

by  
**Calvin Nyachoti**

## Conference Theme

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**“To Lead by Influence or to Drive by Compulsion”**

- Ethics is a moral code of an organization and those running and working within it.
- Ethics are broadly described in literature as moral principles about right and wrong, honourable behaviour reflecting acceptable values, or standards of conduct.
- Common issues that fall under the umbrella of business ethics include employer-employee relations, discrimination, environmental issues, bribery, insider trading and corporate social responsibility.

- While many laws exist to set basic ethical standards within the business community, it is largely dependent upon a business's leadership to develop a code of ethics.
- Practicing strong ethics keeps a business within the parameters of the law; as well as building goodwill and brand equity.

## Locus of Ethics

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- The locus of corporate governance has shifted from focus on well being of the company to focus on the company's value to society.
- The change has been sparked by significant change in consumer tastes, expectations and bargaining power.
- The demise of small, high trust businesses and the emergence of huge multinational entities brought ethics to the forefront due to their capability to drastically affect everyday lives of the masses

## Evolution of Ethics

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- Ethics include honesty, openness, responsiveness, accountability, due diligence, and fairness.
- They reflect the company's core values, beliefs and principles that provide the ultimate guide in the company's decision-making.
- By virtue of existing in the natural and social environment, corporations/businesses are duty bound to be accountable to the natural and social environment

## What prompted the evolution?

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- **1960s** – shift in cultural values, dedication to social issues such as the environment & world peace
- **1970s/80s**– corporate scandals and heightened tension between employers and employees
- **1990s** – re-birth of environmentalism
- **2000s** – cybercrimes and privacy issues due to expansion of businesses to the online realm

## Why Greater Interest in Ethics?

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- A wider shareholder franchise
- Globalization
- Poor corporate governance and associated scandals
- Development of internet and social media



## Corporate Ethics and the law

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- Companies follow corporate governance rules that emanate from several sources among them rules/codes of governance, legislation, contract law, employment law, environmental legislation, tax laws etc.
- With the increase in various factors affecting corporates and the environment around them, legislators have come up with codes that create an element of personal accountability where there is none under the law.
- Most of these codes are binding on corporations

# Benefits of Good Business Ethics

- Establishes values that an organization uses to inform the conduct of its activities.
- Helps staff in decision making
- Enhances corporate reputation and image
- Improves risk and crises management
- Easier access to capital
- Increased customer satisfaction, trust and loyalty
- Able to recruit and retain talented staff

## To Create an Ethical Culture...

- Lead from the top
- Develop policies
- Consult and benchmark the policies that have been developed
- Set up a monitoring system
- Set up a whistleblowing policy and process
- Ensure a reward system for ethical behaviour and are aligned with the company's risk appetite.

## Laws, Regulations and Codes

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- The post 2010 Kenya Constitution period has witnessed the unprecedented enactment/adoption of laws, regulations and codes;
- In 8 years, Parliament has enacted over 300 pieces of new legislation, revised existing ones, still a huge backlog of bills and zero drafts remain to be addressed;
- Regulated entities have experienced a frenzy of regulations, codes, guidelines all geared at codifying ethical stipulations into law

# Global of governance codes

- King I, II, III & IV
- OECD Principles of Corporate Governance
- UK Corporate Governance Code (previously combined code)
- Australian CG Principles and Recommendations
- Canadian Corporate Governance Guidelines
- CACG Guidelines: Principles of Corporate Governance in the Commonwealth
- Indian Code of Corporate Governance
- Kenyan Principles of Corporate Governance

# Kenyan governance codes

- ICPSK Code of Corporate Governance for Private Organizations.
- Mwongozo Code of Governance for Government Owned Entities.
- CMA Code of Corporate Governance for Listed Companies
- CBK Prudential Guidelines.
- IRA Code of Corporate Governance
- Code of Governance for NGOs (under development)
- IRA, RBA, CMA draft regulations on treating customers fairly

Which side are you/corporation on...?

