Employee Code of Ethics and Conduct at National Aluminium Products Co. SAOG (NAPCO)

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Abstract
In any organization the code of ethics and conduct serves as an invaluable tool to improve how employees/members deal with the ethical dilemmas, prejudices and gray areas that are encountered during day-to-day decision making thereby contributing to an organizations professional conduct and long-term sustainability. With this objective in mind an attempt has been made in this case to discuss the code of ethics and conduct at National Aluminium Products Co. (NALCO), followed by the discussion of the process for embedding the policy within the organization. The mechanism for identifying and reporting the issues pertaining to the practice within the organization is explored and the mechanism laid out for enforcing the practice is studied.

1. Introduction

Considering ethical scandals and responsibility towards stakeholders and society, organizations of today are becoming more conscious of how the public perceives them and want to be seen as ‘ethical’.

Since it is the primary responsibility of the managers to make profits and increase shareholders wealth, the proven relationship between being ethical and financial performance is gaining interest.

2. Literature Review

The studies of Orlitzky, Schmidt and Rynes (2003), Verschoor (1998), Berrone, Surroca and Tribo (2005) and bodies such as Institute of Business Ethics (IBE) and Ethical Investment Research Services (EIRIS) provide useful evidence to indicate positive relationship between ethics/ Corporate Social Responsibility (CSP) and financial performance. Baron 2000 whose managerial approach to business society interface states that successful managers are able to integrate market strategies with non-market strategies in order to position their firm for optimal effectiveness and also to further their social responsibility.

Orlitzky, Schmidt and Rynes (2003) describes business ethics as application of moral philosophies to issues in business and its goal is to describe morally good behavior for managers and corporations as a whole. Further ethical and socially responsible behavior can be considered an investment in transparency and trust, and consequently, help reduce transaction costs within and across an organization.

Ethical Investment Research Services (2005) defines business ethics as how a company conducts its business and the behavior of its employees. With the charred ethical standards existing today, it is expected that most, if not all companies should have a code of ethics and also an ethical identity.
Company Description

National Aluminium Products Co. (NAPCO) SAOG was established in 1984 and now it is one of the top extruders of aluminium in the Gulf of Arabia. NAPCO is located in the Rusayl Industrial Estate and is considered as a one of a kind facility in the Sultanate of Oman.

NAPCO produces 18,000 metric tons of aluminium yearly to cover its global customer base which is spread across Middle East, Africa, Europe and South East Asia. With its wide range of products, the company has worked in major projects such as Burj Al Arab in Dubai and also the National Petroleum Corporation Tower in Kuwait City.

Focusing on high quality products and creating new ideas is one of NAPCO’s great strengths, the company has succeeded in building a strong reputation around the world as being the first extrusion company in GCC receiving a certification from the International Organization for Standardization (ISO 9001: 2008 certificate).

NAPCO has won the Third Place in the Industrial Category in the Corporate Governance Excellence Awards 2013 given by Capital Market Authority, Sultanate of Oman.

Success of NAPCO can be partly attributed to its strong and clear Mission statement which is “To increase shareholder value over a period of time. One of the foundations of this mission is managing the business with people who have a strong commitment to the Company’s values and culture, and providing an appropriately controlled environment, to meet the business goals and objectives.”

Taking from the mission statement, the integrity practice of compliance with the Code of Ethics and Conduct is an area of great emphasis at NAPCO. The Code of Ethics at NAPCO offers a set of values, principles and standards to guide decision making and conduct when ethical issues arise. It is transmitted to each and every employee in NAPCO.

Three guiding values form the basis of the Code of Ethics which includes:

- **Honesty/Integrity**: by maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside the workplace.
- **Professionalism**: by fostering the highest standards of professional competence amongst those for whom they are responsible.
- **Responsible Management**: by optimizing the use of resources for which they are responsible so as to provide the maximum benefit to the shareholders.

Keeping in line with the fundamental values, the Code of Ethics includes the following comprehensive list for compliance:

- A Relationship of Trust
- Protection of Customer’s and Organization’s Assets and Interests
- Adherence to the Law
- Adherence to all company Policies and Procedures
- Disclosure of Confidential Information
- Restriction on working elsewhere
- Dealing with the media
- Kickbacks
- Avoidance of inducements
- Avoidance of Conflict of Interest
- Attention to personal matter
- Professional Development
- Integrity in inter-personal relationships
- Personal Conduct
- Personal Appearance
The code of ethics booklet gives every employee a benchmark and shows that the company wants ethical practices to be a huge part of their organization.

3. Policy Development

The main reason to develop the policy is to introduce the core values of the company to all employees and make sure the employees know what the company believes in. Mr. R. Jayasankar, NAPCO’s financial controller stated “Whether we achieve the numbers or not, that is not an issue, our main priority is making sure the employees know what we stand for and what our company’s core values are”.

The Capital Market Authority of the Sultanate of Oman encourages businesses to have ethical business practices by celebrating their accomplishments and recognizing their excellence in corporate governance. The CMA hosts an annual ceremony in which awards are given to companies which meet the high standards.

In regards to policy formulation, the management team asks employees for a lot of input and ideas. Then the management team and the CEO decide which policies fit the company. Once the management team and the CEO agree on a certain policy, they present it to the Internal Audit Committee. Before approving the new policy, the Internal Audit Committee has to review it and view the policy from different perspectives in order to give suggestions that may help develop or improve the policy.

Embedding the Policy

As mentioned earlier the code of conduct booklet is distributed to all current employees but whenever a new policy is established or there is a change in policy, all employees are informed through meetings conducted by their respective departments. Depending on the particular policy, different methods of embedding are required. According to Mr. Jayasankar, NAPCO’s financial controller “We make sure that
any new policy is effectively communicated to the employees and that they are aware of it. For example, Ministry of Manpower regulations are communicated to the employees through the HR department.”

Another way of implementing these policies is through training, “… [For] example …safety trainings carried out by all the employees in the company including myself and other members of the management team.” Due to the large amount of employees (262), these training programs are conducted in batches throughout the year. The batches are usually divided by department, for example one week of safety training may be dedicated to the management staff whereas the next may be dedicated to plant workers.

Of course every company encounters obstacles, especially when change is required. Humans are creatures of habit and its understandable that management may encounter some resistance when a major policy change is enacted “… but over a period of time the employees understand that these policies are enacted for the betterment of the company and ultimately themselves and their families.”

Policies are primarily enacted within the company but when dealing with potential clients a thorough background check is done to ensure that future business transactions are conducted ethically. Before getting involved with a new client, the due diligence process involves:

- Conducting a credit check.
- Investigating internal policies of client company.
- Ensuring that client is able to make payment.
- Gain informal information on client through contacts.

“So when it is required we will engage some external parties but for the majority of the time the policies are implemented in-house.”

4. Identifying and Reporting Issues

Identifying and reporting issues is a crucial element of managing a company because if feedback falls on deaf ears, it may lead to dissatisfaction and ultimately a decrease in efficiency. Within NAPCO there are two ways in which issues are identified and reported: whistle-blowing policy and suggestion boxes.

Employees are encouraged to engage in whistle-blowing, if they see anything unusual or out of the ordinary by complaining to anyone within the company (bypassing any direct superiors they may wish to avoid). These complaints can be addressed to anyone within the organization ranging from middle management up to the CEO himself.

NAPCO also has suggestion boxes scattered all around the company where employees can file complaints while remaining anonymous. These complaints are collected weekly and then “the HR department vets all this information and determines which is frivolous and which may be a genuine concern from the employees. If the complaint is deemed worthy it will be discussed with management who ultimately decide whether or not to pass it over to the audit committee who may turn it into new policy. We always make sure to get back to these complaints within three weeks time, whether we have decided to pass it over to the audit committee or not.”

Once the policy is written the HR department ensures that all the top level management are familiar with it so that they can enforce it effectively. Anything that deviates from the policy requires special approval from the audit committee or the board of directors depending on the nature of the decision. There are both internal and external auditors but more than that the team members are responsible for one another.
5. Lessons Learned

- Responding to issues reported by employees ensures greater efficiency and commitment in return.
- Anonymity and lack of reprisal are crucial in whistle-blowing; therefore suggestion boxes are a great tool.
- Implementation of integrity-related practices is an ongoing commitment.
- Addressing the needs of the stakeholders in the process of corporate governance ensures organizational effectiveness and sustainability.

References


