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BEST PRACTICE

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Codes of conduct have long been a feature of corporate life. Today, they are arguably a legal necessity—at least for public companies with a presence in the United States. As of 2004, both the New York Stock Exchange and the Nasdaq require listed companies to adopt and disclose a code of conduct. And under the Sarbanes-Oxley Act, public issuers of securities must disclose whether they have adopted a code for their senior executives (and if not, why not). Similarly, federal guidelines direct judges to take into account the adoption of a code when determining whether a company convicted of a crime had an effective ethics and compliance program in place—and thus when setting a fine. The legal case for a code is further bolstered by various requirements and enforcement policies in specific areas of the law. The EPA, for example, considers a company's compliance efforts when it assesses penalties for environmental infractions. Moreover, the courts of Delaware, legal home to more than half of all U.S. publicly traded companies and 58% of the *Fortune* 500, have held that boards are responsible for ensuring that management implements a compliance and reporting system informed by the federal sentencing guidelines.

The matter goes beyond U.S. legal and regulatory requirements, however. Calls for defined standards of corporate conduct have issued from many corners of the globe. Sparked by corruption and excess of various types—from garden-variety deception and bribery to labor abuses and elaborate schemes of market manipulation—dozens of industry, government, investor, and multisector groups worldwide have proposed codes and guidelines to govern corporate behavior. Examples include the United Nations Global Compact and the Consumer Charter for Global Business. Meanwhile, the European Commission has endorsed conduct codes as a tool for promoting corporate responsibility and urged companies to embrace, at a minimum, the Fundamental ILO Conventions and the OECD Guidelines for Multinational Enterprises. And in other regions, bodies as varied as Hong Kong's Inde-

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pendent Commission Against Corruption, South Africa's King Committee on Corporate Governance, the Brazilian Institute of Corporate Governance, and the Japanese prime minister's 2002 advisory panel on the quality of life have advised companies to develop codes.

While they do not have the force of law—at least, not yet—these initiatives reflect an increasingly global debate on the nature of corporate legitimacy. They are slowly defining the terms and conditions of companies' license to operate—or what is sometimes called the corporate social contract—around the world. By adopting its own code, a company can clarify for all parties, internal and external, the standards that govern its conduct and can thereby convey its commitment to responsible practice wherever it operates.

Company codes serve myriad other practical purposes. A code can help employees from diverse backgrounds work more effectively across geographic and cultural boundaries. It can also serve as a reference point for decision making, enabling companies to operate with fewer layers of supervision and to respond quickly and cohesively in times of crisis. It can even aid in recruitment, helping attract individuals who want to work for a business that embraces world-class standards. Of course, a code can also help a company manage risk by reducing the likelihood of damaging misconduct. And as part of managing their own brands, some companies examine the codes of their potential suppliers and partners. India's Tata Group, for example, requires any company that wants to use the Tata name to adhere to the group's code of ethics.

Given all the legal, organizational, reputational, and strategic considerations, few companies will want to be without a code. But what should it say? Apart from a handful of essentials spelled out in Sarbanes-Oxley regulations and NYSE rules, authoritative guidance is sorely lacking. The codes and guidelines promulgated by business, government, and civic groups in recent years contain a lengthy and confusing menu of possibilities.

In search of some reference points for managers, we undertook a systematic analysis of a select group of codes. After distilling and comparing their content, we sought to identify the motivating principles behind them. We were surprised to find that, despite the codes' seeming variety, they share many similarities in the standards of conduct they put forth and the ethical principles to which they give expression. We also found that differences among the codes are in many cases complementary rather than conflicting, although the codes do differ on some crucial points that are not easily reconciled.

In this article, we present our findings in the form of a "codex," a reference source on code content. It contains a set of overarching principles and a set of conduct standards for putting those principles into practice. Standards and principles are the bricks and mortar for formulating a code. Standards capture how companies and their personnel should treat their major constituencies, while principles give the standards their legitimacy. Although rarely expressed explicitly, principles answer the question, "Why do we accept these standards as guidelines for our conduct?"

Our Global Business Standards Codex is intended not as a "model code" that companies should adopt as is, but as a benchmark for those wishing to create their own world-class code. It represents our attempt to gain a comprehensive, but simplified, picture of the conduct expected of today's corporations. The provisions of the codex must be customized to a company's specific business and situation, and individual companies' codes will include their own distinctive elements as well. What the codex provides is a starting point grounded in ethical fundamentals and aligned with an emerging global consensus on basic standards of corporate behavior.

Of course, a world-class code is no guarantee of world-class conduct. A code of ethics can no more ensure ethical conduct than a code of laws can ensure legal conduct. A code is only a tool, and like any tool, it can be used well or poorly—or left on the shelf to be admired or to rust. But the better it is made, the greater the chance it will fulfill its intended purpose.

Collecting the Data

We began by reviewing five widely recognized sets of conduct guidelines for multinational companies: The Caux Round Table Principles for Business (CRT Principles), the OECD Guidelines for Multinational Enterprises (OECD Guidelines), the UN Global Compact, the Interfaith Center on Corporate Responsibility's Principles for Global Corporate Responsibility (ICCR Principles), and the Global

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The GBS Codex

For companies that want to assess their code of conduct or craft a new one, we offer the Global Business Standards Codex, a roundup of widely endorsed conduct guidelines for companies around the world. We arranged the standards according to eight underlying ethical principles:

I. Fiduciary principle

II. Property principle

III. Reliability principle

IV. Transparency principle

V. Dignity principle

VI. Fairness principle

VII. Citizenship principle

VIII. Responsiveness principle

Although many standards are informed by more than one principle, we have listed each standard only once. We also included several supplementary provisions (shown in italics) that are worthy of managers' consideration even though they did not meet our criteria for inclusion in the core group. For clarity, we have indicated which constituency (customers, employees, investors, suppliers/partners, competitors, the public, or even the company itself) is most affected by each. Grounded in ethical fundamentals, this codex can be taken as a first approximation of global best practices for companies and their directors, officers, and employees.

I. FIDUCIARY PRINCIPLE: Act as a fiduciary for the company and its investors. Carry out the company's business in a diligent and loyal manner, with the degree of candor expected of a trustee.

Key Concept	Constituency	Standard
Diligence	Company	Promote the company's legitimate interests in a diligent and professional manner.
		Maintain the company's economic health.
		Safeguard the company's resources and ensure their prudent and effective use.
		Refrain from giving excessive gifts and entertainment.
	Investors	Provide a fair and competitive (or better) return on investment.
Loyalty	Company	Use position and company resources only for company purposes (not for personal gain).
		Disclose potential conflicts between personal and company interests.
		Refrain from activities involving actual conflicts of interest, such as self-dealing and competing with the company.

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Reporting Initiative (GRI). We focused on guidelines for first-order conduct, largely ignoring those for implementation and oversight. We refer to these five sources as "codes" even though only the first four appear in a traditional code format. We tried to infer the governing precepts for conduct behind the GRI's proposed performance indicators.

We chose these codes for several reasons. First, they are meant for companies in general, not for a single company or a specific sector, such as apparel or extractive industries, for which specialized codes have recently been developed. Second, they relate to a broad spectrum of corporate activity rather than a single issue (such as corruption), function (procurement), or constituency (employees). Third, they speak to companies worldwide. Fourth, they are multinational in origin. Finally, each was developed through a multiparty process involving many individual and organizational participants. To date, more than 2,200 companies, including 98 of *Fortune*'s Global 500, have joined the UN Global Compact, and 39 governments have endorsed the OECD Guidelines. Taken together, the multiparty codes reflect a range of views from different sectors of society: business, government, and nonprofit (which includes civic, religious, and environmental organizations).

We also examined the codes of 14 of the world's largest companies, including the top ten in the *BusinessWeek* Global 1000 for 2003 (all from the United States or the United Kingdom) and the top two companies from continental Europe and Asia as shown on the *Financial Times* 2003 list of the World's Most Respected Companies. Since we looked only at companies' codes, however, and not at other documents these companies have issued on specific topics such as conflicts of interest, we do not claim to have a complete picture of the companies' policies.

For U.S. legal and regulatory requirements on code content, we reviewed the Sarbanes-Oxley Act, along with the SEC's implementing regulations and the NYSE and Nasdaq corporate governance rules. We distilled the precepts for corporate conduct found in the 23 sources (the five multiparty codes, the 14 individual company codes, and the four legal and regulatory sources) and categorized them by the constituencies whose interests were principally at stake. (Go to gbscodexresearch.hbr.org to see

GBS Codex: FIDUCIARY PRINCIPLE, continued

Loyalty	Company	Refrain from receiving excessive gifts and entertainment.
		Refrain from pursuing for personal benefit opportunities discovered through position or company resources.
	Investors	Refrain from trading in the company's securities on the basis of confidential company information.
II. PROPERTY PRINCIPLE: Respect property and the rights of those who own it. Refrain from theft and misappropriation, avoid waste, and safeguard the property entrusted to you.		
Key Concept	**Constituency**	**Standard**
Protection	Company	Protect company assets, including confidential and proprietary information, funds, and equipment.
Theft	Company	Do not misappropriate company resources through theft, embezzlement, or other means.
	Competitors	Respect rivals' property rights, including those regarding intellectual property.
III. RELIABILITY PRINCIPLE: Honor commitments. Be faithful to your word and follow through on promises, agreements, and other voluntary undertakings, whether or not embodied in legally enforceable contracts.		
Key Concept	**Constituency**	**Standard**
Contracts	Suppliers/ Partners	Pay suppliers and partners on time and in accordance with agreed-on terms.
Promises	All	Honor promises and agreements.
Commitments	All	Fulfill implicit and explicit obligations to all constituencies.
IV. TRANSPARENCY PRINCIPLE: Conduct business in a truthful and open manner. Refrain from deceptive acts and practices, keep accurate records, and make timely disclosures of material information while respecting obligations of confidentiality and privacy.		
Key Concept	**Constituency**	**Standard**
Truthfulness	All	Be honest and respect truth in all activities.
		Record transactions in a fair and accurate manner.
	Suppliers/ Partners	Deal with suppliers and partners honestly.
Deception	Customers	Avoid deceptive and misleading statements and omissions in customer-related activities, such as marketing, sales, and research.
	Competitors	Do not acquire commercial information by dishonest or unethical means.

our background analysis of the combined codes.) As a check on our research, we reviewed numerous other code-of-conduct studies by academics as well as organizations such as the Conference Board and the OECD. And to protect against cultural blind spots, we compared the codes of nine companies from five emerging markets: Brazil, China, India, Nigeria, and Russia.

The Common Ground

Viewed together, the source codes contain provisions relating to the six traditional corporate stakeholders: customers, employees, investors, competitors, suppliers/partners, and the public. Although the stances toward these constituencies vary—companies are urged to "create value for," "deal fairly with," or "fulfill obligations to" their constituencies—the codes uniformly recognize that companies have responsibilities to several groups.

A number of general provisions, applying to all activities and all parties, appeared in many documents. Nearly all the codes enjoin companies to observe the law, protect the environment, avoid bribery, and conduct business in a truthful manner. Other recurring provisions include disclosing relevant information in a timely fashion, keeping accurate records, honoring agreements, respecting human dignity and human rights, protecting health and safety, and contributing to society through innovation.

Among the guidelines that apply to specific constituencies, we found those concerning customers to be the most similar. Companies are consistently called upon to meet the quality requirements of customers, protect their health and safety, and treat them fairly. Environmentally safe products and services are also frequently called for, and provisions relating to truthfulness and transparency in customer dealings are among the most common. Privacy and the protection of confidential customer data also receive a moderate level of attention.

Regarding employees, the codes consistently mandate that companies protect workers from injury and illness in the workplace, avoid discrimination, provide equal employment opportunity, and respect their dignity and human rights. Provisions forbidding retaliation against employees who report mis-

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GBS Codex: TRANSPARENCY PRINCIPLE, continued

Disclosure	All	Make timely disclosures of relevant financial and nonfinancial information.
		Engage in transparent accounting and financial reporting.
	Investors	Provide investors with relevant, accurate, and timely information.
	Customers	Give customers adequate health and safety information, warnings, and labels.
		Provide accurate information about the content, use, and maintenance of products.
	Employees	*Give reasonable notice of operational changes likely to have a major effect on employees' livelihood.*
Candor	Employees	Communicate in an open and honest manner, subject to legal and competitive constraints.
	Public	Communicate and consult with communities affected by environmental, health, and safety impacts of the enterprise.
Objectivity	All	Adhere to independent auditing and financial-reporting standards.

V. DIGNITY PRINCIPLE: Respect the dignity of all people. Protect the health, safety, privacy, and human rights of others; refrain from coercion; and adopt practices that enhance human development in the workplace, the marketplace, and the community.[1]

Key Concept	Constituency	Standard
Respect for the Individual	All	Respect the dignity and human rights of others.
	Employees	Adopt work practices that respect employees' dignity and human rights.
		Prevent harassment in the workplace.
	Suppliers/ Partners	Prefer suppliers and partners whose employment practices respect dignity and human rights.
	Public	Support and protect human rights within the company's sphere of influence.
Health & Safety	All	Protect human health and safety.
	Customers	Ensure that products and services sustain or enhance customer health and safety.
	Employees	Protect employees from avoidable injury and illness in the workplace.
		Provide a work environment that is free from substance abuse.
	Suppliers/ Partners	*Prefer suppliers and partners whose work practices respect international labor standards on health and safety.*

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conduct are also widespread. Various codes mention open communication, responsiveness to suggestions and complaints, fair and reasonable compensation, and assistance in developing skills.

Similarities in provisions relating to investors, suppliers/partners, competitors, and the public are less numerous and less pronounced. Those that do occur are often specific applications of the general provisions. The standards covering suppliers, for example, pick up the fair-dealing, environmental protection, antibribery, and human rights themes introduced earlier.

The Differences

We unearthed a fault line between codes written by people who represent business and those written by groups that represent multiple sectors of society. The business sector codes—those created by the Caux Round Table and by individual companies for their own use—are much more attentive to the economic health of the enterprise and to employees' responsibilities to the corporate entity. By contrast, the four multisector codes (OECD Guidelines, UN Global Compact, ICCR Principles, and GRI) are largely silent on such matters as diligence in carrying out the company's business, prudence in using company resources, and care in protecting company assets. Infrequently mentioned in the multiparty codes are provisions concerning conflicts of interest and self-dealing, issues that were central to the corporate scandals of 2001 and 2002 and that appear prominently in the company codes and the regulators' guidelines. Indeed, conflict of interest has historically been among the most frequently covered topics in company codes.

Not surprisingly, the business sector codes place more emphasis on responsibilities to investors. Only one of the multisector codes (GRI) addresses financial returns to investors, and none mentions insider trading, whose prohibition is required by regulatory guidelines and which is in fact prohibited by the majority of company codes. Investor and financial concerns are not wholly neglected in the multisector codes. Two codes call on companies to provide investors with accurate and timely information, and one requires them not to obstruct share owners' legal rights. Moreover, the multisector codes include general precepts on

GBS Codex: DIGNITY PRINCIPLE, continued

Privacy & Confidentiality	Customers	Respect customers' privacy.
		Protect confidential customer information.
	Employees	Respect employee privacy.
		Protect confidential employee information.
Use of Force	Employees	Abstain from directly or indirectly using forced or child labor.
	Public	Ensure that security personnel respect international standards on the use of force.
		Contribute to the elimination of forced labor and abusive labor practices.
Association & Expression	Employees	Recognize employees' right to free association and collective bargaining.
	Suppliers/ Partners	*Prefer suppliers and partners whose work practices respect international labor standards on free association and collective bargaining.*
	Customers	*Respect customers' cultures.*
	Public	Respect local cultures.
Learning & Development	Employees	Assist employees in developing skills and knowledge.
		Create employment opportunities that enhance human development.
Employment Security	Employees	Safeguard employment and employability.

VI. FAIRNESS PRINCIPLE: Engage in free and fair competition, deal with all parties fairly and equitably, and practice nondiscrimination in employment and contracting.

Key Concept	Constituency	Standard
Fair Dealing	All	Deal fairly with all parties.
	Investors	Deal fairly with minority share owners.
	Customers	Treat customers fairly in all aspects of transactions.
		Set prices that are reasonable and commensurate with quality.
	Employees	Offer fair and reasonable compensation.
	Suppliers/ Partners	Deal fairly in all activities, including pricing, licensing, and rights to sell.
Fair Treatment	Employees	Practice nondiscrimination and provide equal employment opportunity.
	Suppliers/ Partners	*Provide equal opportunity to suppliers owned by minorities and women.*

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financial disclosure, accounting, audits, and financial reporting. But the specific requirements of economic trusteeship—insofar as it involves the creation of economic value—receive little attention.

The multisector codes also have comparatively little to say about business-to-business conduct, especially between competitors. While the multisector codes issue broad guidelines such as "adhere to competition laws" and "cooperate with competition authorities," the business sector codes call explicitly for free and fair competition, respect for rivals' property rights, and appropriate gathering of competitive information. In the supplier/partner domain, the multisector codes focus on labor and environmental standards, while the business codes address a wider set of issues.

Compared with the business sector codes, the multisector codes are more oriented toward employees and the general public. For example, all the multisector codes call on companies to recognize employees' right to free association and collective bargaining, whereas only four of the business sector codes do (and three of those are from non-U.S. companies). Similarly, all the multisector codes include restrictions on using forced and child labor; only five company codes do. While topics such as employment safeguards and reasonable notice of major employment changes receive attention from multisector groups, the NYSE governance rules explicitly state that codes may preserve at-will employment arrangements. That is, under the NYSE's rules, companies may follow the long-standing and unique-to-the-U.S. legal principle that, in the absence of an employment contract of specific duration, an employee may be dismissed at any time—with or without notice.

The themes of stakeholder responsiveness and engagement are much more prominent in the multisector codes. For example, the GRI and the ICCR Principles call for worker participation in certain decisions and activities, and the OECD Guidelines call for cooperation with government authorities and community officials. The ICCR document even proposes that companies go beyond dialogue and actually abide by the recommendations put forth by some stakeholders, though it is the only code that makes such a recommendation.

The two groups of codes also reflect different postures toward public policy concerns.

GBS Codex: FAIRNESS PRINCIPLE, continued

Fair Treatment	Suppliers/ Partners	*Prefer suppliers and partners whose employment practices respect international labor standards on nondiscrimination.*
Fair Competition	Competitors	Engage in free and fair competition.
		Refrain from colluding with competitors on prices, bids, output, or market allocations.
		Refrain from seeking or participating in questionable payments or favors to secure competitive advantage.
	Suppliers/ Partners	Require suppliers and partners to refrain from bribery and improper payments.
Fair Process	Employees	Do not retaliate against employees who report violations of law or company standards.

VII. CITIZENSHIP PRINCIPLE: Act as responsible citizens of the community. Respect the law, protect public goods, cooperate with public authorities, avoid improper involvement in politics and government, and contribute to community betterment.

Key Concept	Constituency	Standard
Law & Regulation	All	Obey applicable laws and regulations.
		Do not participate in money laundering or other illegal activities that support terrorism, drug traffic, or other organized crime.
	Investors	Do not obstruct legal rights of share owners.
	Competitors	Adhere to competition laws.
	Public	Adhere to environmental laws and standards domestically and internationally.
		Adhere to the letter and spirit of tax laws and make timely payments of tax liabilities.
Public Goods	All	Do not condone or participate in bribery or other forms of corruption.
		Protect and, where possible, improve the natural environment.
		Promote sustainable development.
	Customers	Ensure that products and services sustain or enhance the natural environment.
	Suppliers/ Partners	Prefer suppliers and partners who observe applicable environmental standards.
	Public	Do not use lack of scientific certainty as a reason to postpone cost-effective measures to address threats of serious damage to the environment.

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The multisector codes ask companies to actively address such issues as corruption, labor practices, human rights, and environmental protection. Apart from the CRT Principles, few of the business codes take an activist stance on these issues. The business codes typically condemn bribery, labor abuses, and environmental degradation in companies' own operations; but the multisector codes go further, advocating that companies reach out to persuade others—in their value chain, in their community, in the society at large—to address these issues as well.

The appropriate scope of corporate activism is up for debate. Many of the codes—especially the multiparty codes—ask companies to collaborate on, contribute to, or otherwise support causes that are of broad public significance. Under the UN Global Compact, companies are even charged with providing health, education, and housing for employees in certain circumstances. The CRT Principles say that companies should promote free trade, open markets, and democratic institutions. But such activity is arguably an incursion into the powers of the state. By the dictates of classical liberalism, such matters should be handled by public officials following democratic ideals of participation and due process. To be sure, the multiparty codes enjoin companies to recognize the government's jurisdiction over society at large, to avoid improper involvement in politics, and to pay their taxes in a timely manner. And the individual companies' codes seem to concur—at least with the first two provisions. (Company codes rarely discuss tax obligations.)

Yet the proper division of labor among companies, governments, and civic actors is far from settled. Differences may well reflect disparate underlying assumptions about democracy and due process. In democratic societies that have accountable governments, corporate activism may seem unnecessary or unjustified, whereas the absence of a legitimate and well-functioning government may make corporate activism seem essential.

To the extent that individual companies do adopt an activist position, it is likely to be issue specific—focused, for example, on the environment, bribery, or human rights. Companies also seem less reluctant to use their influence to shape the practices of their suppliers and partners than to embrace general public advocacy. Indeed, more than half the company

GBS Codex: CITIZENSHIP PRINCIPLE, continued

Cooperation with Authorities	Customers	Cooperate with public authorities to address threats to public health and safety from the company's products and services.
	Employees	Cooperate with employee groups, government, and others to address employment dislocations created by business decisions.
Political Noninvolvement	Public	Recognize government's obligation and jurisdiction concerning society at large.
		Avoid improper involvement in political activities and campaigns.
Civic Contribution	All	Contribute to the economic and social development of local communities and the world.
		Develop innovations in technology, products, processes, and practices.
	Public	Contribute to charitable causes.
		Support employee involvement in civic affairs.
		Take a leading role in preserving and enhancing the physical environment.
VIII. RESPONSIVENESS PRINCIPLE: Engage with parties who may have legitimate claims and concerns relating to the company's activities, and be responsive to public needs while recognizing the government's role and jurisdiction in protecting the public interest.		
Key Concept	**Constituency**	**Standard**
Addressing Concerns	Investors	Respect share owners' requests, suggestions, complaints, and formal resolutions.
	Customers	Offer products and services whose quality meets or exceeds customers' requirements.
		Provide timely service and remedies for customer complaints.
	Employees	Engage in good-faith negotiation in cases of conflict.
		Respond to employees' suggestions, requests, and complaints.
Public Involvement	Public	Collaborate with community groups, and support public policies that promote economic and social development.
		Cooperate in efforts to eliminate bribery and corruption.
		Support and protect democratic institutions.
		Support diversity and social integration.

1. In corporate codes, the term "human rights" typically refers to the issues of nondiscrimination, health and safety, and rights to free association. The term "international labor standards" generally refers to this set of issues as well.

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codes require suppliers and partners to refrain from bribery, and a similar number say preference should be given to those who observe applicable environmental standards. Overall, though, while the multisector codes are more activist than the business codes, individual companies can be found on all points of the activism spectrum.

Not all differences among the codes track the divide between business and nonbusiness perspectives, and some follow no obvious pattern. One example is the treatment of compensation, a topic addressed explicitly by the CRT Principles, two multisector codes, and four company codes. While the CRT Principles call for "compensation that improve[s] workers' living conditions," the company codes favor pay that is "fair" or "competitive." Depending on market conditions and how these terms are interpreted, the required pay levels could be quite similar—or they could be radically different.

Governing Principles

Despite such differences in emphasis and content, we found that most of the roughly 130 precepts we identified in the 23 source documents could be seen as practical applications of just eight basic principles, most of which echo longstanding themes in ethical and legal thought. Without insisting on a rigid system of classification, we found that the standards cluster loosely around the following principles:

The Fiduciary Principle. By law, the officers and directors of a corporation are fiduciaries for the company and its shareholders. However, all employees stand in a fiduciary relationship to the corporate entity in that they are entrusted to protect its resources and act on its behalf in carrying out their job-related responsibilities. Traditionally, trusteeship has included duties of diligence, candor, and loyalty to the beneficiary over the self. Thus, disclosing conflicts of interest and prohibitions on unauthorized self-dealing have been traditional guidelines for trustees. The same logic dictates that fiduciaries may not benefit themselves at the expense of the entity they serve—by, for example, pursuing for their own personal benefit business opportunities that belong to the corporation. At the core of the fiduciary principle, however, is the notion of diligence, prudence, and energetic effort applied in the service of another. Negligence,

carelessness, and halfhearted effort are clear, if less frequently discussed, violations of this principle. Although fiduciary concepts are not covered in the multisector codes, they are central to the functioning of the economy and should, under recent regulations on code content, be included in any company's code.

The Property Principle. Whether justified by arguments from the standpoint of human dignity and liberty or from that of wealth maximization and economic development, the property principle is today regarded as central to individual and societal well-being, the ultimate test of any ethical system. Theft and embezzlement of tangible property are the classic violations of this principle, and injunctions against these behaviors are found across the ages. As intangible property has grown in importance, definitions of theft have expanded to include misappropriation of intellectual property and other types of proprietary information. Respect for property continues to mean safeguarding the property in one's rightful possession, avoiding waste, and not infringing on the property rights of others. The codes we examined make relatively few explicit references to these mandates—perhaps because they are so ingrained as to be assumed—but a few provisions specifically enjoin the protection and maintenance of property and forbid theft and other forms of misappropriation.

Like any tool, a code of conduct can be used well or poorly—or left on the shelf to be admired or to rust. But the better it is made, the greater the chance it will fulfill its intended purpose.

The Reliability Principle. Several directives invoke the principle of reliability, or fidelity to commitments. To cope with uncertainty, most societies have developed ethical norms around keeping promises, fulfilling contracts, and even carrying out one's stated intentions—especially if meant to induce reliance by others. Complex schemes of cooperation would not be possible without these ways of forming binding commitments, as they allow different parties to coordinate their activities into an unknown future. They bring an element of predictability to an otherwise unpredictable flow of events. The law of contract is an elaboration of this basic idea. As legal scholar Charles Fried has observed, "By promising we transform a choice that was morally neutral into one that is morally compelled." Classic violations of the reliability principle include breach of promise, breach of contract, and other less formal types of betrayal or going back on one's word. More generally, the reliability principle implies care in making commitments—not promising more than one can deliver—and in following through on agreements and other obligations that are voluntarily incurred.

The Transparency Principle. A number of directives are concerned with accuracy, truth, and disclosure of information—or what has come to be called "transparency." Although this term does not signify total openness, its core ideas of honesty and respect for truth have been treated as fundamental ethical imperatives from time immemorial. Injunctions against fraud and deceit—the characteristic violations of this precept—are found in many ethical traditions and virtually all legal systems. Transparency also implies taking care to present information accurately and not to mislead. And it may mean correcting misinformation or offering information that is material to the recipient in important ways—affecting personal or financial well-being, for instance. Justifications for such transparency requirements include promoting dignity and freedom, enabling wise decision making, advancing knowledge, enabling cooperation, promoting society's ability to function, ensuring economic efficiency, preventing corruption, and, simply, upholding the intrinsic value of truth.

The Dignity Principle. Although corporate officials and employees have fiduciary obligations to protect and promote the company's interests, they are nonetheless expected to do so in a way that respects other people—whether those people are other employees, customers, supply chain workers, or members of the general public. Indeed, respect for the person is perhaps the starting point for all ethical thought. It leads directly to protections for health, safety, expression, and privacy, and to proscriptions on humiliation, coercion, and offenses against basic human rights. It also implies affirmative efforts to develop human potential, and it often means special concern for those who are incapacitated or otherwise particularly vulnerable. All of the codes include at least some provisions that ensure respect for the person.

The Fairness Principle. The concept of fairness has been central to ethical thought throughout the ages. Its importance rests on its role in facilitating cooperation, securing legitimacy, and ensuring group survival. Four types of fairness have received particular attention: reciprocal fairness, or fairness in ex-

change; distributive fairness, or equity in allocating benefits and burdens among members of a group; fair competition, which concerns conduct among rivals; and procedural fairness, which entails due process.

Fairness has many interpretations, but treating like cases alike is a core aspect. Unfairness almost always involves differential treatment—favorable or unfavorable—among parties that are similarly situated. Although some forms of differential treatment are quite legitimate, the vast majority of the codes we reviewed forbid discrimination among employees on the basis of non-work-related characteristics, and equal pay for equal work is a recurrent idea. Many of the codes also call more generally for fair treatment, as well as fair competition and fair dealing.

The Citizenship Principle. The various codes differ considerably on the degree to which companies should be activists on public and societal issues, but they agree on several basic issues of citizenship. Perhaps the most fundamental civic duty is respect for law, and all the codes call for observation of relevant laws and regulations. In addition, citizens are generally thought to bear some responsibility for maintaining the "commons"—such shared and indivisible goods as the natural environment, public spaces, or legitimate government. Just as individuals should clean up after themselves, companies, too, should repair any damage to the commons resulting from their activities. Beyond this baseline, citizenship implies a willingness to deal with public authorities in good faith and may even imply some additional contribution by way of charity, civic support, or help in addressing broad societal problems.

The codes include several directives pertaining to the duties of citizenship and their classic violations, such as breaking the law, freeloading, and bribing public officials. At the same time, the codes make clear that the corporation is no ordinary citizen. Rather than being full participants in the political and public policy–making processes, companies are directed to avoid "improper" involvement in political activities and to recognize the government's obligation and jurisdiction concerning society at large.

The Responsiveness Principle. Unlike the previously discussed principles, this one may have its origins in the modern corporate context as a corrective to the indifference that often characterizes bureaucratic systems. It implies a readiness to engage with other parties that may be affected by a company's activities or may have a justifiable claim (even if not an entitlement) to attention. Although the multisector codes typically call for greater responsiveness than the business codes, the CRT Principles strike something of a middle ground, with precepts on engaging with suppliers and responding to complaints and suggestions from customers, employees, and investors.

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Some of the provisions found in our source codes—avoid fraud, for instance, and ensure a safe working environment—arise from only one main principle. Others, like guidelines on gifts and entertainment, have links to several. For example, much of what passes for business entertainment may be more aptly described as personal entertainment at corporate expense. Such diversions of corporate property to personal use are not only breaches of fiduciary obligation, but they are also a form of waste that violates the property principle. And in some cases, excessive gifts are simply a means to secure an unfair competitive advantage.

Although the principles have ancient roots, the precepts found in the codes are tailored to the modern business context and recognize the corporate entity as an actor in its own right. In these respects, the codes reveal their contemporary origins, for the modern corporation is a relatively recent invention, and the idea that businesses should observe a set of ethical standards is even more recent. In early-twentieth-century legal circles, the corporation's capacity for moral judgment and responsibility was hotly contested. The idea continues to be debated by a few theorists, though by now it is widely accepted—as evidenced by the sheer number of corporate codes of ethics.

By emphasizing the common threads running through these codes and connecting them to enduring themes in ethical and legal thought, we do not mean to deny important differences in how the precepts are understood and applied around the world. Nor do we suggest that they are consistently observed. But we do see an emerging core of global standards of conduct.

The core precepts articulated in these codes reflect ethical principles that have arisen to address problems and concerns in virtually all societies—problems of trust, cooperation, fair-

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ness, safety, security, and so on. Given the central role of business in society today, it is not surprising that these same principles should be applied to corporate behavior. We urge business leaders to heed the rising chorus and to take steps now to ensure that their companies' practices are, in fact, up to code.

Creating the Codex

The Global Business Standards Codex reflects our findings on standards of conduct as well as our conclusions about the ethical principles informing them. At its core is the body of standards around which we found wide agreement. This group includes not only regulatory requirements and items that appeared with some consistency across the various codes but also ones that occurred with high frequency in either business sector *or* multisector codes. For example, we included provisions on conflicts of interest, the use of company resources, and employee privacy—topics that appear in half or more of the company codes but in few of the multisector codes. By the same reasoning, we included provisions on forced and child labor and employees' right to free association, both listed in all the multisector codes but in only a handful of the business sector codes.

In a few instances, we included provisions that we judged to be important and required by the underlying principles of the codex even though they appeared infrequently. Fair treatment of minority share owners and responsiveness to share owners' concerns, for example, were mentioned in only one company code and absent from most of the multisector codes.

We organized the codex by principle to reveal the ethical basis of the various standards. To facilitate implementation, the codex also displays the main constituency affected by each provision. Although further research will be required to determine the extent to which companies actually adhere to these standards, the codex may be taken as a first approximation of global best practice.

As we said at the beginning, we offer the codex not as a minimum code but as a reference that companies can use to assess their current code or to craft a new one. Some may adopt a minimalist approach, avoiding violations of the principles and standards articulated here. Others may focus on achieving excellence, enacting these principles in their most robust form. Many will want to take a position on issues outside the consensus area or include their own distinctive values and commitments alongside the basics found in the codex. But all will want to consider where they stand relative to this set of widely recognized standards of conduct for global business.

If our hypothesis is correct, companies will ultimately be judged—and their very license to operate may in some cases depend—on their responsiveness to this emerging global consensus.

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