



UNODC

United Nations Office on Drugs and Crime



Business Integrity and Ethics

University Module Series
Integrity & Ethics

KENYA

Global Integrity Education (GIE) project
University Module on

Business Integrity and Ethics*

**Localized version of [Module 11](#) of the Education for Justice (E4J)
University Module Series on Integrity and Ethics**

This module was adapted to the Kenyan context under
the Global Integrity Education project.

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Introduction

This Module introduces students to the idea that integrity and ethics are key to sustainable business success. It examines the reasons why individuals in corporate entities should act with integrity and do business ethically. It further provides an overview of the building blocks of an effective integrity and ethics culture that supports businesses in acting as good corporate citizens. Compliance, which is a concept encompassing the measures that businesses take to adhere to standards, rules and regulations, is also an important part of any discourse on integrity and ethics and therefore is touched upon in this Module. Emphasis is placed on the role of codes of ethics or codes of conduct as tools for businesses to achieve both ethical behaviour and compliance. Although codes are only one component of an overall business ethics programme, they are a tangible way to actualize ethical practice in business.

This module emphasizes the need for businesses to adopt a comprehensive and multidisciplinary approach to uphold integrity standards and address ethical issues. The Module also briefly explains how businesses can contribute to the achievement of the United Nations Sustainable Development Goals.

Learning outcomes

- Explain why integrity and ethics are important for both corporations and individuals in the world of business
- Present the business case for the importance of integrity and ethics in business (both in terms of driving long-term value creation and protecting value)
- Describe the key components required to design, implement, and support a successful integrity and ethics programme in any business
- Suggest ethical management approaches for businesses of various characteristics in terms of size, legal status, or level of complexity



Key issues

Corporations are legal persons and, just like human beings, are subject to moral scrutiny. Therefore, from an ethical perspective, their activities must go beyond legal compliance and have legitimacy in the eyes of the broader community. Such legitimacy underlies the societal licence to operate the business, and must be earned and re-established on a daily basis. This is the larger context for this Module's discussion of business integrity and ethics.

It should be noted at the outset that the concept of business integrity and ethics, as used in this Module, refers to the application of ethics at the organizational level of the business. Other levels at which ethics could be applied in a business environment include: systemic, industry, organizational and individual. The different levels can be conceptualized as follows:

- **The systemic level** is the highest level and addresses the question: What is the most ethical system? This level involves ideological discussions such as the crude distinction between socialism and capitalism. In recent years, the systemic level has become more nuanced with different views on government intervention. For example, in the 2008 Global Financial Crisis some supporters of the free market advocated for government bail-outs to save large financial institutions.
- **The industry level** mostly addresses questions about ethically controversial industries like tobacco, alcohol and gambling, but this level has been expanded to address industries that were previously regarded as uncontroversial, e.g. fast food, fashion and financial services.
- **The organizational level** poses the question: How does the corporation behave? This is the level where concepts like business integrity and ethics are applied and where the role of the board of directors and the senior management of the corporation will be scrutinized.
- **The individual level** addresses behaviour at the level of individual employees. Someone might work for a corporation with a good reputation in an industry with a good reputation, but – as an individual – still engage in unethical behaviour, e.g. cheating on expense claims or treating fellow employees with disrespect.

The last two levels are directly related and mutually reinforcing: When a corporation acts ethically, it fosters a culture of integrity that motivates its employees to act ethically on the individual level. For example, a business that has zero tolerance for getting contracts through bribery, and trains its employees on how this can be applied even in difficult situations, is likely to have employees who find it easier to be ethical compared to employees in workplaces where ethical behaviour is not prioritized. It is moreover likely that the ethical behaviour of employees in such enterprises tends to manifest itself in other spheres, including at home and in the wider society. This works the other way around as well: unethical employees conducting unethical business will adversely affect the organizational culture, driving more unethical business practices. Paine (1994, p. 106) elaborates further on the relationship between organizational and individual ethics within a business:

Rarely do the character flaws of a lone actor fully explain corporate misconduct. More typically, unethical business practice involves the tacit, if not explicit, cooperation of others and reflects the values, attitudes, beliefs, language, and behavioral patterns that define an organization's operating culture. Ethics, then, is as much an organizational as a personal issue. Managers who fail to provide proper leadership and to institute systems that facilitate ethical conduct share responsibility with those who conceive, execute, and knowingly benefit from corporate misdeeds.

Against this backdrop, it is important to note that while the Module addresses ethics at the level of the organization, the interconnection between organizational and individual ethics is a thread that runs through the discussions. To further clarify what is meant by business integrity and ethics, the Module starts by discussing basic ethical principles that apply in corporations. It subsequently elaborates on the business case for business integrity and ethics, and then discusses the importance of implementing an integrity and ethics programme in any given business, regardless of its size or other characteristics.

➤ Ethical principles for business

The literature refers to a variety of theories and approaches to applying ethics in the business environment. For example, Elegido (1996) refers to six basic ethical principles that apply to businesses: solidarity, efficiency, rationality, fairness, refraining from willingly harming others, and role-responsibility.

These principles have been defined as follows:

- **Solidarity** manifests itself when one shows active interest in the good of others and leads the business to contribute to the overall common good of the society in which it operates. This active interest could, for example, lead to developing goods that are truly of value to customers rather than trying to sell whatever one can to them whether or not it is truly good.
- **Efficiency** refers to an optimal use of resources to do responsible business. Some possible ways to practice this include avoiding waste in terms of time and other resources or providing adequate onboarding, training and development to employees so that they can do their work well.
- **Rationality** entails acting in a fully rational way – not basing business decisions on caprices, whims or biases or solely on emotions, but rather on well thought-out considerations. Rationality includes being aware of the value of emotions and feelings but taking them into account in such a way as to be able to attempt objective decisions.
- The principle of **fairness** demands that one treats other people as one would wish to be treated – it means avoiding instances of partiality such as favouritism in decision-making, in promotions, in reward systems, and in hiring. A business should not sell goods or services based on misrepresentations to their customers since they would not like to be deceived into such purchases either.

- **Refraining from willingly harming others** entails taking full cognizance of the consequences of the actions proposed in business transactions and events. If the consequences are clearly harmful – for example, the sale of expired drugs – then the action should not be carried out. When the harm is merely an unintended side effect of an intended good effect, the business may be justified in taking the action if the harmful effect is outweighed by the good effect, there are no reasonable alternative courses of action, and the harm is being mitigated as far as possible. This is sometimes referred to as the [principle of double effect](#).
- **The role-responsibility** principle recognizes that the business does not owe the same duty in the same way to all stakeholders. For example, after abiding by all the previously mentioned principles, a business would need to ensure reasonable returns to shareholders before contributing profits to improving the society.

This last principle has been challenged by another approach to business ethics based on the stakeholder theory. According to the stakeholder theory, the purpose of a business is to create value not only for shareholders but also for different kinds of stakeholders such as customers, suppliers, employees, and communities. The theory suggests that business integrity and ethics requires a holistic approach that considers stakeholders that may not directly affect the business in an economical manner, e.g. employees' family members who might suffer when the business invades their privacy. Some scholars have explored the purpose of business in general and conceptualized it as shared value (Porter and Kramer, 2011) or collective value (Donaldson and Walsh, 2015). Such contributions build in different ways on stakeholder theory.

Part and parcel of organizational ethics is fostering a culture of integrity. When a corporation acts ethically, it fosters a culture of integrity that motivates employees individually to act ethically. This contributes to meaningful and purposeful lives for the employees and ultimately to a better society. To achieve such a culture, the business can make use of modeling, mentoring and other activities that promote integrity, as well as the application of ethical codes, rules and regulations. In particular, to enable a culture of integrity and demonstrate to employees that the business is willing to “walk the talk”, the business should ensure that its performance management and reward systems do not contradict or undermine its core values. While there is no one-size-fits-all model, every business should implement a business integrity and ethics programme that goes beyond compliance with rules and regulations, and fosters a culture of integrity. Strong ethical values must be at the core of such a programme, and those values must be identified and developed carefully. Ethical behaviour should be embedded in all day-to-day operations and communicated in interactions with stakeholders.

➤ Importance of integrity and ethics for business

The individual and corporate choices of business professionals impact the wider community – families, the organization, the county or region, the society, and ultimately the world. These choices also impact the business professionals themselves. As shown by behavioural ethics research, when a person intends or does something that harms others, the person's respect for human nature is damaged. This person, often without noticing it, develops lower self-respect and integrity when he or she denies respect to another person, increasing the chances that the harming person will continue to cause harm. The psychological explanation of this is that after a first unethical action, the person's integrity is weakened which lowers his or her resistance to further unethical action, unless this dynamic is interrupted by some internal or external intervention (Welsh, Ordonez, Snyder and Christian, 2015). Similarly, once a company has paid a bribe, it is often expected to do so again, such that it enters a vicious cycle that is difficult to break. After a while, both old and new employees see this negative practice as the normal thing to do. For more insights from behavioural ethics see modules on [Integrity and Ethics](#) and [Behavioural Ethics](#).

To illustrate this concept, a salesperson from a multinational pharmaceutical company asks a doctor to prescribe the drugs produced by the company, rather than a generic drug that has the same ingredients and is cheaper. The sales representative does not care that this might cause hardship to the indigent patient. The salesperson persuades the doctor by offering him an all-expense paid trip to an overseas resort to attend a medical conference. The doctor agrees to the deal. Both disregard the ethical requirement to be fair to the patient. If they do not care about the patient, it means that a fellow human being does not matter to them and, in the end, human beings in general will not matter to them as much as before they made this unethical decision. Thus, it may become easier for them to do the same to another patient. The patient is directly harmed by being deceived into paying more for medical care, trusting the doctor. Having paid the costly medical bills, the patient cannot afford to pay the school fees of the patient's three children. Thus, the direct harm suffered by the patient has led to indirect harm to the children. In the long run, this impacts the entire community.

➤ Business case for a path of integrity and ethics

Unethical behaviour constitutes a business risk and can lead to significant costs at the organizational level. These include but are not limited to:

- Legal sanctions such as fines, impositions of damages, confiscations, and even imprisonment of individuals.
- Commercial consequences such as the termination of business relationships and blacklisting (exclusion from future opportunities).
- Damage to brand reputation.
- Lower levels of employee satisfaction and retention.
- Increased unethical employee behaviour that directly harms the company such as embezzlement, wrong use of employee time and resources, confidentiality breaches.
- Absenteeism.
- Lower level of customer retention and customer loyalty.
- Risk of negative reactions from the community in which it operates.

Ethical business practices, on the other hand, can bring about tangible business advantages such as access to opportunities, assignment of preferential conditions (e.g. whitelisting of suppliers that champion integrity efforts), improved market access, higher reputation and customer loyalty, and increased attractiveness to talented employees. Besides, a level playing field and fair competition provide a conducive environment for innovation in the industry, which is good for both the business and its customers and may therefore benefit the whole society. Ethical business practices also attract other businesses and lead to business partnerships that create greater value for both parties. Over time, this can enhance the profitability of the business. One must note that factors such as a weak value proposition, tough economic environment, poor marketing and technical incompetence may lead to the failure of any company irrespective of its approach to ethics.

The following example illustrates the business case for ethics. The doctor from the previous example works at a hospital where the core values, as stated by the management, include honesty and care. All medical personnel have been trained to recognize situations in which there is a potential lack of honesty and care and encouraged to demonstrate these values even when tempted not to. The hospital also has an employee handbook and a gift policy which give clear indications regarding business courtesies from pharmaceutical companies, and where to draw the line in terms of bribes. Neither of these specifically mention all-expenses paid trips, but the doctor knows that ethical behaviour goes beyond the letter of the code. This doctor has also seen that the behaviour of top management is in line with these values and with the code; in similar situations, they have put the patients' interests ahead of their personal interests. Having reflected on all of this, the doctor says no to the salesperson's suggestion, out of a desire to do what is good for the patients and treat them fairly. This standard of behaviour is followed by all doctors at the hospital. Consequently, this hospital has won the award for the hospital with the highest integrity. This attracts greater funding for the hospital. More patients come. The organizers of the conference at the overseas resort hear about the incident and invite the doctor – all-expense paid – to speak at the conference in the section of the programme themed integrity in the health industry. The doctor being chosen to speak at the prestigious conference also enhances the reputation of the hospital.

Further discussions of the “business case” for business integrity and the range of sanctions and incentives that have been developed to prevent and address corruption within the private sector are available in the United Nations Office on Drugs and Crime (UNODC) publication entitled [A Resource Guide on State Measures for Strengthening Corporate Integrity \(2013\)](#).

➤ Managing business integrity and ethics programmes

Despite its clear benefits, business integrity and ethics have traditionally been left outside the formal management processes. In the last decades, there has been increasing pressure on companies, from the top and the bottom, to create effective business integrity and ethics programmes. Stricter regulation requires and incentivizes companies to strengthen compliance with rules and regulations. The Kenyan Parliament established the Anti-Corruption & Economic Crimes Act ([No 3 of 2003](#)). Kenya is also a member countries that established the [Anti-Bribery and Corruption Guide](#). There is also [the Bribery Act \(2016\) of Kenya](#) which spells out very stiff penalties for both private and public entities. Other examples beyond Kenya include the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act. On the international level, the [United Nations Convention against Corruption](#) requires States to ensure that their private sector complies with basic standards of integrity and ethics. To stress the importance of business ethics to the fight against corruption, the Conference of States parties to the Convention adopted resolution 5/6 of 29 November 2013 (entitled “Private sector”) and resolution 6/5 of 6 November 2015 (entitled “St. Petersburg statement on promoting public-private partnership in the prevention of and fight against corruption”). Against this background, many companies have set up compliance programmes to ensure that business operations are carried out in full accordance with rules and regulations.

At the same time, stakeholders such as employees, customers, shareholders, business partners and civil society expect even higher standards of integrity and ethical business conduct. Focusing on rules and regulations alone will often fall short of meeting these higher expectations of ethical business practices. An effective business integrity and ethics programme, therefore, goes beyond pure compliance and aims to foster a culture of integrity. Such a programme can include internal, external and collective measures.

There are different management models for internal measures that ensure business integrity and ethics, but they all share similar characteristics:

- Business leaders and managers are personally committed, credible, and willing to act on the values they espouse (“tone from the top”).
- The guiding values and commitments make sense and are clearly communicated, e.g. in a written code of conduct or code of ethics.
- Internal measures are based on a risk assessment to spend limited resources as effectively as possible.
- The values are integrated into day-to-day business, and practical resources and trainings are provided to guide employees even in difficult situations and grey areas.
- An internal control system is established and there are channels for reporting, e.g. whistle-blowing.
- The business integrity and ethics programme is understood as a continuous process of learning, and measures are monitored and reviewed on a regular basis. Freely available resources can be used for continuous education purposes, such as the [video-based e-learning tool](#) developed jointly by UNODC and the United Nations Global Compact (which is the focus of the pre-class exercise of this Module).

Companies should not only strengthen internal measures for business integrity and ethics but also external measures, e.g. in relation to business partners and their supply chains. The public perception does not only focus on the supplier itself but also on the companies that contracted them. In addition to ensuring compliance with national and international regulations, companies should thus adopt a proactive approach to strengthen business integrity and ethics in their supply chains, regarding their corporate responsibility and sustainable business practices.

Finally, companies can also engage in collective measures such as sharing experience in working groups or joining initiatives such as the United Nations Global Compact (UNGC). In environments in which unethical practices are prevalent, companies could resort to collective action to try to change the status quo. For example, they could get regulators to intervene or set standards in areas such as supply chains.

Businesses may require different approaches to manage their integrity and ethics programmes because of their characteristics, for example, in terms of size, legal status and complexity. There is no one-size-fits-all model but the underlying principles apply to both large and small companies, including start-ups. For example, in a large business, the tone from the top can be a video statement on the website or a postcard with a quote from a management representative. In an owner-led smaller business, one-on-one talks with the employees raising the importance of integrity as a core value of the company may be appropriate. It is also noted that while the latter may not need to draft an elaborate code of ethics (although that may change as the business grows), a multinational may need to consider the best way to express the same values in different contexts and the different country regulations of which their staff must be cognizant. The multinational may also need to assess the risks of unethical behaviour in the different environments in which they operate to select the appropriate controls that they need to institute. Multinational corporations are also often faced with the problem of cultural or regional relevance. Should there be one code that applies throughout all the countries where it operates, or should there be a multiplicity of codes to make provision for different contexts? The most elegant solution is to have a global code that provides high-level guidance on the values of the company, supported by country guidelines that provide a level of flexibility, but never in contradiction with the global values.

Building a successful integrity and ethics programme in a business requires working in parallel on integrity (reinforcing prevention) and compliance (including punishment). The integrity dimension comprises initiatives that help individuals within the corporation to build their ethical sensitivity and capacity for moral reasoning and reduce excuses for rationalizing unethical behaviour. Steps along this dimension include a good example from top management, clear communication of core values, training in ethical decision-making skills, and aligning recruitment, performance management, and reward systems to core values. The compliance dimension, by contrast, comprises initiatives that help to create an environment that supports the practice of ethics and integrity. These include identifying and preventing situations that may invite unethical behaviour and implementing controls and sanctions for unethical behaviour. Procedures, processes, policies and codes of conduct play a key role in the compliance dimension. These ideas apply to any business regardless of its size, legal status, complexity and the risks/opportunities related to the operations of the business.

Recognizing this on the international level, UNODC developed a publication called An [Anti-Corruption Ethics and Compliance Programme for Business: A Practical Guide](#), which provides advice to businesses on how to put enhanced integrity standards into practice (2013). The Guide focuses on basic common elements businesses should address, with a particular emphasis on the challenges and opportunities for small and medium-sized enterprises. It draws on the United Nations Convention against Corruption as well as other international and regional instruments that provide businesses with guidance on how to uphold enhanced integrity standards and be good corporate citizens.

Additional international initiatives that provide business ethics guidance include the World Economic Forum's [Partnering Against Corruption Initiative \(PACI\)](#), the [United Nations Global Compact](#), Transparency International's [Business Principles on Countering Bribery](#), G20/OECD [Principles of Corporate Governance](#) and the [OECD CleanGovBiz Initiative](#).

At the national level, Kenya has ratified the [United Nations Convention against Corruption](#) and the [The African Union Convention on Preventing and Combating Corruption](#). There are also various laws addressing integrity issues both for public entities and private entities. Some of the laws include The Ethics and Anti corruption Commission Act, 2011, Leadership And Integrity Act, 2012, The Bribery Act, 2016, The Public Officer Ethics Act, 2003 and Witness Protection Act, 2006.

> Codes of ethics and codes of conduct

An important way to support a path of integrity and ethics, as discussed above, is to have an effective code of ethics or a code of conduct (or both). In theory, there are some differences between the two types of codes although in practice they are often very similar. In theory, a code of ethics is more values-based, with an emphasis on encouraging and supporting ethical behaviour based on corporate values, while a code of conduct is more compliance-based, with an emphasis on practical guidelines and sanctions in the case of non-compliance. However, in practice, both types of codes often include a mix of value-based and rule-based provisions.

One would expect any company to have a combination of integrity-based and compliance-based policies, and the code should therefore reflect the two dimensions discussed earlier. For example, the various components of a code should align with the core values of the corporation and with basic ethical principles, so that they encourage individual ethical behaviour. The code should be clear and concise so that people easily grasp its content. The code should also be accessible and visually attractive. It should contain examples and be available in different formats.

The practical elements of a code provide insights into the culture of the company. They include the tone from the top, the key ethical and regulatory risks identified by the business, information on whistle-blowing systems and commitment to non-retaliation, focus on external interfaces, clear and helpful guidance to staff to decide when faced with a practical dilemma, and access to more specific sources for further guidance.

The development process for a code could involve the setting up of a committee to carry out the project; interviews and consultations with key persons in the corporation; desk research into the typical content of codes and samples of codes of similar corporations; drafting; consultation with external experts; board sign-off; implementation plan; and a review plan.

Each stakeholder of the corporation applies the principle of integrity through a different lens. Taking all their perspectives into consideration helps to prepare a more comprehensive and effective code for the corporation. For example, in the case of a hospital, the owners (shareholders) of the hospital, the patients, the staff, the community in which the hospital is built, the government, are all stakeholders of the hospital whose perspectives should be considered in drafting and implementing the code of conduct for the hospital. Some provisions would express how integrity should be practiced by staff and towards staff. Others would be concerned with how integrity should be practiced by and towards patients. Examples of codes are provided in the Core Readings section.

➤ Businesses and sustainable development

Businesses have not only a responsibility but also an interest to contribute to society and to make it more sustainable. In 2015, the United Nations adopted the Sustainable Development Goals (SDGs), which aim to end poverty, protect the planet and ensure prosperity for all. These 17 goals call for contributions of all relevant stakeholders including the private sector and can serve as a useful framework for engagement. The following image shows all 17 SDGs.



Source: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Businesses can contribute to achieving the SDGs in many ways. For example, they can use cleaner and renewable energy, pay fair salaries to employees, ensure workplace health and safety, use local suppliers, pay taxes, and support the education system. Some businesses promote health as part of their social responsibility strategy, while others manage their waste in a way that minimizes the pollution of waterways or engage in public-private partnerships to develop public infrastructure.

The SDGs point to both risks and opportunities. If businesses do not form partnerships with governments and civil society to address these issues, the sustainability of the planet (including business operations) is at risk. But at the same time these issues present opportunities to corporations that are innovative and entrepreneurial. Providing solutions to the world's pressing problems can also be profitable.

Another way for businesses to commit to sustainability and take on shared responsibility for achieving a better world is to join the United Nations Global Compact. UNGC encourages companies to do business responsibly by aligning their strategies and operations with ten principles on human rights, labour, environment and anti-corruption. The ten principles of the UNGC are derived from the [Universal Declaration of Human Rights](#), the [International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#), the [Rio Declaration on Environment and Development](#), and the [United Nations Convention against Corruption](#). UNGC also encourages businesses to take strategic actions to advance broader societal goals, such as those reflected in the SDGs, with an emphasis on collaboration and innovation.

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Exercises

This section contains suggestions for in-class and pre-class educational exercises, while a post-class assignment for assessing student understanding of the Module is suggested in a separate section.

The exercises in this section are most appropriate for classes of up to 50 students, where students can be easily organized into small groups in which they discuss cases or conduct activities before group representatives provide feedback to the entire class. Although it is possible to have the same small group structure in large classes comprising a few hundred students, it is more challenging and the lecturer might wish to adapt facilitation techniques to ensure sufficient time for group discussions as well as providing feedback to the entire class. The easiest way to deal with the requirement for small group discussion in a large class is to ask students to discuss the issues with the four or five students sitting close to them. Given time limitations, not all groups will be able to provide feedback in each exercise. It is recommended that the lecturer makes random selections and tries to ensure that all groups get the opportunity to provide feedback at least once during the session. If time permits, the lecturer could facilitate a discussion in plenary after each group has provided feedback.

All exercises in this section are appropriate for both graduate and undergraduate students. However, as students' prior knowledge and exposure to these issues vary widely, decisions about appropriateness of exercises should be based on their educational and social context. The lecturer is encouraged to relate and connect each exercise to the key issues of the Module.

➤ Pre-class exercise: What do we know about business integrity?

This pre-class exercise could be completed as part of the class preparation process. Before attending the class, ask students to complete one or more of the video-modules associated with the e-learning tool <https://thefightagainstcorruption.org/>.

The video-modules, which are freely available online in over 20 languages, explore some of the ethical dilemmas that are typical in the business world. Some of the issues raised therein are also covered in the present Module, such as a company's gift policy. During the class, the lecturer could refer to the videos when discussing certain issues. In addition, the lecturer could start the class by raising questions about the ethical dilemmas reflected in the videos.

Lecturer Guidelines

This e-learning tool is a joint product of UNODC and UNGC. It uses six interactive video-modules to further the audience's understanding of the [UNGC 10th principle](#) against corruption and the [United Nations Convention against Corruption](#) as it applies to the private sector. The tool targets private sector actors, and can also be useful for students taking the present Module. Each video only lasts about five minutes, providing a quick and effective way of learning about business integrity. Students who complete all six video-modules will receive a computer-generated certificate, which could be an incentive that increases their interest in the learning process.

➤ **Exercise 1: Mapping business contributions to the Sustainable Development Goals**

This exercise aims to familiarize students with the United Nations' Sustainable Development Goals (SDGs), which serve as a global framework for efforts of governments, businesses, civil society and other relevant stakeholders to end poverty, protect the planet and ensure prosperity for all. The lecturer can get the class, individually or in small groups, to develop an understanding of the SDGs and of potential contributions and impact that businesses may have. The aim of the exercise is not that students present a comprehensive assessment of business contributions to SDGs but rather that they understand the concept and can make use of the SDGs as a framework for responsible and ethical business conduct. Furthermore, students are asked to reflect on potential adverse effects of doing business and how they can be mitigated.

Lecturer guidelines

The lecturer may choose to provide an overview of the SDGs and the context in which they were adopted. Background information on the Sustainable Development Agenda is available [here](#). In-depth information on the 17 goals is available [here](#).

First, the lecturer splits the students into small groups and assigns them two or three SDGs depending on total class size. Second, students are asked to do some quick online research on the goals they have been assigned to. In the groups, students will discuss how business can contribute to their SDGs and what may be adverse effects of doing business. How can these adverse effects be mitigated? Students are asked to think of practical examples that demonstrate the importance of ethical business conduct for the company itself and for the fulfilment of the SDGs (15 - 20 minutes). Third, each group is asked to give a three-minute presentation of the outcome of their discussions, focusing on the rationale of their SDGs and on how business can contribute to it and mitigate potential adverse effects of doing business.

➤ **Exercise 2: Role play: convince your supervisor that ethics pays**

In this exercise, the lecturer encourages students to consider the business case for integrity and ethics, to reflect on concrete examples of how following a path of integrity and ethics can be good for a business, and to convince an audience about this. The exercise will help students to internalize the message of this Module and will be of practical use at a later stage when they carry the spirit of business integrity and ethics into their workplaces.

For more information on the action-based approach of this exercise, lecturers can see the module on [Integrity and Ethics](#) (Strategies for Ethical Action).

Lecturer guidelines

First, the lecturer divides students into small groups and asks them to brainstorm on how following a path for integrity and ethics can be positive for business (e.g. talent attraction, increased customer retention, benefits for brand value) and to think of possible consequences for lack of integrity in business (e.g. bad press, fines, termination of business relationships, lack of efficiency).

The lecturer asks each group of students to pick a business (e.g. IT company, retail, pharmaceutical company) and to give real life examples derived from the business context (10 - 15 minutes). To internalize the arguments, students are asked to engage in a role play (10 minutes). In the role play, one student is the employee that tries to convince the supervisor (the other student) that there is a business case for integrity and ethics that outweighs costs. Finally, a couple of groups can present their role play in front of the rest of the class.

➤ **Exercise 3: Case study: analysis of codes**

The aim of this exercise is to have students analyse codes of ethics or codes of conduct to develop an initial understanding of the language in which codes are written and how they translate into practice. In the first part of the exercise, the lecturer should explain what codes are and present some examples to the students, highlighting the different components and how they fit together. Students will then be split up into small groups to analyse the codes and identify main components. The set of sample questions included in the lecturer guidelines may serve as instructions for students (15 minutes). Then the lecturer will ask the students to share their findings with the whole class (5 - 10 minutes). A discussion of the reasons behind the inclusion of various components of the codes would bring up the need for an alignment with the core values of the business and with basic ethical principles (5 - 10 minutes).

Lecturer guidelines

For the first part of the exercise, the lecturer can print out the suggested codes (of the India-based Tata Group, the Brazil-based Duratex, the UK-based GlaxoSmithKline and ExxonMobil, and the US-based Spectris) beforehand for each team or send the links to the students so that they can access them easily in class when they need to for this exercise. Lecturers can decide to use newer or more context-relevant codes, e.g. by going to the websites of the largest listed companies in their own country.

The lecturer can print out the instructions of what to look out for in the codes or project this on a slide during this segment. For example, the instructions could be:

1. Check if the code contains an introduction that may help employees to understand the reasons behind it.
2. Check if such an introduction is aligned to the mission and or vision of the corporation.
3. Check if the code includes provisions that protect the interests of different stakeholders – e.g. employees, government, competition, communities, shareholders, customers, etc. – and the common good of society.
4. Check what the code says, if anything, about conflicts of interest, gifting, questionable payments, etc.
5. Assess to what extent the overall language and tone of the code makes it easy to understand and implement.

➤ Exercise 4: How to communicate codes?

In this exercise, students are asked to go back to their groups and take a second look at the codes they have already analysed. The difficulty with codes of conduct or ethics is that businesses need to make sure that they do not only exist on paper but are also implemented in practice. The aim of this exercise is to consider how the codes analysed in Exercise 3 contribute to the building and implementation of a successful integrity and ethics programme. The lecturer encourages students to choose a few key elements and come up with ideas on how the rules and regulations could be effectively communicated to employees. They also present first prototypes on how to communicate the codes, e.g. posters, short role plays, comics, trainings, employee quiz.

Lecturer guidelines

This exercise is a continuation of Exercise 3 in the sense that the students look at the same codes but from another perspective. In the previous exercise, students explore the components of the code. In this exercise, they delve into the underlying reasons for each component and consider how some elements of organizational culture can support the implementation of a code. First, students are split into teams and each team is requested to discuss and prepare a prototype (20 minutes). The lecturer should encourage students to be creative in developing first prototypes such as posters, short role plays, comics, trainings, quizzes. Second, a couple of groups can be chosen to present their prototypes (10 minutes). Finally, a class discussion will focus on practical insights gained during the exercise and the importance of communicating the principles enshrined in codes to employees (10 minutes). Lecturers can point out that leading businesses are increasingly demanding codes of conducts or ethics from suppliers or may even have codes of conduct for the supply chain. How codes can be implemented in small or medium-sized enterprises is a potential topic for an in-depth discussion.

The lecturer can format this exercise as another set of oral presentations or decide to make it an interactive session.



Possible class structure

This section contains recommendations for a teaching sequence and timing intended to achieve learning outcomes through a three-hour class. The lecturer may wish to disregard or shorten some of the segments below in order to give more time to other elements, including introduction, icebreakers, conclusion or short breaks. The structure could also be adapted for shorter or longer classes, given that the class durations vary across countries.

Introduction (10 mins)

- The lecturer discusses the goals and objectives of the Module, the teaching methods, and the links with E4J [Integrity and Ethics Module](#), and introduces the class structure and the plan for assessment. The lecturer could refer to the pre-class exercise and ask students about the ethical dilemmas presented in the e-learning tool.

Applying ethics in business and the business case for ethics (40 mins)

- The lecturer explains, in an interactive exchange with the students, the ways to apply ethical principles in business, referring to different levels as well as the six principles discussed in the Key Issues section of the Module.
- A hypothetical or historical business decision could be analysed to reveal its alignment (or lack thereof) with the six principles described; the extent to which it incorporates stakeholder interests and the common good; and the extent to which it contributes or not to an ethical climate and culture for the business.
- The lecturer summarizes the points raised, stressing the various benefits that businesses enjoy when they act ethically in terms of reputation, talent attraction, license to operate, access to public funding and procurement, international projects, societal expectations and innovation. The lecturer also touches briefly on the SDGs and the private sector's role in promoting them.
- The lecturer conducts Exercise 1 and/or Exercise 2.

Discourse on managing business ethics (20 mins)

- The lecturer introduces the management framework commonly found in integrity and ethics programmes in business (see discussion on managing business ethics in the Key Issues section of the Module).
- The lecturer could also ask the students to look, in an open discussion, at a business integrity and ethics programme through the lenses of external stakeholders - e.g. regulators, NGOs, industry organizations - while drawing on the freely available resources listed below.

Introducing codes of conduct and codes of ethics (30 mins)

- To set the scene for an interactive session, the lecturer introduces various codes of conduct and codes of ethics from different types of businesses, including the challenges in embedding them and their scope and perceived limitations. Issues like their purpose for business, their scope (e.g. employees and business partners), language selection, and content should be discussed.

- The lecturer leads a class discussion on the various topics that are typically included in a code of conduct, as well as its style and structure and clear references to components of the management framework and tone from the top.
- The lecturer could use the slides provided in the Module to introduce codes of conduct for businesses (<http://www.unodc.org/e4j/en/integrity-ethics/module-11/additional-teaching-tools.html>).
- The lecturer then introduces three codes of conduct selected from different industries or sectors that will be used during the interactive session. Diverse codes should be put forward, e.g. representing different industries, employees, geographical locations and cultural contexts. The following codes are suggested: NiC Group, Kenya Power & Lightning Company (KPLC), Public Relations society of Kenya (PRSK), Tata Group, Duratex, GlaxoSmithKline, ExxonMobil, and Spectris.

The codes can be accessed here:

- <https://www.nic-bank.com/ke/wp-content/uploads/2017/10/COC.pdf>
- https://kplc.co.ke/img/full/Jm5Zzrvil98Q_KPLC%20CODE%20OF%20ETHICS.pdf
- <https://www.prsk.co.ke/code-of-ethics/>
- <http://www.tata.com/pdf/tcoc-booklet-2015.pdf>
- <http://www.duratex.com.br/ir/code-of-ethics>
- <https://www.gsk.com/en-gb/about-us/policies-codes-and-standards/>
- <http://cdn.exxonmobil.com/~media/global/files/other/2017/standards-of-business-conduct.pdf>
- <http://www.spectris.com/~media/Files/S/Spectris/documents/signpost-docs/code-of-business-ethics.pdf>

Exercise 3 (30 mins)

- The lecturer conducts Exercise 3.

Exercise 4 (40 mins)

- The lecturer conducts Exercise 4.

Wrap up (10 mins)

- The lecturer summarizes what has been learned in the three-hour class, emphasizing the following points:
 - Business ethics is an essential component of a successful and sustainable business.
 - Businesses must chart their values in a meaningful way to engage with their employees and help them take sound and ethical business decisions.
 - A corporate culture of openness, truth and integrity is essential for finding ethical solutions that meet the needs of the various stakeholders of the companies and adequately respond to complex dilemmas that require a deep cross-functional approach.

Core reading

This section provides a list of open access materials that the lecturer could ask the students to read before taking a class based on this Module.

MacDonald, Chris and Alexei Marcoux (n.d.). *Concise Encyclopedia on Business Ethics*. Journal Review Foundation.

- » Available from <https://conciseencyclopedia.org/>. *This online resource contains definitions and descriptions of some ethical concepts. It could be a helpful baseline reference for keeping things simple.

Elegido, J.M. (1996). *Fundamentals of Business Ethics: A Developing World Perspective*. Ibadan, Nigeria: Spectrum Books Limited.

- » Available from http://www.lbs.edu.ng/sites/faculty_research/elegido_juan_publications. *This is a resource that deals extensively with the topic of integrity and ethics in business. The lecturer will find other content there that could further enrich the course and help to achieve the learning objectives.

Paine, Lynne S (1994). *Managing for organizational integrity*. *Harvard Business Review* (March-April), pp. 106-117.

- » Available from <https://hbr.org/1994/03/managing-for-organizational-integrity>. *This seminal article provides a basis for explaining how to achieve ethical management in a business using the integrity and compliance approaches.

Samples of codes of conduct, which can be used in class as practical examples as well as for the exercises:

- NiC Group: <https://www.nic-bank.com/ke/wp-content/uploads/2017/10/COC.pdf>
- KPLC: https://kplc.co.ke/img/full/Jm5Zzrvil98Q_KPLC%20CODE%20OF%20ETHICS.pdf
- PRSK: <https://www.prsk.co.ke/code-of-ethics/>
- Tata Group: <http://www.tata.com/pdf/tcoc-booklet-2015.pdf>
- Duratex: <http://www.duratex.com.br/ir/code-of-ethics>
- GlaxoSmithKline: <https://www.gsk.com/en-gb/about-us/policies-codes-and-standards/>
- Exxon: <http://cdn.exxonmobil.com/~media/global/files/other/2017/standards-of-business-conduct.pdf>
- Spectris: <http://www.spectris.com/~media/Files/S/Spectris/documents/signpost-docs/code-of-business-ethics.pdf>

The following sources are guidelines for creating codes of conduct:

OECD (2001). Codes of Corporate Conduct: An Expanded View on Their Content.

- » Available from http://www.oecd-ilibrary.org/finance-and-investment/codes-of-corporate-conduct_206157234626;jsessionid=13610gtsbw6ev.x-oecd-live-03.

Business & Sustainable Development Commission (2017). Better Business, Better World.

- » Available from <http://report.businesscommission.org/uploads/Executive-Summary.pdf>.



Advanced reading

The following readings are recommended for students interested in exploring the topics of this Module in more detail, and for lecturers teaching the Module.

The advanced readings proposed below include regulations, codes, and standards, mostly available online, that promote integrity and ethics in business and with which students could familiarize themselves over time. There is also a resource on collective action which could help to introduce the idea that some challenges to practicing ethics and integrity that could prove difficult to overcome for an individual business could be made easier by collective action together with other businesses. Views from external stakeholders (regulators) are included as well as they could provide additional insights into some stakeholder responsibilities. Finally, more academic references are also included to provide resources for both lecturers and students who wish to go deeper into the topic whether to aid classroom discussion or to facilitate practical implementation of what has been learned in the classroom.

Carroll Archie B. (1991). The pyramid of corporate social responsibility: towards the moral management of organizational stakeholders. *Business Horizons*, vol. 34, No. 4., pp. 39-48.

Cialdini, Robert B., Petia K. Petrova and Noah J. Goldstein (2004). The hidden costs of organizational dishonesty. *MIT Sloan Management Review* (Spring), pp. 67-73.

Crane Andrew and Dirk Matten (2016). *Business Ethics. 4th ed.* Oxford: Oxford University Press.

Donaldson, Thomas (2015). Where the facts end: Richard De George and the rise of business ethics. *Journal of Business Ethics*, vol. 127, No. 4, pp. 783-787.

Donaldson, Thomas (2012). Three ethical roots of the economic crisis. *Journal of Business Ethics*, vol. 106, No. 1, pp. 5-8.

Donaldson, Thomas (2008). Hedge fund ethics. *Business Ethics Quarterly*, vol. 18, No. 3, pp. 405-416.

Freeman, R. Edward (2010). *Strategic Management: A Stakeholder Approach*. Cambridge, UK: Cambridge University Press.

OECD (2015). *G20/OECD Principles of Corporate Governance*.

» Available from https://corporategovernance.dk/sites/default/files/media/g20_oecd_principles_of_cg.pdf

Paine, Lynn Sharp (2004). *Value Shift: Why Companies Must Merge Social and Financial Imperatives to Achieve Superior Performance*. New York: McGraw-Hill.

Paine, Lynn S., Rohit Deshpandé and Joshua D. Margolis (2011). A global leader's guide to managing business conduct. *Harvard Business Review* (September).

» Available from <https://hbr.org/2011/09/a-global-leaders-guide-to-managing-business-conduct>.

Paine, Lynne. S (2000). Does ethics pay? *Business Ethics Quarterly*, vol. 10, No. 1, pp. 319–330.

Porter, Michael E. and Mark R. Kramer (2006). Strategy and society: the link between competitive advantage and corporate social responsibility. *Harvard Business Review* (November-December), pp. 78-92.

» Available from <https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility>.

Porter, Michael E. and Mark R. Kramer (2011). Creating shared value. *Harvard Business Review* (January-February).

» Available from <https://hbr.org/2011/01/the-big-idea-creating-shared-value>.

Ministry of Justice (2010). *The Bribery Act*. United Kingdom.

» Available from <http://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf>.

*See especially the six pillars, beginning on page 20.

US Department of Justice (2012). *A Resource Guide to the U.S. Foreign Corrupt Practices Act*. United States.

» Available from <https://www.justice.gov/sites/default/files/criminal-fraud/legacy/2015/01/16/guide.pdf>. *See especially chapter 5, page 57 onwards on the hallmarks of effective compliance programmes.

The United Nations Office on Drugs and Crime (UNODC) has developed several resources related to integrity and ethics in the private sector. Especially relevant to this Module is the UNODC publication entitled [An Anti-Corruption Ethics and Compliance Programme: UNODC's Practical Guide for Business](http://www.track.unodc.org/private_sector/Pages/Tools.aspx), however, other resources listed at the link below also address business integrity and ethics: http://www.track.unodc.org/private_sector/Pages/Tools.aspx.

Transparency International (2013). *Business Principles on Countering Bribery*.

» Available from https://www.transparency.org/whatwedo/publication/business_principles_for_countering_bribery.

Velasquez Manuel G. (2012). *Business Ethics: Concept and Cases*. 7th ed. Essex, UK: Pearson.



Student assessment

This section provides suggestions for post-class assignments for the purpose of assessing student understanding of the Module. Suggestions for pre-class or in-class assignments are provided in the Exercises section.

To assess the students' understanding of the Module, the following three post-class assignments are proposed:

1. A set of short-answer questions testing what has been learned in the Module, to be responded to on paper after the class. Examples of questions could be: a) What have you learned from this Module? b) Why should a business be ethical? c) Why is it important for a person in business to have integrity? d) In what ways can a business lose money due to being unethical? e) In what ways can a business be more profitable due to having integrity? f) Please give an example of a compliance measure that could form part of a code of ethics.
2. A project, to be completed within two weeks after the Module. Interview someone about the company in which he or she works to understand what is being done to build and maintain integrity and ethics towards all stakeholders. Have they overlooked their duties to any stakeholders? Do they have a formal or informal business ethics programme? Does the programme promote integrity or compliance or both? Apart from the interview do additional research (for example, study media reports or analyse publicly available information where available) to know more about the company. Write a report on your findings and recommend what can be done to further improve the levels of integrity and business that they have already achieved. Give reasons for your recommendations. Maximum length: 1500 words. In countries where this project will need ethical approval from the institution hosting the course, informed consent forms should be agreed on and signed by the interviewee. Otherwise, the lecturer may choose to have the students conduct other kinds of research using publicly available information, e.g. media or secondary data.
3. Students could be asked to research and critique the code of ethics for a local firm. The lecturer could either distribute a pre-determined list of local companies, or require students to select and sign up for exclusive coverage of a local firm. In the latter case, the student must first confirm that the business in question has a code of ethics.



Additional teaching tools

This section includes links to relevant teaching aides such as PowerPoint slides, video material, case studies, and other resources that could help the lecturer teach the issues covered by the Module in an interactive and engaging manner. Lecturers can adapt the slides and other resources to their needs.

> PowerPoint presentation

» [Module 11 Presentation on Business Integrity and Ethics](#)

> Video material

» [What is Ethics? What is Business Ethics?](#)

Introduction to ethics by Kirk O. Hanson, Executive Director of the Markkula Center for Applied Ethics at Santa Clara University.

» [Incorporating Ethics into Compliance.](#)

Thomas Donaldson making the point about the need to combine the compliance and values-based approaches.

» [Integrating Ethics into General Management.](#)

Lynn Sharp Paine speaking about integrating ethics into the general management courses at Harvard.

> Other resources

ICC Commission on corporate responsibility and anti-corruption (various documents).

» Available from <https://www.iccwbo.be/the-commissions/corporate-responsibility-and-anti-corruption/>.

2017 OECD Global Anti-Corruption and Integrity Forum.

» Various readings available from <http://www.oecd.org/gov/ethics/integrity-forum-2017.htm>.

Institute of Business Ethics website various research documents.

» Available from <https://www.ibe.org.uk/>.

UNODC/UNGC video-based e-learning tool.

» Available from <https://thefightagainstcorruption.org/>.

ISO standards.

» Available from <https://www.iso.org/standard/65034.html> (ISO 37001 on Anti-bribery management systems), <https://www.iso.org/standard/62342.html> (ISO 19600 on Compliance Management Systems) and <https://www.iso.org/iso-26000-social-responsibility.html> (ISO 26000 on social responsibility).

Anti-Corruption Collective Actions Initiatives.

» Available from <https://www.unglobalcompact.org/take-action/action/anti-corruption-collective-action>.



Guidelines to develop a stand-alone course

This Module provides an outline for a three-hour class, but there is potential to develop its topics further into a stand-alone course. The scope and structure of such a course will be determined by the specific needs of each context, but a possible structure is presented here as a suggestion.

Session	Topic	Brief description
1	Integrity and ethics Part A: definitions, descriptions, basic understanding	Refresher on what integrity is and what ethics is. Overview of basic principles. Introduction of the idea of duties to stakeholders. Interactive discussion.
2	Integrity and ethics Part B: individuals in business, businesses in society	Overview of the importance of integrity and ethics in the world of business.
3	Why should a business be ethical? Part A	Explanation of how ethics and integrity in a business can drive value creation.
4	Why should a business be ethical? Part B	Explanation of how ethics and integrity in a business can help to preserve the value in the business.
5	Stakeholders and ethics	Discussion of ethical responsibilities of different stakeholders and to different stakeholders.
6	Stakeholders and codes	Discussion of how ethical responsibilities of different business stakeholders are developed in a code. Use sample codes as case studies for this purpose.
7	Integrity and ethics programmes Part A – driving integrity as a key component	Explanation of how a business can promote integrity by developing its employees' abilities to reason ethically and to avoid rationalizing.

Session	Topic	Brief description
8	Integrity and ethics programmes Part B – driving compliance as a key component	Explanation of how compliance mechanisms such as codes can help the company maintain ethics and integrity.
9	Ethical management approaches Part A – small businesses, multinationals, etc.	Identification of ethical management approaches for businesses of various sizes, legal status and complexity and challenges related to their implementation. For example, ethical concerns may differ in scope for family-owned vs. public businesses.
10	Ethical management approaches Part B –varying regulatory environments	Identification of ethical management approaches for businesses operating in multiple locations and challenges related to their implementation. In some contexts, it is useful to apply for standards certifications, e.g. ISO 37001 (anti-bribery management systems) or ISO 26000 (social responsibility). Advise about the need for a greater duty of care in countries with weak regulatory environments and governance mechanisms. In addition, look at the regulation of transparency and disclosure, e.g. Global Reporting Initiative and International Integrated Reporting Council .



UNODC

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