

## Ethics in Business – From Compliance to Commitment

By the time this article goes to print all of us will surely have had our fill of news reports about Conrad Black's infamous lawsuit. We'll likely be numb to the never ending allegations of fraudulent practices at Nortel. But, how many of us as human resource professionals will be asking, 'What does this have to do with me?'

It seems that, by and large, human resource professionals have been quite happy to have the accountability for their company's business ethics and code of business conduct rest with their legal or audit departments. In so doing, human resource professionals miss an opportunity to help their companies shift from merely being compliant with the law to demonstrating their company's firm and unwavering commitment to build an ethical business culture.

The 'iceberg model' helps us to better appreciate the influences that may undermine a company's policies and practices with respect to business ethics. Think of the 'the Law' and your company's Code of Business Conduct Policy as the tip of the iceberg, visible above the surface. Now, think about the influences that exist below the surface lurking within many companies. Things like:

- Pressures to conform ("Hey, we always take off early Friday afternoons, you need to join us or else someone's going to take notice")
- Desire to please ("I picked up the tab for a lunch I had with my boss. He told me it was the only way he could expense it without needing to get further approval. I did it because I wanted to stay on his good side!")
- Accepted practices ("Don't worry, we give box seat tickets to all our clients and they sure don't have any problem with accepting them!")
- Performance drivers ("Hey, maybe we should just alter our numbers a bit. If we do, we're sure to be in the top category for a bonus this year!")

When asked, most of us do not hesitate to say that we are 'ethical'. In fact some people are offended when asked to sign a document confirming they have read and understood their company's Code of Business Conduct Policy. However, what we fail to recognize and appreciate is our ability to rationalize our own behavior. Sometimes we justify our actions so convincingly that we no longer even perceive that what we are doing is inherently wrong or unethical. For example:

- "I'll just pad my mileage claim this month, it's not like I haven't worked hard. The company owes it to me."
- "I know I shouldn't provide my son with supplies from the office, but university is so expensive and, I know this company can afford the photocopying I do and the pens and paper I take."
- "If this company can afford a company jet, hey, they can afford for me to take a few sick days to ski!"

It is a slippery slope once employees believe they can justify actions and decisions that are fundamentally unethical. Reading a code of conduct policy and signing a piece of paper every year does little to help employees grasp and understand the essence of ethical conduct. Nor does it help employees apply good problem solving skills when they are faced with ethical dilemmas in the workplace. It may surprise some to know that virtually all the companies who have become household names (including Enron) as a result of their unethical business practices had well articulated policies and codes of conduct dutifully signed off yearly by their employees.

Few companies are making the effort necessary to address these underlying influences and regrettably, only those that do will truly build ethical cultures. By taking the following 7 steps, human resource professionals can play a critical role in helping their companies move beyond compliance, raising the bar to demonstrate their deep commitment to developing an ethical business culture.

- 1) Adopt a multi-disciplinary approach to building an ethical culture
- 2) Communicate your Code of Business Conduct in plain language
- 3) Ensure relevant policies, processes and practices align with your Code.
- 4) Develop ethical leadership
- 5) Gain employee buy-in
- 6) Facilitate reporting
- 7) Model the way

## Adopt a Multi-Disciplinary Approach

Human resources must have a 'seat at the table' when matters of business ethics and code of conduct are discussed. That said, it would be wrong for human resources to act independently. Companies that are truly committed to developing ethical cultures adopt a multi-disciplinary approach that includes representation from their legal, financial, communications and human resource disciplines. Working together they develop a strategy that enables the development of an ethical culture that is truly sustainable.

## Use Plain Language in Your Code

Most human resource departments do provide employees with a personal copy of their company's Code of Business Conduct Policy at the time of hire. Many companies host their Code of Business Conduct and related policies on their intranet. However, few companies have taken the time to provide a document that is actually readable! By working with their partners in Communications, Human Resources can provide employees a document that is both easily referenced and easily read.

## Align Policy and Practices

More than one company has been surprised to learn that upon review, some of their policies and accepted practices are not consistent with their company's Code of Business Conduct Policy. Human resources can 'lead the way' by ensuring its policies and practices are 'squeaky clean'; not only in the way they are written, but also, in the way they are executed. However, it is not only human resource policies that require review, virtually all corporate policies need to be reviewed in light of the company's Code of Business Conduct Policy to achieve proper alignment.

## Develop Ethical Leadership

Developing ethical leadership ought to be a primary goal of every leadership development program. Surely it is the role of human resources to ensure the topic of business ethics is adequately addressed in all leadership development programs. Not only do leaders need to know and understand their company's Code of Business Conduct Policy but, they must also understand the role they play in facilitating an ethical culture. This is just as true for leaders at the frontline as it is for leaders at the executive table. Leaders often justify their own behaviors based upon what they see modeled by those to whom they report. Ethical leadership depends upon each leader understanding they are responsible and accountable for their personal actions and behaviors regardless of the actions of those at more senior levels of the company.

Demonstrating ethical behavior as a leader is inextricably linked to building trusting relationships, the cornerstone of many leadership development programs. However, while many of these programs address the matter of trust and trusting relationships, few make the link to ethical behavior and the expectations of leaders. Whether through instructor-led training or on-line training, every leader needs to have exposure to the topic of business ethics. Leaders must be fully cognizant of behaviors that develop a strong ethical culture and those that erode that culture. They need also to understand their accountability when employees raise ethical issues and/or report unethical behavior.

## Gaining Employee Buy-in

Ethical cultures are built when employees, like leaders, have exposure to training that helps them differentiate between ethical and unethical behavior. Depending upon the size of your company this can be accomplished either through instructor-led or on-line learning modules. Regardless of the methodology, employees need to be exposed to different scenarios and situations that they may face within their own work. Employees need an opportunity to learn in a non-threatening environment what is appropriate and what is inappropriate. Your company's Code of Business Conduct Policy is an important topic that must be addressed not only in all employee development programs but in your company's orientation program for new employees.

However, learning in and of itself is insufficient. Building an ethical culture requires continuous reinforcement through a well thought out and on-going communication strategy and plan. Ethics needs to be woven into company newsletters, be reinforced through visual cues such as posters, and integrated into team discussions if a company is going to make significant head-way towards building a strong ethical culture.

## Facilitate Reporting

Companies need to provide their employees with a means of reporting behaviors, decisions or actions they perceive are unethical and contrary to their company's Code of Business Conduct Policy. This is best facilitated by providing access through a third party provider although many smaller

companies encourage such reporting to their legal department or external legal counsel. That said, it is only through both educational and communication programs that employees understand their obligation to report unethical behavior and to realize that their company will fully support their actions provided, of course, that the reporting of unethical behavior is not maliciously motivated.

### Model the Way

Finally, human resource professionals must model the way. For new employees, human resource employees are like a beacon signaling the strength of a company's ethical culture. And, whether we realize it or not, the manner in which we conduct employment searches and implement recruitment practices sets the tone. Employees tend to assess the strength of a company's ethical culture based upon their own personal experience and the experience of those with whom they have a close work relationship. They are sensitive to preferential treatment whether in regards to recruitment, compensation, performance management, or succession management and promotions. Human resource professionals must demonstrate through their actions an unerring commitment to ethical business conduct.

Since the Enron fiasco it's hard to pick up a daily paper without seeing some reference to or allegation of unethical business practices. And, based upon these articles it would be easy for us to assume that unethical behavior is limited to those at the very top of organizations. This is simply not the case. While building an ethical culture depends upon the full commitment of senior executives to set the standard of acceptable behavior, each and every employee directly influences the strength of your company's ethical culture through their day-to-day actions. Clearly, code of business conduct policies are insufficient in and of themselves to shape ethical behavior. Human resource professionals must help their companies move beyond compliance with the law and, they can do so by ensuring each and every employee develops the knowledge and skills necessary to build strong ethical cultures.

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