

Ethical Framework.

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THE INTRICATE ethical guidelines laid down in the Sarbanes-Oxley Act and elsewhere can relegate business ethics to a box-ticking exercise. We propose a simpler approach: the following five simple questions provide a minimum framework. Whatever the answers, if managers and employees are not even asking these simple questions you should expect a problem.

- Who are all the people affected by this business decision: from employees, shareholders, counter-parties and clients to the wider community and environment?
- Does this decision cause harm to any of those affected and are there reasonable things you can do to mitigate this harm?
- Is your behaviour deceptive? Would you regard it that way if you were in the counter-party's position?
- Are there any disguised conflicts between yourself, shareholders and those affected by the business decision? Transparency can help reinforce ethical behaviour.
- What would happen if everyone were to behave in the same way in relation to each player in the transaction? This is like every driver at an intersection deciding to jump the traffic lights. If harm would be caused by everyone treating clients, counter-parties, whistle-blowers and shareholders as you do, you should refrain from doing it.