

How to Instill a Culture of Ethics

Getting your company's approach to ethics and compliance right is becoming more and more important in the 21st century world of corporate social responsibility. But what does this mean for your HR policies in practice? Stephen Paskoff, founder and President of workplace conduct training company ELI Inc., explains.

Organizations need to recognize first that there is a material distinction between ethics and compliance. Ethics is an approach to handling business and people issues, and ultimately it should be tied to the overarching values of the organization. Compliance is a series of systems, processes and programs that are designed to conform to applicable laws and regulations.

The distinction is important because it is possible to operate in legal compliance while still acting unethically or in conflict with the organization's values and principles. Compliance initiatives are determined by adapting processes to the requirements of externally imposed statutes and regulations. But when it comes to ethical conduct, each organization must define what those behaviors look like on a practical, workaday level and then make them part of the way it does business. Ethics and compliance are often coextensive, but they do not overlap in many key regards.

For example, there are anti-harassment laws that prohibit certain conduct based on race, sex and other personal characteristics. But many times the most disruptive workplace problems come from leaders who act abusively, deceptively or condescendingly. The conduct may be legal – that is, compliant – but it most likely violates the organization's principles of respect and can cause great business harm. On the other hand, an organization may decide that lying to employees about key plans and strategies is contrary to its values. While the behavior may not actually constitute a compliance violation, the organization has defined the behavior as unethical and has reason and motivation to enforce this as a standard.

Ultimately, ethics is about the company's culture and the values that must permeate daily business conduct at every level. Legal standards such as the US Federal Sentencing Guidelines are beginning to recognize that an ethical culture is necessary to avoid major violations. But even these standards do not recognize that building a culture is a long-term initiative that must be linked to values more than law, rooted in everyday behavior and integrated into daily job responsibilities.

Focusing too narrowly on the compliance aspects means organizations are likely to overlook crucial factors that affect planning, resource allocation, performance metrics and overall effectiveness. For example, there are literally tens of thousands of regulations that govern workers just in the United States. Organizations confusing legal compliance with ethics will often try to 'teach' employees the requirements of scores of laws that are hard to remember and practically apply. These trainings are also generally one-time events with little or no follow-up and accountability imposed. This may help

prove compliance, but it won't prevent or address the real and potentially devastating problems that can arise from failure to operate by the organization's values.

A comprehensive cultural initiative needs to start with a few key points:

- Everyone needs to know the values are paramount in their organization. This must be a continual process starting at the top and communicated with the same frequency, intensity and commitment as external marketing campaigns.
- Importantly, and perhaps as a very first step, leaders need to translate values statements into a few clear and specific behavioral standards that reflect how business should be conducted. Is it clear employees are expected never to lie or cover up issues no matter what their job entails? Does everyone understand that bringing problems forward is vital to long-term organizational success and should be welcomed, not punished? If employees truly align their behavior with the values, many ethical problems will be prevented or at least contained.
- The goal shouldn't be to turn employees into workplace ethicists. Particularly in large organizations, ethical problems will surface no matter how much communication and training is provided. Therefore, leaders need to focus on the behaviors – covering up, ignoring problems, retaliating against complainants – that are preventing ethical concerns from being raised and resolved. Ironically, the most important elements of building an ethical culture relate not to underlying issues themselves but rather to making sure the issues surface so they can be proactively addressed.
- Finally, creating and sustaining an ethical culture is everyone's responsibility, not just the compliance and HR departments. Managers in particular need to understand how to articulate their own personal commitment to ethical conduct.

Unlike the relatively simple and process-based task of ensuring regulatory compliance, creating an ethical culture necessitates a long-term, sustained initiative that involves more than a training program or occasional communication. It requires system-wide commitment and a focus on the behaviors that make a difference in daily business practice. Vital to the plan are skilled leaders who can positively influence the conduct of employees they interact with and mentor, whether in a formal manner or through the standard they set in their own behavior, actions and response to issues.

Instead of looking just at compliance requirements, organizations should evaluate the palpable success markers that play out in the dynamics of the work environment – specifically, how people react and conduct themselves when faced with decisions that rely on the organization's values. These values-based decisions will form the foundation of the culture and the long-term standard of 'how we do things here'.

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