

# Successful HR Strategies for Building an Ethical Workplace Culture

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# Today's Agenda

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- 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

<https://www.youtube.com/watch?v=jws5vs3gJ2A>

## Big Business scandals



In 2013 JPMorgan Chase paid the US Government \$13 billion to settle charges that its conduct had contributed to the mortgage meltdown and Great Recession of 2007-09

More than half of the 10 largest corporate bankruptcies since 1980 resulted from unethical practices, costing owners and the US economy \$1.228 trillion

## Lack of Trust in Leaders



Edelman Trust Barometer: Only 15 percent of Americans trust business leaders to tell the truth

Globally, only 28% of the 30,000+ Edelman respondents believe that businesses follow ethical practices

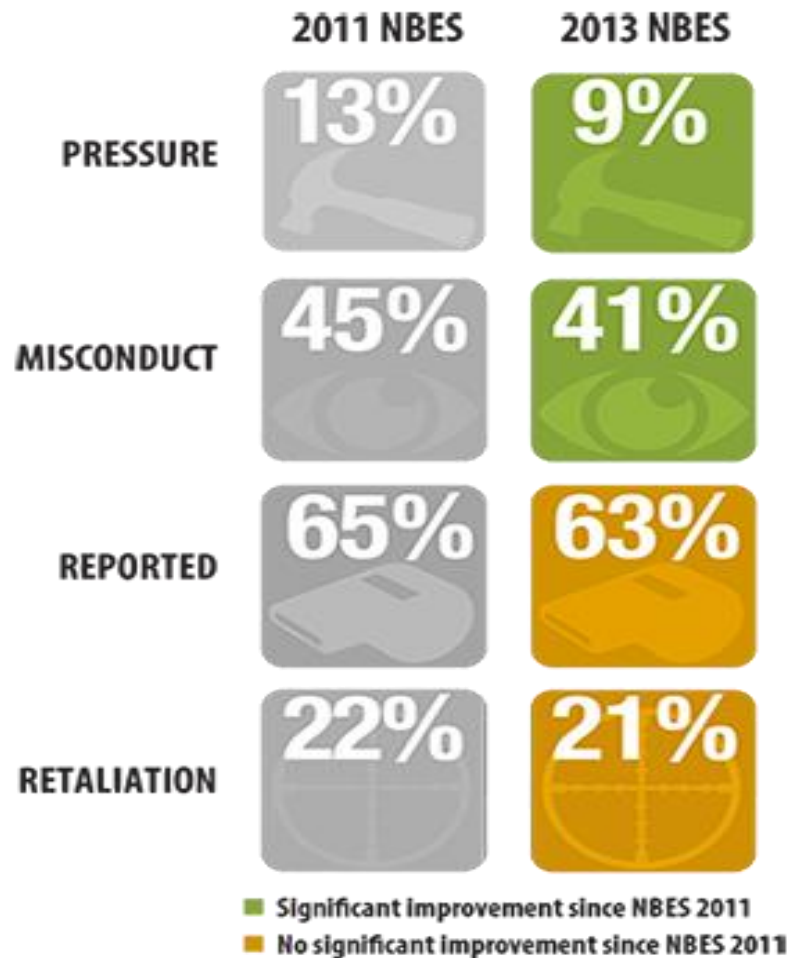
*“The steady and sharp drop in misconduct since 2007 suggests that something both fundamental and good is taking place in the way Americans conduct themselves at work.”*

National Business Ethics Survey  
Ethics Resource Center

# Current State of Workplace Ethics

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## 2014 ERC National Business Ethics Survey



# Current State of Workplace Ethics

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## 2014 ERC National Business Ethics Survey

### HIGH RETALIATION RATE: A Cause for Concern



More than 1 in 5 U.S. workers

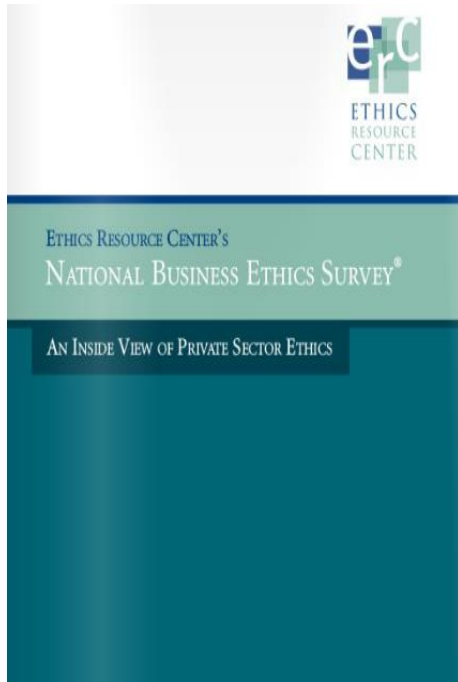
**[21%]** who reported misconduct said they experienced **6.2 million** retaliation. That is about **Americans."**



# Current State of Workplace Ethics

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## 2014 ERC National Business Ethics Survey



Good news: Companies with “strong” or “strong-leaning” ethics cultures grew from 60% in 2011 to 66% in 2013

Only 20% of workers in companies where ethical cultures were “strong” reported observing misconduct, while 88% observed misconduct in companies with the weakest cultures

## An Ethical Culture Brings Higher Performance

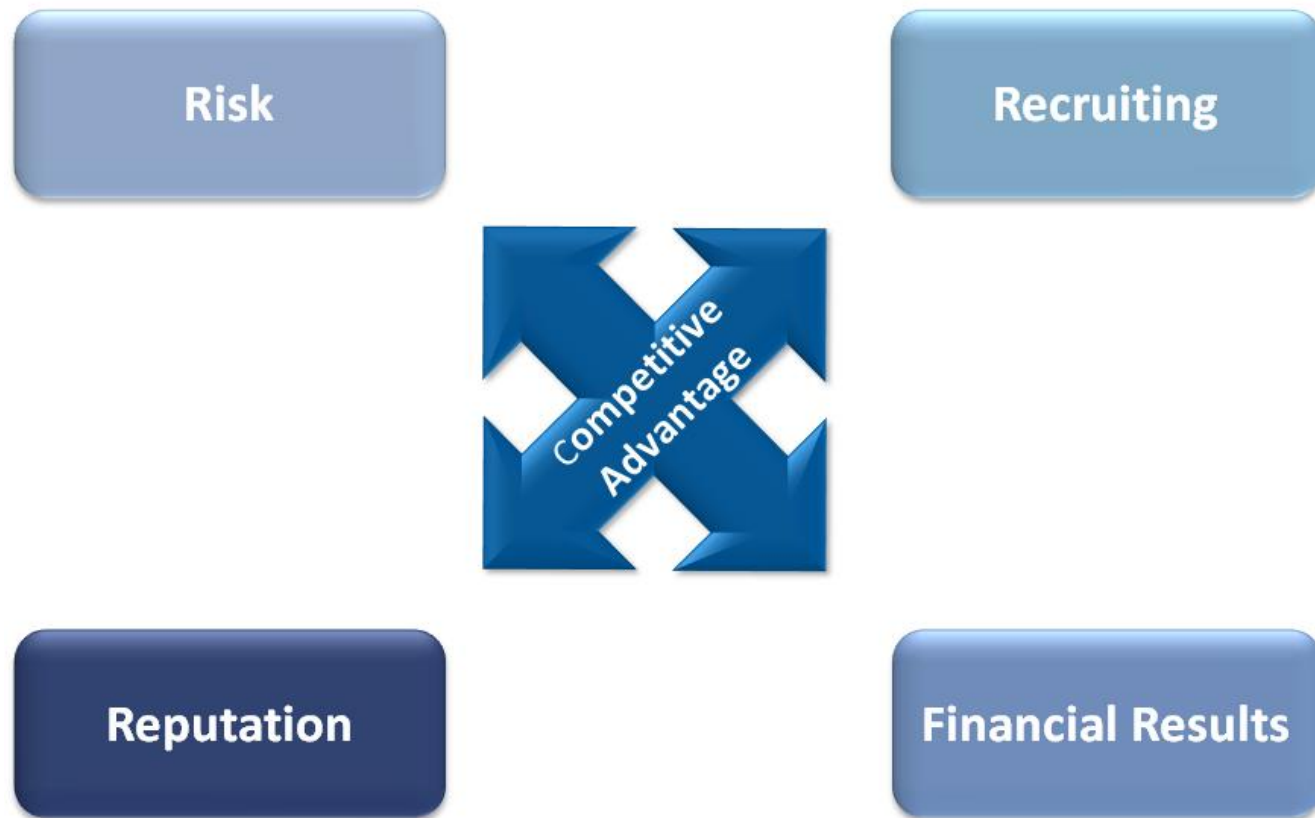


The stock price growth of the 100 firms with the most ethical cultures outperformed stock market and peer indices by **almost 200%** from 1997-2013

1997-2013, the stock price of the Fortune 100 Best Companies to Work For in the US **grew 11.8%, compared to 6%** for the S&P 500 and 6.4% for the Russell index

***Source: Great Place to Work Institute 2014***

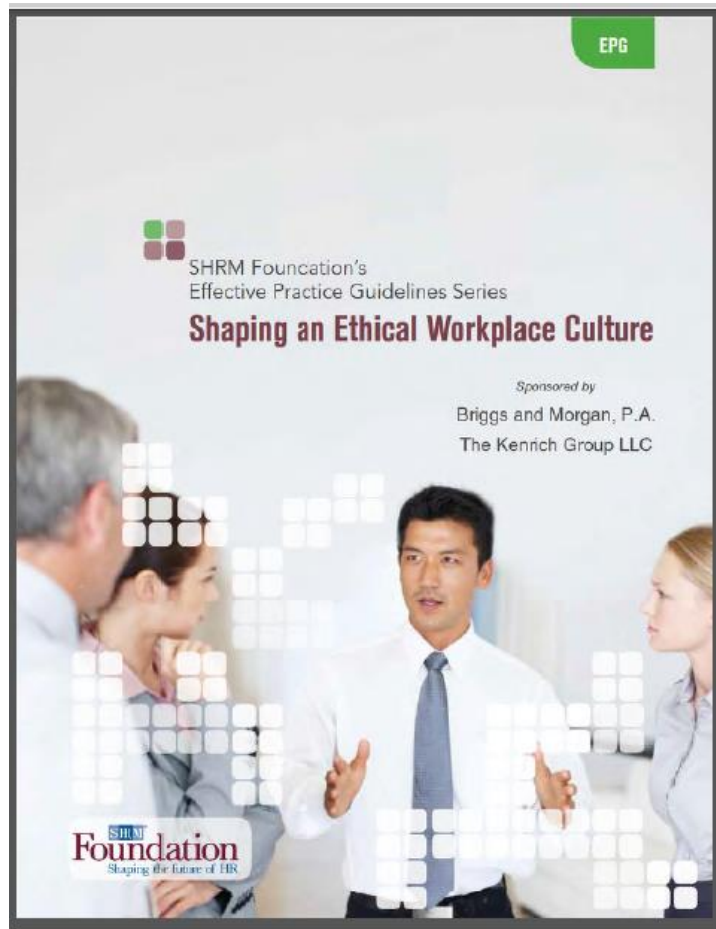
## An Ethical Culture Brings Competitive Advantage



## An Ethical Culture Benefits Employees and Management



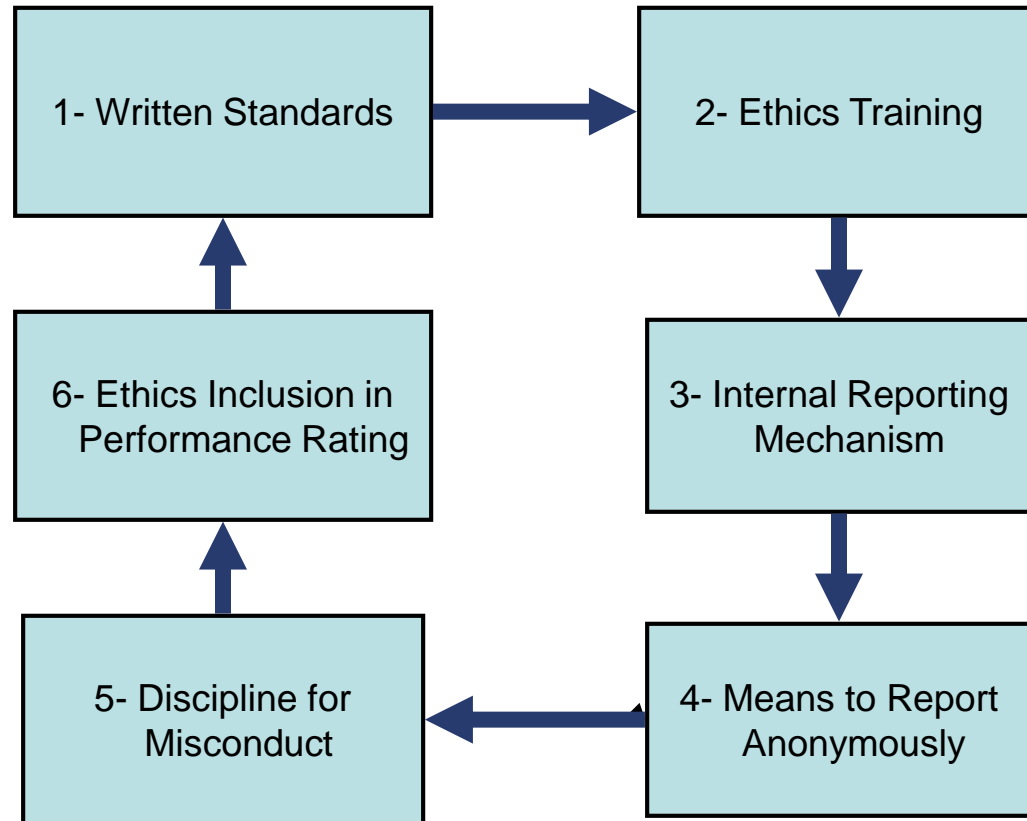
- Higher employee job satisfaction
- Increased legal/rule compliance
- Increased organizational commitment
- Increased cooperation
- Increased change management success
- Increased attraction of high-potential talent
- Lower turnover
- Lower health care costs



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

[www.shrm.org/foundation](http://www.shrm.org/foundation)

## Six Basic Elements



## Written Standards



Values statements: Reflect an organization's guiding principles

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

## Ethics Training



Training and development programs at organizations with ethical cultures emphasize character formation, resolution of conflicting values, and a “calling” orientation towards work and career



## 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

## 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

## 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

<https://www.youtube.com/watch?v=A-qmH5irA-0>

## 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



## 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

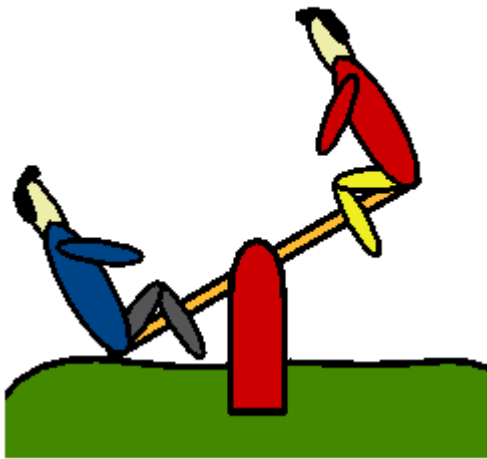


HR is in a unique position to lead in strategies to build an ethical workplace culture

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



## 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 development departments and with senior management

HR professionals need to understand their organizations' ethics and compliance programs requirements and be able to integrate them into their ethical culture strategies

## Pay, Performance, Promotion, Procedures



The criteria for pay, performance, and promotion should be made clear to all employees so that they are perceived to be fair and consistently upheld throughout the organization

One way to demonstrate that ethics matter is by acknowledging, rewarding and/or promoting high performers who live and model your organization's values and ethical standards

## Leadership Role-modeling



Leadership role-modeling of consistent adherence to an organization's rules, procedures, and values 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

## Training and Development



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

**NBES 2013 Survey:** The percentage of companies providing ethics training increased from 74% in 2011 to 81% in 2013

## 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**

**NBES 2015 Survey**: Senior managers are more likely than lower-level managers to break the rules

## Special Role of Top Managers

### 2015 ERC Report on Ethical Leadership

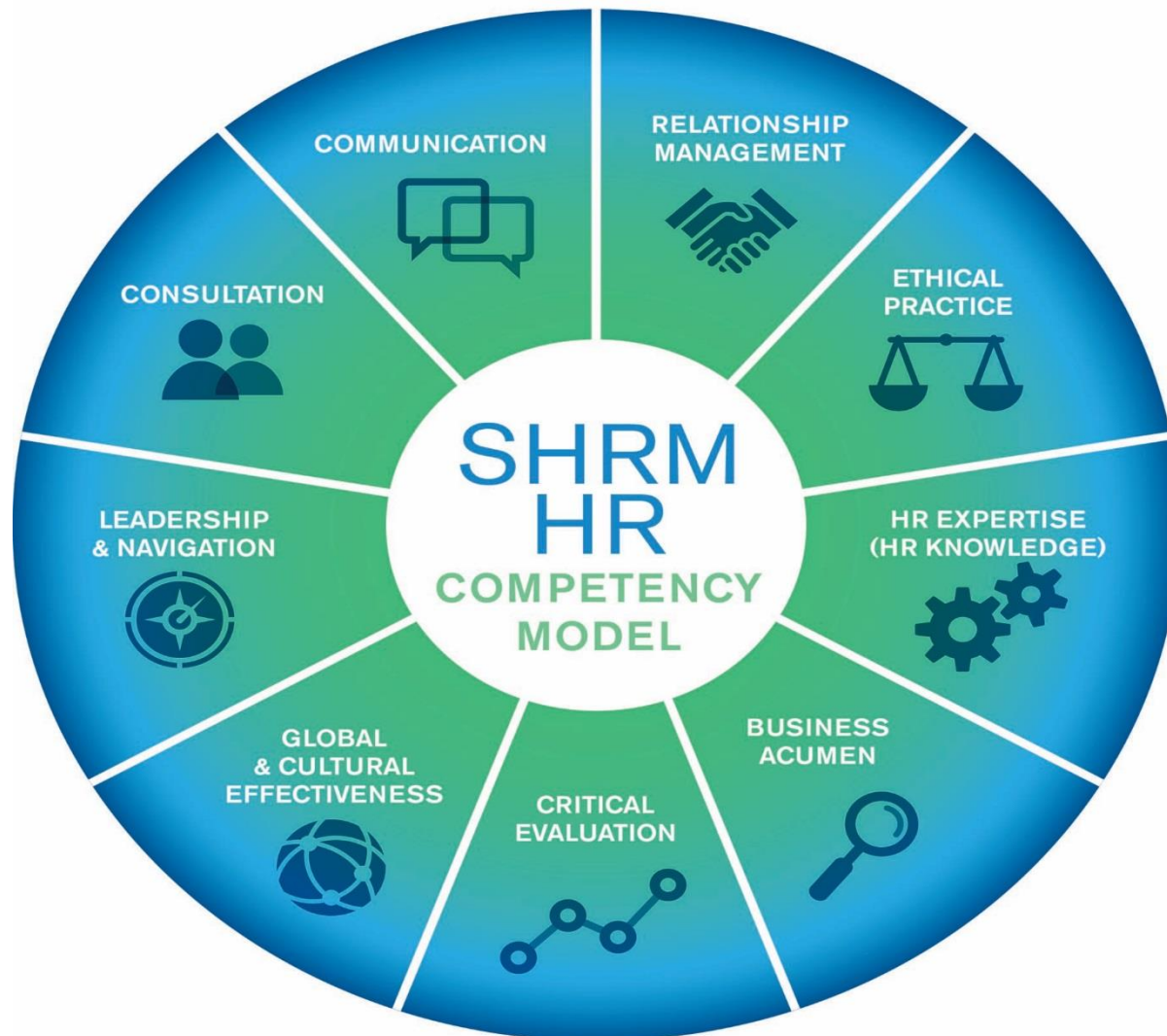
Companies that want to support strong ethical leadership should:

- 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

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## 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

## 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
- 5) Acknowledges mistakes
- 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

# SHRM Certification

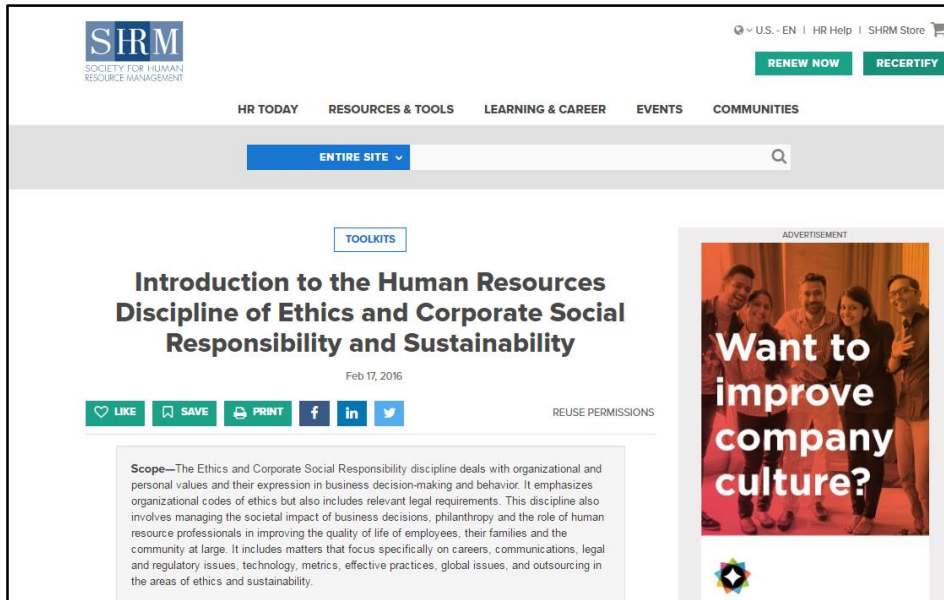
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We've created the SHRM-CP and SHRM-SCP to:

- Encourage HR professionals to acquire the knowledge and behaviors that drive effective performance and career success and contribute to positive organizational outcomes;
- Establish a certification that is highly relevant to employers and meets the needs of business;
- Grow certification in the HR profession; and
- Create a new and universal standard for HR
- **Find out more at [www.shrm.org/certification](http://www.shrm.org/certification)**



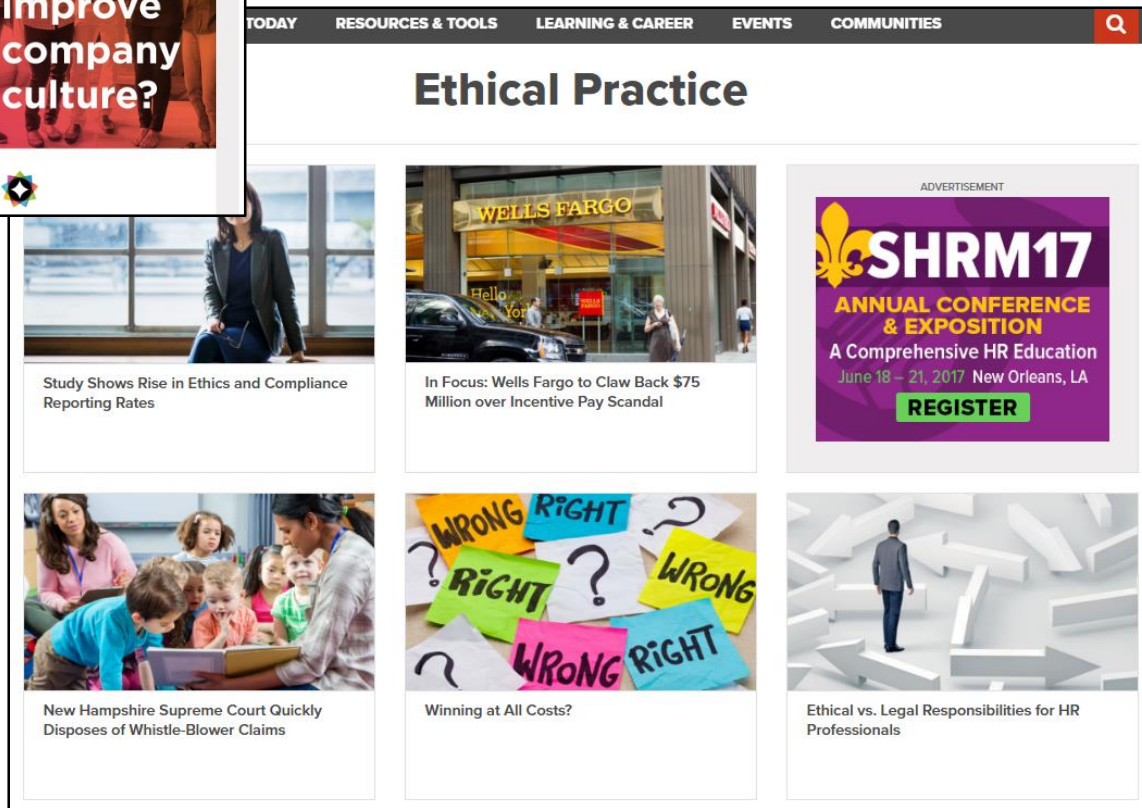


The screenshot shows the SHRM website header with navigation links: HR TODAY, RESOURCES & TOOLS, LEARNING & CAREER, EVENTS, and COMMUNITIES. A search bar is present. The main content area features a toolkit titled "Introduction to the Human Resources Discipline of Ethics and Corporate Social Responsibility and Sustainability" dated Feb 17, 2016. It includes social media sharing icons (Like, Save, Print, Facebook, LinkedIn, Twitter) and a "REUSE PERMISSIONS" link. A sidebar advertisement asks "Want to improve company culture?" with an image of a diverse group of people.

SHRM Toolkit: Ethics and Corporate Social Responsibility  
<https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/introfethicandsustainability.aspx>

## SHRM Code of Ethics for HR Professionals

<https://www.shrm.org/about-shrm/pages/bylaws--code-of-ethics.aspx>



The screenshot shows the "Ethical Practice" section of the SHRM website. It features a grid of articles and a conference announcement. The articles include:

- Study Shows Rise in Ethics and Compliance Reporting Rates** (with image of a woman sitting by a window)
- In Focus: Wells Fargo to Claw Back \$75 Million over Incentive Pay Scandal** (with image of a Wells Fargo building)
- Winning at All Costs?** (with image of sticky notes saying "WRONG" and "RIGHT")
- Ethical vs. Legal Responsibilities for HR Professionals** (with image of a person standing on a maze of arrows)
- New Hampshire Supreme Court Quickly Disposes of Whistle-Blower Claims** (with image of a group of children)

A sidebar advertisement for the **SHRM17 ANNUAL CONFERENCE & EXPOSITION** is also visible, dated June 18-21, 2017 in New Orleans, LA, with a "REGISTER" button.

# Summary and Takeaways

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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



# Questions??

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***THANK YOU!***



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