



Successful HR Strategies for Building an Ethical Workplace Culture

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Northern Nevada HR Association
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Today's Agenda

- 1) Current State of Workplace Ethics
- 2) Why Good Ethics are Good for Business
- 3) Elements of an Ethical Workplace Culture
- 4) HR Strategies for Building an Ethical Workplace Culture
- 5) Importance of Ethical Practice as an HR Competency

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Current State

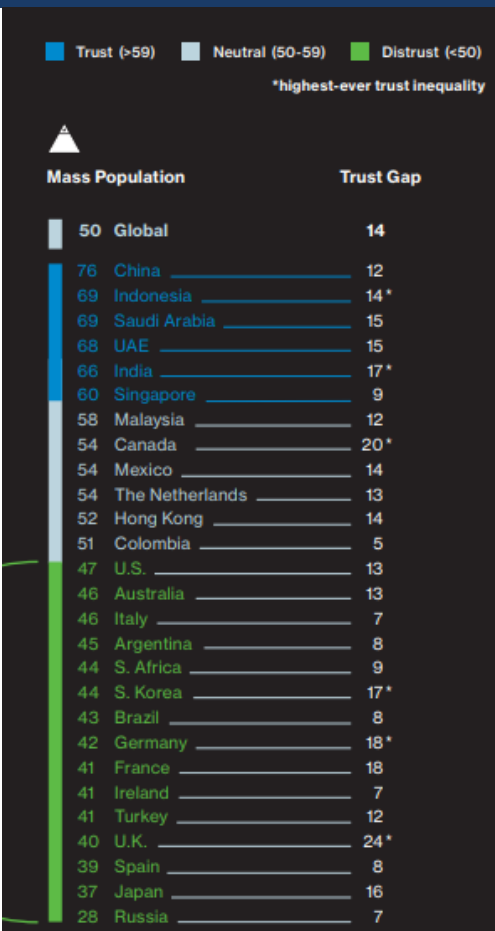
\$185
million dollars
in fines



Source: wallstreetexaminer.com



Current State



Trust Index

Most Trusted

China
Indonesia
Saudi Arabia
UAE
India

Distrust

United States
Australia
Italy
Argentina
South Africa

Source: 2019 Edelman Trust Barometer Exec Summary

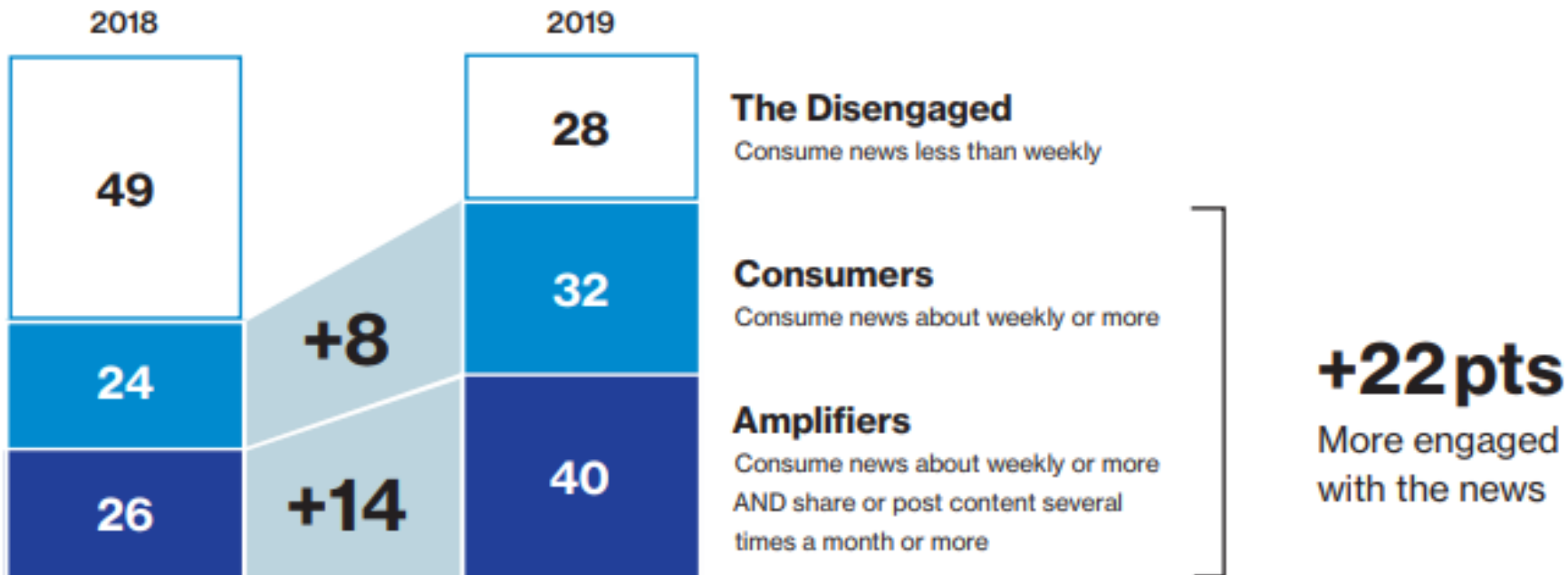


Current State

FIG.
05

MASSIVE RISE IN NEWS ENGAGEMENT

How often do you engage in the following activities related to news and information?



Source: 2019 Edelman Trust Barometer Exec Summary



Current State

CEO's Must Lead the Change



73%

A company can take specific actions that both increase profits and improve the economic and social conditions in the communities where it operates



76%

CEOs should take the lead on change rather than waiting for government to impose it

+11pts
2018-19



Good Ethics = Good Business



Source: 2019 Ethisphere Research Report

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Good Ethics = Good Business



United States

Industrial Manufacturing



United States

Application Software



United States

Accident & Life Insurance



United States

Property & Casualty Insurance



United States

Oil & Gas, Renewables



United States

Health Insurance



United States

Electronics & Semiconductors



United States

Insurance Brokers



United States

Electronics & Semiconductors

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Source: 2019 Ethisphere Research Report



Good Ethics = Good Business

2019 Fortune 100 Best Companies to Work For

Hilton



Salesforce



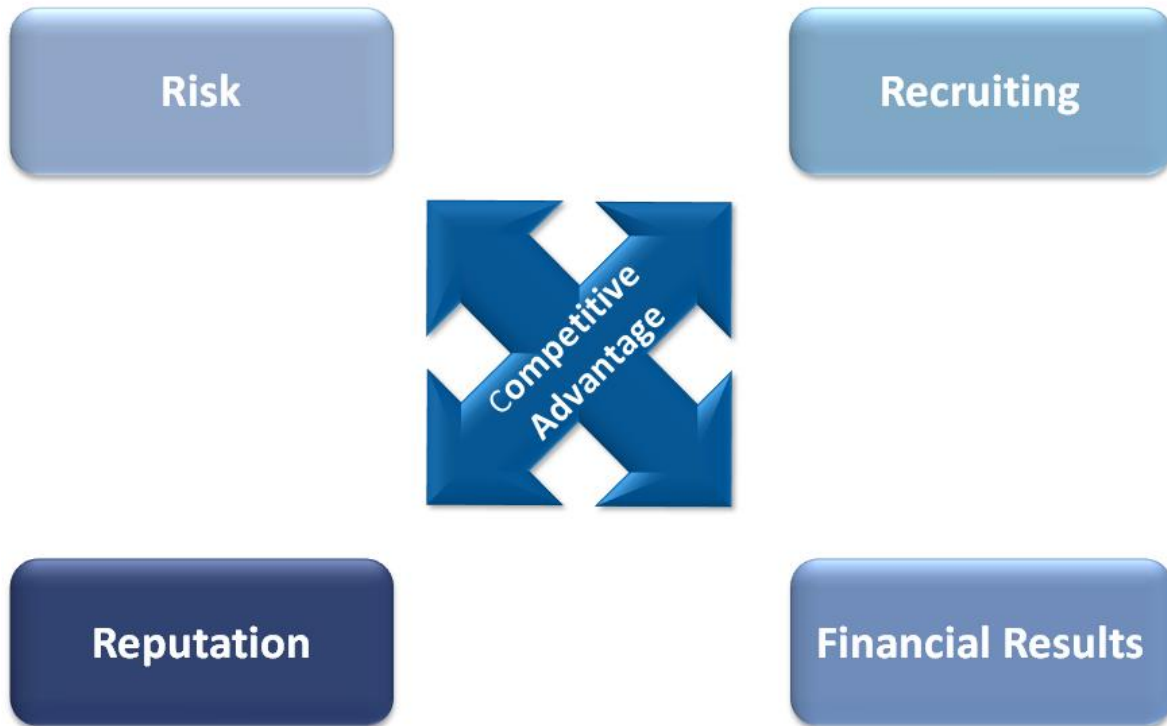
Wegman's Food Markets





Good Ethics = Good Business

An Ethical Culture Brings Competitive Advantage





Now for an Exercise

Have you ever worked for an unethical boss – how did it make you feel



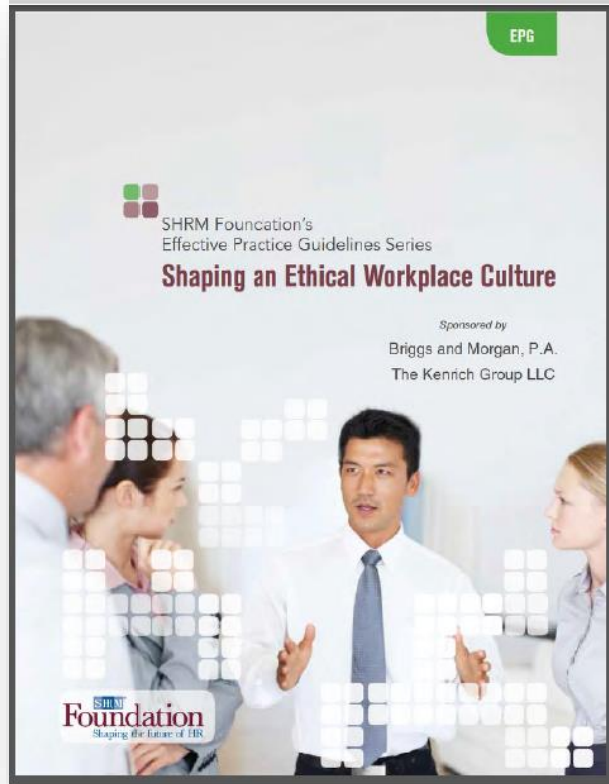
Good Ethics = Good Business

An Ethical Culture Benefits Employees and Management



- Higher employee job satisfaction
- Increased change management success
- Increased attraction of high-potential talent
- Lower turnover
- Lower health care costs

Elements of an Ethical Culture



SHRM Foundation report, ***Shaping an Ethical Workplace Culture***, gives a full picture of what an ethical workplace means and how it can benefit diverse organizations



Elements of an Ethical Culture

- 1) Leaders live by clear standards and self-transcending principles when conducting the organization's business
- 2) Employees feel genuinely cared for and respected
- 3) Employees, regardless of rank or role, put the work at hand and the interests of others above themselves
- 4) Employees feel empowered and energized to reach for ethical and technical excellence in serving customers, clients, and each other

Source: HR Magazine article: "Creating an Ethical Culture" by Dori Meinert



Elements of an Ethical Culture

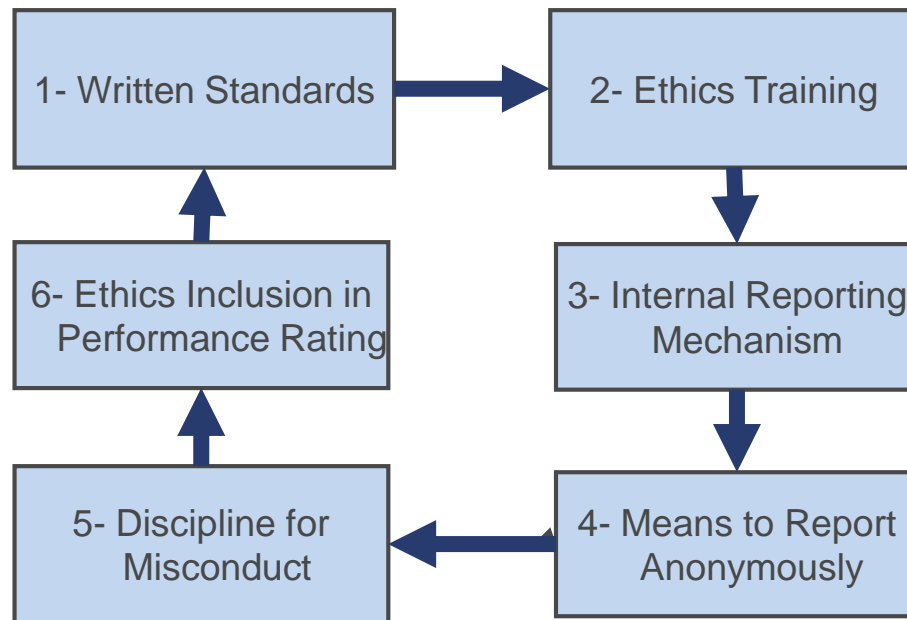
- 5) Employees hold themselves and their managers accountable to uncompromising standards of conduct
- 6) People at all levels move toward, not away from, ethical dilemmas and conflicts in order to address them through self-transcending ideals
- 7) Ethical lessons learned during conflicts alter the organization's practices, setting in motion a virtuous cycle of improvement

Source: HR Magazine article: "Creating an Ethical Culture" by Dori Meinert



Elements of an Ethical Culture

Six Basic Elements



Source: US Sentencing Commission FSGO guidelines



Elements of an Ethical Culture

Written Standards



Values Statements: Reflect an organization's guiding principles

Codes of Conduct: Reflect an organization's values and provide guidelines employees should follow



Elements of an Ethical Culture

Ethics Training



Training programs at organizations with ethical cultures emphasize;

character formation, resolution of conflicting values, and a “calling” orientation towards work and career



Elements of an Ethical Culture

Internal Reporting/Advice Mechanism



Organizations should have an internal mechanism with options for employees to report or seek advice about possible legal or code of conduct violations

Employees are encouraged to report their concerns internally to their supervisor or manager and, if they are not comfortable with this option, to contact their Employee Relations Manager or their HR team



Elements of an Ethical Culture

Anonymous Reporting Mechanism



Organizations should also have a confidential, anonymous hotline for employees not comfortable with using the internal mechanism

SHRM's hotline is conducted by a third party ethics hotline, which provides 24 hour toll-free telephone and internet service to answer, report and track ethics concerns



Discipline for Misconduct

HR and legal departments normally review ethics complaints and decide on the appropriate action

The organization's code of conduct should make clear that violators may be subject to discipline up to and including termination of employment and even possible civil or criminal penalties

No retaliation should be permitted against anyone who reports a suspected violation





Elements of an Ethical Culture

Ethics in Performance Rating



Organizations should include measures of ethical behavior in performance ratings to help focus employees' attention on its importance.

Doing so serves as a tool to reward those who excel in this area and to incentivize all employees to strive for high ethical behavior



Elements of an Ethical Culture

Compliance with Legal Regulations

Sarbanes-Oxley Act of 2002

Passed by Congress after major scandals



Publicly-traded companies must have adequate internal control structure and procedures for financial reporting

They must also have a code of conduct, a complaint system, an anti-retaliation statement, ethics training, and a system to protect whistleblowers



Elements of an Ethical Culture

Compliance with Legal Regulations

Foreign Corrupt Practices Act of 1977



Prohibited payments: Offers, payments, or gifts to foreign government officials, parties, or candidates to obtain or retain business

Accounting standards: Keep books, records, and accounts in detail, accurately reflecting transactions and corporate asset disposition

Applies to: US citizens and residents, US companies and employees, and US citizens involved in foreign subsidiary activities



Leadership Role of HR



HR is in a unique position to lead in strategies to build an ethical workplace culture

HR professionals should be both guardians and champions of the ethical culture in their organizations



Assess your Workplace Culture

Measure 3 Factors:



- Ethical Content
- Ethical Operations
- Ethical Individuals



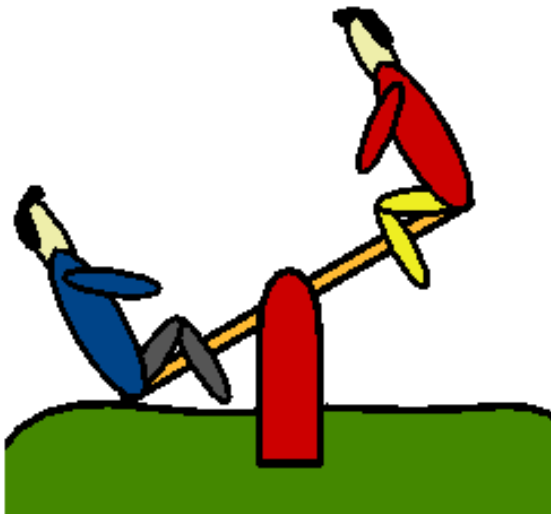
HR Ethical Cultural Strategies

Assess Your Workplace Culture

Ethical Culture Inventory	
Rate your organization on each of the 21 levers described below, according to the criteria shown here at the right.	<div><div></div><div>-2</div><div>-1</div><div>0</div><div>1</div><div>2</div><div>weak</div><div>uncertain</div><div>strong</div></div>
Ethical Clarity We make our ethical expectations—our values, norms and rules—clear, concrete and understandable for all recruits, managers and employees.	
Self-Transcending Values The values that drive our mission and value-creation insist on employees' excellence in serving the welfare and interests of our customers, clients and co-workers.	
Ethical Competency Our ethics training includes clear criteria for the competencies we expect managers to possess or develop to fulfill the organization's ethical expectations.	
Ethics Communications All formal and informational communications by managers and management (websites, newsletters, e-mails, etc.) describe the ethical issues occurring within the organization and industry in explicitly ethical terms.	
Respect for Employees' Rights We regularly communicate to our employees their workplace rights and actively support their exercise of those rights.	
Respect for Employees' Dignity We insist that all managers and employees treat each other with dignity and respect.	
Employee Input We ask for employee input on decisions that affect them and their work before those decisions are made.	
Fairness in Decision-Making We make decisions regarding performance, pay and promotion impartially, according to clearly understood criteria.	
Consistent Decision-Making We apply our rules consistently to all people, regardless of role or status.	
Honest Communications All our managers tell people honestly why decisions are made.	
Ethical Transparency We make information about ethical and unethical conduct inside our organization and its consequences visible to all managers and employees.	



Use Organizational Levers



- 1) Onboarding
- 2) Ethics and Compliance Programs
- 3) Pay, Performance, Promotion, Procedures
- 4) Leadership Role-modeling
- 5) Training and Development
- 6) Workplace Communications and Routines
- 7) Culture Surveys and Feedback Tools



Onboarding



The best place to start shaping an ethical workplace is at the beginning of each employee's experience with your organization.

In addition to framing your organization's ethical guidelines, examples from your own case files can be used to help new employees understand exactly what is expected of them.



Ethics and Compliance Programs



The most effective ethics and compliance programs are integrated closely with training and with senior management.

HR professionals need to understand their organizations' ethics programs and integrate them into your strategies.



Pay, Performance, Promotion, Procedures



The criteria for pay, performance, and promotion should be made clear to all employees

One way to demonstrate that ethics matter is to reward and/or promote high performers model your organization's values and ethical standards



Leadership Role-modeling



Leadership role-modeling is the linchpin of an ethical workplace culture

Schedule regular ethics “reset” sessions in which supervisors at all levels are reminded of core values and updated on organizational ethics issues

Use Story Telling – Show What Good Looks Like



Training and Development



Ethics training programs should emphasize character formation, the resolution of conflicting values, and a “calling” orientation towards work and career

Current ethical issues facing your organization and your industry should also be raised in these sessions



HR Ethical Cultural Strategies

Workplace Communications and Routines



The formal and informal communications of employees' day-to-day work experience are a rich resource for shaping an ethical culture

Make use of organizational symbols and ceremonies to express and reinforce employees' ethical expectations and identification with your organization's values



Culture Surveys and Feedback Tools



Your employee satisfaction surveys should include measures related to desired aspects of an ethical culture

Always follow effective practice guidelines when using survey data to help foster the sense of fairness among employees



Special Role of Top Managers

The tone set by top managers goes a long way toward shaping the overall ethics of a workplace

Executives who speak and act courageously on behalf of the organization's highest ethical ideals represent the best form of ethical leadership:
personal example

National Business Ethics Survey (NBES)

Senior managers are more likely than lower-level managers to break the rules





Special Role of Top Managers

NBES Report on Ethical Leadership



Companies that want to support strong ethical leadership should:

- Seek out personal character when hiring and make 24-7 integrity a job expectation
- Educate managers about the way employees evaluate leaders
- Encourage leaders to share credit for success and seek honest feedback from employees
- Annually review business objectives and policies to ensure they promote ethical performance



Ethical Practice as a Competency





Ethical Practice as a Competency

Characteristics of Ethical Practice



Definition: Integration of integrity and accountability throughout all organizational and business practices

Adherence to the organization's core values and ethical guidelines

HR professionals help to drive their organizations' ethical climate by responding to ethical issues



Ethical Practice as a Competency

Behaviors at Highest Level of Proficiency



- 1) Maintains confidentiality
- 2) Responds immediately to all reports of unethical behavior or conflicts of interest
- 3) Empowers all employees to report unethical behavior without fear of reprisal
- 4) Shows consistency between espoused and enacted values
- 5) Acknowledges mistakes



Ethical Practice as a Competency

Behaviors at Highest Level of Proficiency



- 6) Drives the corporate ethical environment
- 7) Recognizes bias in self and others and takes measures to mitigate bias in business decisions
- 8) Maintains appropriate levels of transparency in organizational practices
- 9) Ensures that all stakeholder voices are heard
- 10) Manages political and social pressures when making decisions



Summary and Takeaways

HR must take a leading role in efforts to build ethical workplace cultures to deter misconduct and help the organizational bottom line.

Research shows that an ethical workplace culture improves company performance, employee satisfaction, and provides many other benefits.

An ethical workplace culture has six elements: Written standards, ethics training, an internal reporting mechanism, an anonymous reporting mechanism, disciplinary action, and ethics as part of performance appraisals.

Onboarding and the other organizational levers outlined in this presentation are key vehicles to use to advance ethical workplace strategies.

Ethical practice is a critical competency for all HR professionals and is one of the nine competencies required for SHRM Certification.



What Would You Do?

Sarah was recently hired as an HR manager at an industrial engineering company. With her new position, she is now responsible for overseeing the company's production factory that includes 50 factory workers.

At the end of her first day, Sarah is confused to see the factory workers continuing to work well past the end of their 8-hour shift. She then goes to the factory supervisor to express concern because the factory does not have the budget to pay so many workers overtime. The supervisor smiles at Sarah and explains that the factory meets production goals by making the factory workers work off the clock. The workers are well aware of this expectation and went along with it in order to keep their jobs.

Sarah is shocked that this illegal practice had become part of the company culture, but the supervisor explains that the company's CEO (who is Sarah's boss) is well aware of this expectation. What should Sarah do?



Leverage SHRM Resources



HR Changes Are Revolutionary, Not Evolutionary



How to Be a Transformational Leader



Universal Goals: Teaching Certification Preparation to Military Members



HR Is Helping to Narrow the Workforce Skills Gap

Review content on
SHRM's Ethical
Practice section of
[SHRM.org](https://www.shrm.org)



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