how the code applies to each job function and provide clear, practical standards.
- Signposts to further support, advice and other relevant policies should also be provided.

“Research shows that when employees face a moral dilemma they often look to their peers for guidance. So the best prevention for ethical lapses is to make sure that everyone in an organization understands the rules and the real and immediate consequences for breaking them.”

FORBES, How a New Generation’s Ethics Got Zapped, Aug. 16, 2010



Regular Training and Reinforcement

- Empower a Designated Ethics Officer – who should be a partner with the business, not just an enforcer – and/or managers to provide ethics training to new hires and provide regular (at least annual) refresher courses.
- Communication and Awareness Programs – communication of a company’s ethics policy never ends.
- Don’t just tick the box with online training – there is no substitute for face-to-face training. Discussion of real and hypothetical ethical scenarios better enable employees to understand a company’s code of ethics and explore how they would/should respond.
- Expand communication/expectations to third party agents, such as distributors, PR agencies, etc.



Monitoring and Accountability

- Establish procedures for employees, contractors and third parties to confidentially and/or anonymously raise potential ethics violations.
- A key component of these arrangements is that staff feel comfortable to raise issues without fear of retribution.
- Critical that employees see that potential violations are taken seriously and that there are appropriate consequences.
- Enlightened companies are transparent about the number and nature of issues raised and the disciplinary actions taken when wrongdoing occurs.



Supporting an Ethical Culture

- Promote ethical conduct through performance goals.
- Ethics needs to be brought up regularly so that it stays at the top of employee's minds.
- Studies have shown that companies that work to build and maintain ethical workplace cultures are more financially successful and have more motivated, productive employees.*
- See the bigger picture – the livelihood of the company is at stake.

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Measuring Success

- Virtuous circle – When companies value ethical performance, misconduct is substantially lower.
- The real test of whether an ethics policy is working and embedded is if an employee feels comfortable enough to speak up if she or he has a concern and whether he or she believes the company will respond and, if need be, take appropriate action.
- Once an ethics policy is successfully implemented in a company, be sure to take into account and consider your potential liability for your wider supply chain/third party agents. **As your agents, you may be responsible for their actions.**



Beware of Ethical Danger Zones

- **Conflicting goals:** If forced to cut corners to attain performance goals or given objectives that they believe are unattainable, employees may feel pressured to compromise ethical standards and lose trust in their managers.
- **Fear of Retaliation:** The fear of payback for doing the right thing is a powerful cause of inaction in organizations.
- **Avoidance:** When bad things go unpunished or are ignored, that can lead to worse behavior. It sends the message “We don’t care.”
- **Rationalization:** The “Everybody’s doing it” mindset can lead people into murky ethical waters.
- **Lowered thresholds:** With each unethical decision, the next one becomes easier. It’s a slippery slope.
- **Euphemisms:** Using neutral terms to describe questionable actions (e.g., “creative accounting”) is a subtle form of rationalization.

Source: SHRM, Creating an Ethical Workplace, Apr. 1, 2014 (available at <https://www.shrm.org/hr-today/news/hr-magazine/pages/0414-ethical-workplace-culture.aspx>).

