



AN LRN® WHITE PAPER

Bring Your Code to Life

Turning Mission and Values into Behaviors That Win the Right Way

Companies are under greater scrutiny than ever in connection with *how* they do business, rather than simply *what* they do. This is fundamentally about behaviors, yet most companies are not as well placed as they might be to establish and reinforce the expectations of the right behaviors. Their codes of conduct, which ought to be the primary resource and guide here, are too often failing to connect with company purpose and values, leaving employees uncertain about *why* the right behaviors matter.

What’s more, when many codes exhibit a fairly narrow focus on compliance, a lack of business relevance, and content that is dry, uninspiring and unhelpful, it’s no wonder these codes languish in desk drawers or on seldom visited intranet pages. This paper lays out a vision and set of leading practices for a more effective approach; one that connects employees with a sense of purpose-inspired mission and a commitment to values-based behaviors that can build sustainable, resilient and thriving organizations.

“Values are the foundation of culture. They represent the core of what is important—the shared principles by which individuals and groups in organisations make choices.”

—Salz Review of Barclays’ Business Practices

Contents

Mission and Values Statements— Living, Dying and Dead	3
The Essence of a Living Code.....	5
Codes—Living and Social.....	8
Conclusion: A New Framework for a New Age.....	10

Continuing low levels of employee engagement and the persistence of egregious corporate misconduct demonstrate the inadequacy of predominantly rules-based governance systems—imposing rules and controls without due regard for foundational values and the underlying organizational culture.

How often do companies aspire to mediocrity? How many define their vision and mission in terms of doing enough to get by, to stay out of trouble, and survive until the next quarter? It's not a common aspiration, especially when technology-enabled transparency and global interdependencies connect behavior, trust, and reputation more surely than ever before; when companies face unprecedented scrutiny from regulators, investors, consumers, and others in relation to the *how* as well as the *how much* of their performance.

As we see companies increasingly being put to proof of what they stand for and of the legitimacy of their goals and operating models, one might expect heightened focus and alignment around mission and values. Why is it, therefore, that companies' mission and values (MV) statements—if they exist at all—are so often ignored or viewed cynically by employees and other stakeholders? Similarly, why in so many companies is the code of conduct—the generally accepted and, in many cases, legally required primary guide to expected behaviors—an uninviting, uninspiring, and rule-bound exercise in lawsuit avoidance?

There are companies that are reassessing who they are, what they stand for, and how they can fulfill their brand promise in a distinctive yet principled way. However, some notable commentators, such as Rosabeth Moss Kanter at Harvard Business School, believe that business generally has some catching up to do. In a 2011 *Harvard Business Review* article, "How Great Companies Think Differently," Professor Kanter argues that it is time that beliefs and theories about business catch up with the way great companies operate and how they see their role in the world today—companies that define themselves around purpose and values and that measure themselves not merely by the short-term economic value they generate but also by their ability to sustain the conditions that allow them to flourish over time. We believe that the thinking and practices related to MV statements and codes of conduct are a case in point, having generally failed to keep pace with the increasing importance of mission and values in business. Continuing low levels of employee engagement and the persistence of egregious corporate misconduct demonstrate the inadequacy of predominantly rules-based governance systems—imposing rules and controls without due regard for foundational values and the underlying organizational culture.

Professor Kanter also notes that great companies create frameworks that articulate a company's *raison d'être* and use societal value and human values as decision-making criteria. In our view, as companies increasingly seek to define and demonstrate their commitment to doing business on the basis of transparency and authentic, trust-based relationships, they will have a growing need for an *integrated framework* that includes a clear, compelling statement of mission and values and a mission-oriented, values-based code that aids principled, responsible decision making. In order to inspire employees and serve as effective guides for principled conduct, codes will need to harmonize with MV statements and articulate values that not only resonate with diverse, globally distributed employees (as well as agents, consultants, and the other business partners), but also have a clear practical application in terms of expected behaviors.

Conversely, the negative impact of a lack of clear purpose and consistent values has recently been the subject of authoritative commentary in an industry not, in recent years, strongly focused on such matters. The Salz Review of Barclays' business practices (after the bank was fined £290 million for its part in a major interest rate-fixing scandal) noted:

There was no sense of common purpose in a group that had grown and diversified significantly in less than two decades. And across the whole bank, there were no clearly articulated and understood shared values – so there could hardly be much consensus among employees as to what the values were and what should guide everyday behaviours. And as a result there was no consistency to the development of a desired culture. (Page 6)

Transforming the culture at Barclays will, according to the Salz Review, “require a new sense of purpose beyond the need to perform financially. It will require establishing shared values, supported by a code of conduct...”

In short, values drive behaviors, which drive outcomes.

Together, MV statements and mission-oriented, values-based codes reflect an organization’s identity or “corporate character”—the common sense of purpose, shared values, and habitual behaviors that make up its culture. Through these documents, organizations formally articulate who they are, why they exist, what they care about, where they are headed, and how they will get there. We believe the value of creating and, most critically, *living by* MV statements and mission-oriented, values-based codes of conduct will become increasingly apparent to companies as they grapple with the challenges of preserving consumer trust, differentiating themselves in both traditional and emerging markets, and responding to a complex and dynamic regulatory and enforcement landscape.

In this article, we briefly explore the role of MV statements as living documents and content sources for mission-oriented, values-based codes. We turn then to a discussion of leading practices for bringing your company’s code to life, addressing two important questions:

1. What does a mission-oriented, values-based code look like?
2. How can your code be socialized so that it becomes a living document?

Mission and Values Statements—Living, Dying and Dead

Given the potential value of mission and values statements, it’s worth reflecting on the difference between those that are living and those that are moribund or even dead. Effective MV statements speak to multiple stakeholder audiences and strike the right balance between affirmation and aspiration. Employees recognize themselves and the company in thoughtful MV statements; the language rings true and evokes feelings of pride. At the same time, good MV statements express the organization’s hopes and aspirations in ways that inspire not only the workforce but other stakeholder groups as well. What matters most is authenticity. Anyone who visits a Zappos facility, for example, can see within minutes how the company’s “WOW” philosophy and “family core values” come to life. What’s on the website jibes with what’s happening onsite.

Unfortunately, MV statements often end up a dead letter, and can do serious damage on their way to the graveyard. The most common cause of death is a mismatch between rhetoric and reality. When leaders say one thing and then do another, the MV language doesn’t just get ignored by employees, it saps their morale. Rather than serving as living documents, these MV statements are moribund representations of a former state—or perhaps one that only ever existed in the minds of the authors.

Can moribund MV statements—and the aspirations they represent—be revived? The best antidote, in our view, is an organizational commitment to what leadership author and executive coach Susan Scott calls “fierce conversations”—or what ancient Greek philosophers and statesmen called *parrhesia*: speaking candidly and boldly. The Greek term *parrhesia* implies not only freedom of speech but also an obligation to speak the truth for the common good, even at personal risk. In hierarchical contexts where subordinates fear their ideas will be ignored or rejected out of hand, or where painful truths spoken may invite retaliation, both senior leaders and middle managers must create team climates in which honest, frank discussion is the norm.

In our experience, company-wide dialogues around mission and values work best when informed by a thorough assessment of the organization’s existing culture. We find that, given the opportunity to discuss the assessment findings, managers and employees

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LRN's recently released *Freedom Report* addresses the impact of freedom—or lack thereof—on business performance. The study tested a full set of hypotheses on a sample of professionals and executives at Fortune 1000 companies. Key findings include:

- **Human Values Lead to High-Freedom Relationships.**

Businesses achieve freedom by making decisions based on shared values. But not all values are created equal. The study shows that deeply held ethical values (e.g., integrity, responsibility) are on average 3.7 times more influential in creating freedom for different stakeholders than other types of values (e.g., efficiency, profitability, risk-taking).

- **Low-Freedom Companies Have Weaker Trust, Values, and Mission.** The study found that companies that exhibit low freedom in their relationships perform poorly when it comes to trust, values-orientation, and mission. Conversely, high-freedom companies score highly across these key dimensions. This is consistent with previous LRN research: the types of companies found to thrive in the 21st century, according to LRN's HOW Report, also tend to be high-freedom companies.

- **Return on Freedom:** Companies that build freedom into their relationships are ten times more likely to outperform traditional organizations in the short-term and more than 20 times more likely to outperform them in the long-term. Freedom translates into more innovation, better financial performance, and long-term success.

are eager to address any gaps between espoused values and actual behaviors. More importantly, there's a desire to *renew* commitment to the organization's mission and values, and in some cases, a collective decision to revise both the MV statement and business practices. The energy source driving cultural renewal isn't hard to identify: people want to live their values at work and contribute to an organization that is committed to high integrity, high performance, and a higher purpose. Give them a good *process* for getting clear (and clearing the air) on what matters most, and they will speak out with courage and conviction. While difficult to practice, *parrhesia* does work.

More broadly, the desire for *parrhesia* in many organizations suggests that today's free enterprise suffers from a serious ailment: lack of freedom. While companies feel restricted due to an array of external regulations, they also tend to impose complex systems of internal checks and controls on their various stakeholders. Yet this impulse toward control-oriented, top-down management fits poorly within a business environment marked by rapid change, disruptive technologies, greater mobility, and 360-degree communication.

If the 21st century is accelerating the yearning for freedom, how can companies keep their employees inspired, their customers loyal, their supply chain partners engaged, and their other stakeholders invested? While sticking to obsolete power dynamics is unlikely to work, simply unbolting old systems of rules will not do either. Instead, a more mature type of freedom—the right balance between creating new opportunities for self-expression, and ensuring that this self-expression is aligned with the organization's goals—is the best source of sustainable competitive advantage.

The perfect balance of freedom can be understood as the synergy between *freedom from*—doing away with old systems of rules, top-down power systems, one-way communications, lack of transparency—and *freedom to*—the aligning of behavior around a system of shared values, combined with the productive harnessing of newly liberated human potential toward the achievement of common goals and results. MV statements and mission-oriented, values-based codes are valuable tools for generating this type of synergy.

As a practical matter, a company's existing MV statement will inform the drafting of a mission-oriented, values-based code. If MV content doesn't exist or is outdated, then there's prior work to be done before embarking on a code re-write. Patience is a virtue here. A global company with whom we are working wisely put its code revision project on hold until its MV work was completed recently; they now have the right content for creating a mission-oriented, values-based code.

The Essence of a Living Code

Virtually all major corporations and many smaller ones have adopted codes of conduct of some description. However, it would appear that a large majority still view this as a defensive shield—whether satisfying the requirements of the Federal Sentencing Guidelines for Organizations, the Sarbanes-Oxley Act, stock exchange listing requirements, or other mandates. Consequently, many codes remain legalistic in content and tone, without meaningful connection to corporate purpose, values, and culture. Often, they are monochrome documents with dense blocks of text, and few (if any) images or other supporting content. Not surprisingly, codes exhibiting these lagging practices are rarely used or understood. From a communications perspective, they are dead on arrival.

Over the past several years, we have noted an increasing appreciation of the limitations of rules alone in guiding behaviors. The Salz Review is again instructive:

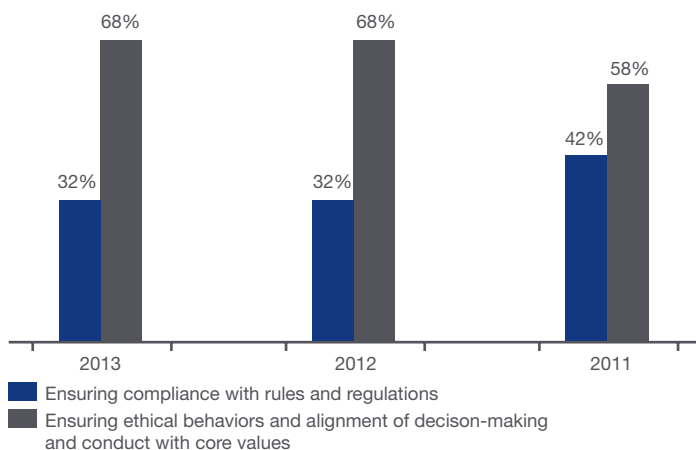
It is a theme of this Review that rules need to be supplemented by a clear set of values that are understood through discussion and application, and that develop into a culture which tends to ensure good rather than bad behaviours. (Page 24)

Correspondingly, there has been greater acceptance of values- or principles-based approaches to setting and enforcing behavioral expectations.

According to LRN's 2013 *Ethics & Compliance Leadership Survey Report*, the Ethics & Compliance (E&C) mandate is now primarily focused on values. More than twice as many companies view the primary mandate of their E&C program as ensuring ethical behaviors and aligning decision making and conduct with core values, as opposed to ensuring compliance with rules and regulations. This data suggests that companies need codes that are commensurate with their values.

Primary Mandate of E&C Program

Ranked by Percentage of Respondents

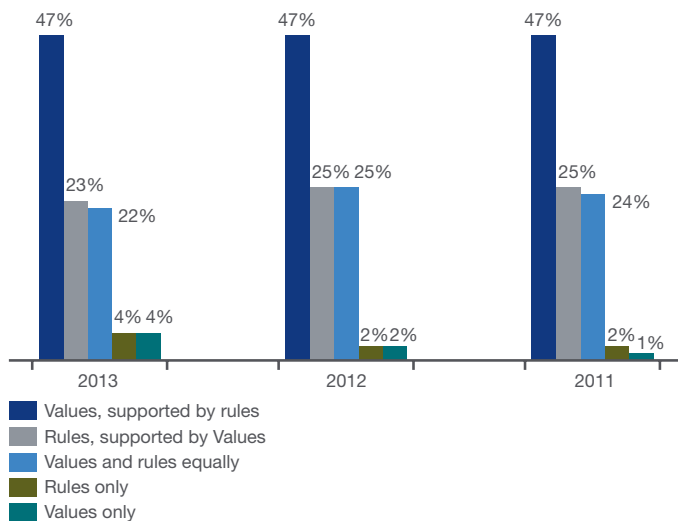


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If the limitations of rules as behavioral drivers is becoming increasingly apparent, how is this now manifest in codes of conduct? According to the same LRN report, only a very small minority of E&C leaders (4 percent) believe their codes are based only on rules. Just under a quarter (22 percent) say their codes are based on "rules supported by values," and 23 percent indicate "values and rules equally." The single largest category of respondents—though still an overall minority (47 percent)—characterizes their codes as oriented to "values supported by rules."

The Code's Orientation to Values and Rules

Ranked by Percentage of Respondents



A code that is mission-oriented and values-based, while providing an appropriate perspective on rules-based requirements, has a much greater chance of enabling employees to understand the *why* as well as the *what* of their actions.

We believe there is significant potential for purpose and values (or principles), as opposed to rules, to play a much greater role in the way that organizations understand, define, and influence their cultures, especially with regard to the way that people behave. A code that is mission-oriented and values-based, while providing an appropriate perspective on rules-based requirements, has a much greater chance of enabling employees to understand the *why* as well as the *what* of their actions. This gives them better insights into the bigger picture, helping them to appreciate the wider ramifications of their individual actions for better or worse.

So, how do you bring your code to life, transforming it from a rule book to a values-based guide to business behavior? There are two key areas to focus on: the development process and leading practices.

The approach to developing a “Living Code” is equally important as the final output. If the goal is to “check the box,” your employees will most likely “check out.” There are many codes that purport to be values-based but are not, in fact. They might begin with fine language about the significance and meaning of stated company values, but as one reads on, the rhetoric fades, yielding to uninspiring, compliance-based language that satisfies the lawyers without necessarily providing practical guidance or benefit to the organization. In codes like these, the values are a few loose strands rather than richly woven threads that give the code color, consistency and meaning and illuminate the code’s substantive content.

However, if you consider the broader application and impact of a values-based code, the scale of the opportunity becomes much greater. As a living document, your code can support positive organizational and business outcomes across multiple dimensions by:

- Symbolizing your company’s commitment to ethical, sustainable, and legally compliant business practices (for internal and external audiences)
- Setting behavioral expectations aligned with legal and ethical obligations and company values
- Inspiring and enabling principled performance
- Facilitating dialogue about ethical issues
- Creating a bridge between values and policies, linking high-level principles with more detailed sources of information and guidance
- Providing practical, on-demand guidance for employees in relation to Ethics & Compliance (E&C) issues and the application of the company values to business situations

To develop a mission-oriented, values-based code that is unique to your company’s culture and relevant to the needs of the business, it’s essential to enlist a broad coalition of operational and functional leaders and subject-matter experts (SMEs) from across the enterprise. Equally important is assembling a diverse body of reviewers to provide feedback on structure, content, and design. This broader group should include representation from all major business units and corporate functions, including a mix of executives, managers, and ordinary line employees.

Living codes connect readers to a sense of higher organizational purpose that is focused on creating value within the company’s larger societal context. They reflect and reinforce the essential elements of the company’s culture and embody leadership priorities, mutual expectations, and a focus on E&C risks to the business. These codes frame behavioral expectations in terms of principles and the spirit behind the values and applicable laws. Corporate values are articulated in concrete behavioral terms throughout the code, with numerous examples of the values in action.

In the following chart, we’ve summarized the leading practices that contribute to a living code.

Leading Practice	Practical Application
Leadership Message / Tone from the Top	A message from the CEO and/or Chief Ethics & Compliance Officer should emphasize the business importance of the code, establish the “tone from the top,” and set clear expectations in an authentic and friendly yet serious voice that is recognizable as the CEO’s own.
Purpose and Operation of the Code	The code needs to be set within the context of the organization’s business, culture, and values and the role that the company sees for itself in the world. The code’s purpose and the way in which it is implemented and enforced must be clearly explained.
Priority and Necessity of Ethical Values	<p>Many MV statements comprise <i>different</i> kinds of values. Some are ethical values proper, with the most common being <i>integrity, fairness, respect, and responsibility</i>. These deeply held and widely shared human values constitute the ethical core of a company culture; they underpin and inform principled conduct in <i>every</i> area of the business. No values-based code can be written without them.</p> <p>At the same time, MV statements also include a wide variety of values that are more accurately described as operational or business goals (or commitments); common examples include <i>safety, innovation, continuous learning, growth, and excellence</i>. Granted, typically there is an ethical underpinning to these goals and commitments (e.g., “We put safety first because we care for and respect our employees...”), and many values-based codes we have seen (and written ourselves) will incorporate them usefully.</p> <p>What is important to keep clear, in our view, is the <i>priority</i> and <i>necessity</i> of ethical values in constructing the language of a values-based code.</p>
Resources for Seeking Guidance, Raising Concerns, and Reporting Potential Violations	<p>Employees should be informed about the various resources and channels by which they may seek advice on Ethics & Compliance matters, and can report allegations, or otherwise raise concerns.</p> <p>The code should indicate how an employee can seek guidance or raise a concern, anonymously if they wish, using whatever mechanism the company has established.</p>
Non-retaliation	Since research shows that the fear of retaliation is the single greatest reason why employees do not report concerns, it is essential for a code to emphasize a zero-tolerance policy on retaliation of any kind against an employee who raises a concern in good faith. The code should also indicate the company’s commitment to appropriately disciplining anyone found to have retaliated.
Decision-making Tools	A values-based code should contain tools that enable employees to work through dilemmas or nuanced situations that confront them. The best ones successfully incorporate organizational values in a meaningful way.
Ethics & Compliance Risk Topics	<p>The code’s provisions articulate the company’s ethical and behavioral expectations regarding a range of the organization’s business activities and specifically on those topics most relevant to the organization’s ethics and compliance risks, and to its purpose and success.</p> <p>The code’s provision topics indicate the range of issues with ethics and compliance implications for the organization. In general, it is preferable to address more topics briefly than fewer topics extensively because doing so alerts readers to the breadth of issues with ethics and compliance implications; such codes can then easily reference additional policies or guidelines for further information.</p>
Emerging Code Topics	A positive trend gleaned from LRN’s 2013 Ethics & Compliance Leadership Survey Report is the uptick of sustainability content—topics such as environmental stewardship, community relations, and social responsibility. The inclusion of a social media provision in codes is also increasing.
Learning Aids	The power of stories as teaching aids is well known, and a well-written, scenario-based question and answer (Q&A) is a mini-story that can convey the application of code standards efficiently and memorably. Aside from their didactic value, Q&As also provide an opportunity to contextualize the code’s concepts through relevant scenarios at both a global and business-unit level.
Structure and Ease of Navigation	An effective code should be designed as an easy-to-use resource that sets clear behavioral expectations, imparts practical knowledge, and enables decision making and action consistent with the company’s values, ethical principles, and applicable laws. Content is organized logically, in a manner that will make sense to readers, is appropriately cross-referenced, and supported by a table of contents and possibly also an index.
Unifying Theme	The best codes are based around a unifying thematic concept that is not only original but also uniquely connected to the organization’s heritage, culture, and identity. A strong theme lends itself to effective branding and heightens the code’s symbolic power, emotional appeal, and public recognition.
Writing Style and Tone	<p>The writing style should be clear, concise, and direct, using language that can easily be understood by employees at all levels. Leading practice is to use the inclusive “we,” “us,” and “our” wherever possible rather than “you” and “your” (as in obligations, responsibilities, etc.). The latter tends to be much less well received by employees than the former because it could suggest to them that management is not subject to the code’s provisions.</p> <p>It is preferable to emphasize shared responsibilities (where appropriate) and to use <i>positive</i> language, describing what is expected rather than prohibited (while realizing that certain prohibited conduct may be more important to mention).</p>
Design and Layout	Codes need to be visually appealing in order to engage readers and reduce the sense of intimidation that some employees may feel in connection with its content. The thoughtful use of color, imagery, and graphics are an important and effective means to communicate with internal and external audiences. The layout of content and visual elements should support both the readability and visibility of key messages.

Codes—Living and Social

**“Living codes”
are more social
than we realize.**

How does a code come to life within an organization and how exactly does it help when it is mission-oriented and values-based? Companies still require online training (and code certification) but the limitations of this by itself are being recognized. These limitations can be addressed by more engaging, blended learning approaches to code education and communications. With a blended learning strategy, the emphasis shifts from individual to social learning. Discussions of ethics issues become normalized as managers and employees grapple with gray-area situations encountered in the workplace. In this context, a living code is less the “last word” on correct behavior, and more a resource that promotes frank, honest conversations about what it takes to “walk the walk” when obvious answers aren’t available.

When it comes to values and ethical standards, employees take their cue from managers. A strong ethical culture is shaped most effectively by exemplary role models who encourage their teams to share their values and concerns openly (i.e., to practice *parrhesia*). To foster “tone in the middle” and a culture of speaking out, the best blended learning programs include leader-facilitated sessions that encourage employees to explore the legal and ethical issues raised by a scenario from different perspectives, and to reflect more deeply on their own responsibilities. These case discussions bring the code to life by showing how principles translate into practice. Interestingly, they also reveal how heavily people rely on their intuition and emotions when making ethical decisions, and how heavily influenced they are by leader and group expectations. Living codes are more social than we realize.

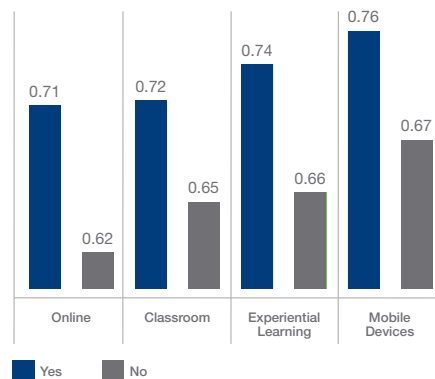
Code delivery formats are changing as companies turn to blended learning strategies that promote thoughtful discussion and ethical deliberation. In the past year, for example, we’ve seen an uptick in adoption of Web-enabled codes.

Blending Learning Is Effective

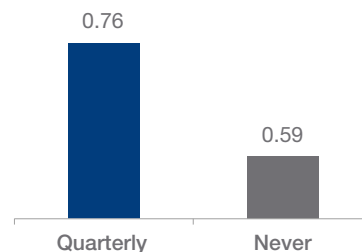
In LRN’s 2013 *Ethics & Compliance Leadership Survey Report*, we introduced the *Program Effectiveness Index* (“PEI”) to help companies gain a better understanding of the effectiveness of their E&C programs. It sheds light on what matters most in the ongoing effort to elevate behavior in organizations and foster ethical corporate cultures. The Index comprises a number of variables, including employees’ application of the code of conduct to business operations. The PEI scores (on a scale of 0 to 1.0) of programs taking blended approaches—incorporating multiple learning modalities—are considerably higher than those that do not. And the PEI scores of the 14 percent of programs delivering ethics and compliance messaging to employees’ mobile devices are higher still. It is likely that these results reflect not the greater efficacy of any one method, but the impact of using multiple platforms.

Certain actions have significant impact. Examples include repeating and reinforcing messages as well as putting those messages in contexts in which employees are meant to apply them. Programs implementing theme-based campaigns at least quarterly sport average PEI scores of 0.76, while those that do not roll out theme-based campaigns at all average PEI scores of 0.59—one of the most notable differences in average scores identified across the spectrum of behaviors.

Methods of Learning



Theme-based Campaign Rollout



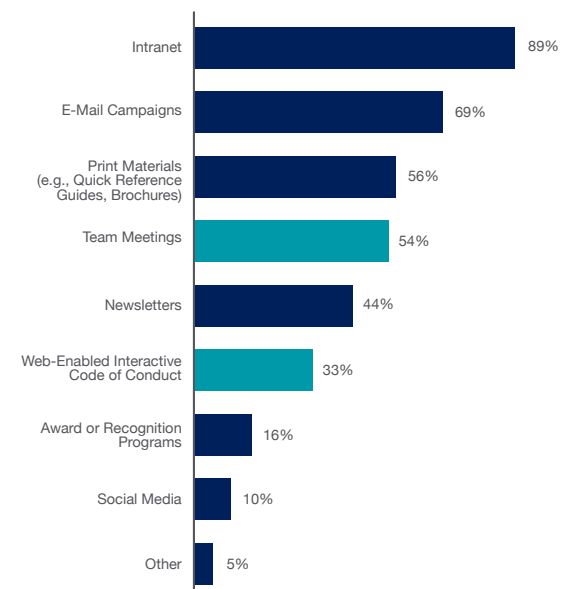
Trends in Message Delivery

1. Web-enabled codes of conduct, with their live links, embedded videos, and other staples of online communications, have increasingly replaced the static online posting of codes; media-rich codes of conduct were used by 7 percent of respondents in 2010, 22 percent in 2011, and 33 percent in 2012. One out of ten respondents used social media as a communication medium in 2012, compared to just 7 percent the year before, and almost no one in 2010.
2. While printed materials (posters, reference guides, and the like) remain in use, more active technologies, such as the company intranet and e-mail campaigns, remain the most frequent reminder techniques.
3. Team meetings for delivering messages are dramatically on the upswing. They were used by 54 percent of respondents last year, up from 46 percent of respondents in 2011, and 38 percent in 2010. It may well be that this emphasis on blended learning reflects our collective awareness of the need to address not just “the tone at the top” but also the “mood in the middle,” a purpose well served by enlisting managers to include E&C awareness in their ordinary business meetings.

Communication Channels Used to Raise Awareness and Reinforce the E&C Program

Ranked by Percentage of Respondents

n=54



Source: LRN's 2013 Ethics & Compliance Leadership Survey Report

Companies may still like the tangibility of printed codes but, increasingly, cost considerations, environmental concerns, and ease of distribution are favoring electronic channels.

Interactive e-codes engage today's employees through video vignettes, wikis, blogs, pop-ups, and other dynamic content. Similarly, gamification is changing how employees experience ethics learning. Imagine a game in which employees play the role of an ethics consultant tasked with helping clients resolve conflicts of interest (COIs). Game participants earn points by resolving COIs as they compete against others for recognition as the top consultant in their field. To resolve a COI effectively, players must consider the impact of choices on multiple stakeholders; in this way, the game's design encourages a broader perspective on what's at stake when COIs arise. Imagine, also, game players in the role of someone selected for an experimental implant that gives them the powers to detect bribes and fight corruption worldwide. With these powers, players must help people resist corruption and avoid bribes by recommending the right path. As employees complete games such as these, they gain considerable satisfaction from seeing where they stand on the company's leader board; and if they're unhappy with their score, more often than not, they will play the game again!

As you might guess, where this ethics game has been rolled out on a large scale, it has proven very popular. And when a bread-and-butter compliance issue like Conflicts of Interest becomes water cooler topic #1, you've got yourself a living code.

Leader-facilitated case discussions, e-codes, ethics games—these all point to how leading companies are using social, blended learning to bring their mission-oriented, values-based codes to life.

Conclusion: A New Framework for a New Age

In a complex, global business environment that is increasingly interconnected, interdependent, and transparent, companies face heightened scrutiny of the way they do business. When companies fail to make good on their brand promise—or otherwise fall short of the expectations of stakeholders they cannot necessarily choose—it is normally because individuals (or groups of individuals) have used bad judgment, made poor choices, and behaved poorly, if not illegally; and sooner or later they have been found out. Sadly, in some cases, the organization's culture permitted, condoned, or even enabled the misconduct.

We know that only relatively small numbers of individuals and companies actually set out to behave deviously to achieve their goals. Perhaps more worrying are the large majority of ordinary, decent employees who are inclined to do the right thing but succumb to lapses of judgment under pressure or when confronted by challenging, less principled managers.

A code of conduct, thoughtfully developed, well implemented, and consistently enforced, is a foundational element of a company's effort to ensure that it does business with integrity while minimizing risk. However, the majority of companies—even though recognizing its importance—conceive of their code in fairly limited terms. They often look upon the code as a document that meets a compliance need and is essentially defensive in its function. These companies are vastly underestimating the scale of the opportunity they have with their code: the opportunity to unify their people through shared values and a common sense of purpose, inspiring behaviors that foster a vibrant culture of achievement and sustainable business performance.

Clearly, a company must have a code of conduct whose content is aligned with the organization's identified risks, regulatory environment, and general business context. Taking that as read, codes that are integrated with the company's mission and values statement—and capture these in terms that resonate strongly with employees—will always have the advantage over those that do not. But to truly capitalize on this advantage, and to fully realize the opportunities we have identified in this paper, the code must go further. It must integrate the organization's values in practical behavioral terms throughout, finding multiple ways to exemplify values-based behaviors in relation to the company's business operations and operating culture.

Furthermore, companies that are reaping the benefits of mission-oriented, values-based codes are not simply rolling out regular code-related training and collecting the completion certifications. They are approaching the effort to embed the values and expectations set out in the code as the strategic change management initiative that it really is. They are bringing a combination of blended learning, gamification, social media, and other creative approaches to demonstrate the importance of doing business in a principled way—it's not only good for business, it's essential if the organization is to thrive and create value for the long term.

ABOUT THE AUTHORS

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About LRN: Inspiring Principled Performance

Since 1994, LRN has helped over 20 million people at more than 700 companies worldwide simultaneously navigate complex legal and regulatory environments and foster ethical cultures. LRN's combination of practical tools, education, and strategic advice helps companies translate their values into concrete corporate practices and leadership behaviors that create sustainable competitive advantage. In partnership with LRN, companies need not choose between living principles and maximizing profits, or between enhancing reputation and growing revenue: all are a product of principled performance. LRN works with organizations in more than 100 countries and has offices in Los Angeles, New York, London, Mumbai, and Paris.

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