

Promoting an ethical work environment

Ethics are incredibly important. They define moral principles and the rules of conduct. They define good versus bad behaviour. Unfortunately, the bad behaviour of some corporations and the senior managers who lead them has produced some remarkably shameful examples of just how far the moral compass has gone astray, and not just in a few instances. YBM Magnex. Argus Corporation. Hollinger. WorldCom. Tyco. Enron. The list goes on.

The result of these scandals has been an unprecedented decline in the trust and respect society gives to its once revered corporate institutions. According to the 2005 *Edelman Annual Trust Barometer*, published by Edelman, a public relations firm based in Chicago and New York, only 22 per cent of 1,500 participants surveyed in six countries think CEOs are credible sources of information. Only 37 per cent think accountants are credible sources of information and 80 per cent do not believe information is trust-



ON ETHICS

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worthy unless it comes from multiple independent sources.

In *Aiming High: Renewing Trust in a Time of Suspicion*, a survey of 2,000 Canadians conducted in 2003, Toronto-based ethics guru John Dalla Costa found eight out of 10 reported a steep decline in their trust of corporations. The survey found 40 per cent have witnessed ethics transgressions of varying magnitude in the workplace.

Promoting and restoring an ethical work environment is ultimately about trust. Because without trust, employees can't rely on the words or promises of others. Moreover, the costs to the organization to compensate for the trust deficit can easily become extraordinary with demands for stricter and

higher regulatory compliance, slower decision processes, "over-diligence" and even loss of reputation. Worst of all, customers will rarely buy the products or services of companies they don't trust.

This is where HR has a major role to play. HR should be the functional custodian of "organizational alignment." HR is charged with creating both the individual and collective behaviours and actions that every organization needs to achieve its strategic intentions and priorities. Without the ethical behaviours that promote trust, it will be exceedingly difficult for any organization to accomplish anything, let alone its organizational strategy.

So, how should HR proceed?

Articulate an ethics code

HR should take the lead in creating an ethical work environment. In so doing, HR needs to define what constitutes an organization's ethical orientation. This is usually expressed in the form of an ethics code that details in precise terms

both acceptable and unacceptable behaviour. A well-crafted code also describes what the organization looks like when everyone is operating at their best. (An example of an ethics code can be found on the website of The Directors College at McMaster University. See www.thedirectorscollege.com/code_of_conduct.asp.)

Creating such a code should not be done as a reaction to a crisis as this will signal that ethics matter only when the organization is in trouble. Ethics must be a standard operating condition. In addition, it is important that the code be seen as a critical strategic factor — something important to the success of the organization — as opposed to simply something that needs to be done to satisfy the regulators and company critics.

But defining ethical conduct in a written document is no guarantee that the required behaviour will follow. This is where HR's expertise comes into play. Since the goal is to instill and

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HR's role is to instill trust

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maintain a culture of trust, it is important that the code be made real for every employee, regardless of how long they've been with the company.

Ethics and the hiring process

For new employees, this means the ethical code must be used as part of the selection process. The code should be made available to all prospective candidates prior to an interview. During the interview process, potential new hires should be invited to discuss the degree to which it aligns with their personal ethics. They should be asked for specific examples and ultimately to express their acceptance of the code. This might even involve some problem-solving exercises. Once hired, the ethics code should form part of the orientation process and individuals should be asked to describe specifically, in behavioural terms, how it will affect their work.

Ethics and role descriptions

For both new and current employees, all job descriptions should make reference to the code and state explicitly the expectation that every employee will adhere to it. Everyone

should be asked to sign, on an annual basis, both their understanding and acceptance of the code. The aim is to ensure everyone knows exactly what it is that they should do to make the code real and why they should do it. HR is the prime orchestrator of this process.

Ethics training and development

Unfortunately, knowing what to do and why it should be done is sometimes not enough to get the ethical behaviour desired, particularly among the existing cadre of employees and old-timers who have been inculcated to accept, and even perpetrate, ethical transgressions. This is where HR must mount a comprehensive and aggressive training program to ensure the values in the ethics code have meaning for each person in her job. Role playing, simulations and case examples should all

be provided to demonstrate the organization's commitment to the code. This is also where many organizations are failing. According to the 2005 *Edelman Annual Trust Barometer*, 90 per cent of Fortune 500 companies report having codes of ethical conduct, but only 45 per cent have training programs specifically related to them.

Align the ethics code with performance management

The final leg of the journey involves adjusting the organization's performance management system to include ethical behaviour as an important criterion for performance measurement, promotion and possibly even termination. This is precisely what former CEO Jack Welch did as he attempted to instill new values at GE. He often commented on how he was prepared to fire any executive who, despite having "delivered on his numbers," did not

"live the values."

Employee surveys also need to be adjusted to measure the perception, particularly of the organization's front-line workers, regarding the impact leadership behaviours are having on them. It then becomes HR's responsibility to be transparent, to report on those results and to initiate ways to take corrective action.

By following these guidelines, HR can play a major role in helping restore the trust which most customers, employees and governors long to see. Creating an ethical work environment, however, is not just a professional responsibility for those in the HR function. It is what organizational leadership, the real business of HR, is all about.

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