

Putting an Ethical Culture into Practice

Parents understand that values are *caught* more than they're taught, and companies really aren't all that different. Management can't conduct business dishonestly and then turn around and expect their employees to be honest and demonstrate good character.

If Americans have learned anything from all the corporate meltdowns, it's that real ethics must be more than a written code. Enron had a written code, and integrity was a stated value, but integrity wasn't infused in the everyday practices of the company. Certainly, creating a *true* culture of character isn't easy.

Start with a Code of Ethics

While a code of ethics isn't enough, it's still necessary. The code should start with a statement of values that's clear, and inspiring. There should be input and support from everyone in the organization. Consider areas such as: "*What is a conflict of interest in this organization*" and "*How will we treat our customers?*"

As well as an overall code, there also needs to be concrete examples that are part of everyday tasks and responsibilities. For instance: *How are sales contracts written? What will happen if manufacturing specifications are not met?*

Develop a Culture that Puts the Code into Practice

While a code is necessary, the corporate culture needs to enforce the code. To make a code of ethics work, a company must have leaders of character who create a culture of character. When we say someone has character, we are usually referring to a person who:

- Works hard and gets results;
- Is responsible;
- Has a solid base of integrity; and
- Treats people with respect and dignity.

Companies with character are similar. These firms promote character instead of rewarding those who get results without integrity or respect.

Integrity as the Foundation

A culture of character, like leadership character, must be grounded in integrity. Honesty must be the norm for the company and modeled by every leader in the workplace.

Many business leaders think they're doing the workforce a favor by "protecting" them from difficult news or circumstances. Nothing could be further from the truth. In today's workforce, which is filled with highly educated people with access to tons of information; this kind of behavior only breeds cynicism and distrust.

At an ethics summit, Frank Chamberlain, a turn-around specialist, commented that he frequently discovers integrity problems when he visits troubled companies. He said that, in many cases, employees haven't been told the truth by management, and because they have seen ethical lapses, they don't trust their leaders.

"In most cases," Chamberlain says, "simply telling the truth did more to revitalize workers' commitment than anything I could do. Invite employees' ideas, but don't spin anything. They're just too smart. If you tell the truth, it will inspire belief, which will inspire trust, which leads to loyalty, then to commitment, and finally to results."

Loyalty = Profits

Let's briefly examine one aspect of Chamberlain's statement – loyalty. The long-term success of any company depends heavily upon the quality and loyalty of its workers. Few executives would disagree with this concept in theory. The problem is that many executives don't realize that loyalty is a two-way street – you can't ask employees to be loyal *to you* if you're never loyal *to them*.

The truth is, when the going gets tough, managers usually focus on "hard" numbers, such as

the cost of labor. The reality is that most organizations that downsize fail to realize any long-term cost savings or efficiencies! In fact, such cutbacks often lead to even more restructurings and layoffs! For instance, researchers at the University of Pennsylvania found that spending 10% of a company's revenue on (physical) capital improvements increased productivity by nearly 4%. However, investing that same amount in developing *employee* capital (such as worker trainings) enhanced productivity by almost 9% – or more than double!

The fact of the matter is this: *Employees are only as loyal to a company as they believe it's being loyal to them.* Building an organization of committed, loyal employees comes down to demonstrating that the company *deserves* their loyalty.

More Impact on the Bottom Line

Leaders with integrity do more than talk the talk – they walk the walk. The following is still more evidence on the positive effect that integrity and loyalty has on the bottom line:

❖ A survey of Holiday Inn hotels reported by *Harvard Business Review* found that the more employees positively answered questions such as, “*My manager delivers on promises,*” and, “*My manager practices what he preaches,*” the more profitable the hotel.

❖ According to *Business Ethics* magazine, the financial performance in companies that were considered ethical was significantly better than firms that received a lower rating.

Distrust May Lead to Theft

As stated, creating a corporate culture of character is a two-way street, and that includes the *employee* as well as the employer. The well-known CEO might be a dishonest person seen on CNN, but the employee that steals is cheating his company as well. Consider:

- Employee embezzlement costs companies about \$4 billion annually.
- As many as 25% of all businesses that fail do so as a result of employee theft.

Mike Barnes, an expert in employee theft, also estimates that:

- Only 25% of employees are 100% honest;
- 25% of employees will steal any chance they get; and
- The remaining 50% are only as honest as they want to be.

“Many business leaders think they’re doing the workforce a favor by ‘protecting’ them from difficult news or circumstances. Nothing could be further from the truth. In today’s workforce, which is filled with highly educated people with access to tons of information; this kind of behavior only breeds cynicism and distrust.”

Barnes has some ideas why employees steal. “Many times people will think, ‘*They (the employer) don’t pay me enough,*’ or, ‘*They’re rich. They won’t miss it.*’ The thing is, if the worker gets away with it, he’ll get the idea that the business doesn’t care about them *or* the fact that they’re stealing.”

If some workers steal because they don’t think management is interested in their concerns, it stands to reason that part of the cure is for the employer to demonstrate otherwise. “*Employers really need to know their people, and the biggest thing they can do is care,*” Barnes stresses. In fact, he views employee theft as a management problem and not a disciplinary issue. “*To me,*” Barnes says, “*internal theft is like a cancer. If it isn’t properly addressed by management, it will spread.*”

Barnes adds that questions for EA professionals to contemplate with workers in a brown bag session might include:

What is the impact of theft on other workers?

Barnes adds that even if an employee is aware of a colleague that's stealing, the majority of workers "won't squeal on a buddy."

What is the financial impact of the illegal activity on the company?

In other words, at what point would thefts put the company at risk of going out of business?

Responsibility: Being Accountable and Courageous

One of the reasons that leaders who hold themselves accountable get results is that they spend little time on blame. They take 100% responsibility for success, but when they see a problem they set out to solve it.

However, this level of responsibility requires another important quality – courage. It's easy to tell the truth when it's pleasant – it's quite another matter when the truth is uncomfortable! But courageous leaders tell the truth anyway, and they encourage others to do the same. Organizations with courage:

- Admit mistakes;
- Make reparations quickly; and they
- Take risks.

Keeping Ethics in the Forefront

There are many ways to make character and ethics a part of everyday practice in the workplace. Solicit ideas from employees about practices you might adopt. *The EAP may be able to assist.* The following are several possible suggestions on how managers can work together with employees to get started:

❖ **Have an "ethics officer" in meetings to alert the group to possible ethical concerns.**

Rotate the position or select the person randomly each time. Celebrate honesty and accountability. Make honest leaders corporate heroes.

❖ **Be as honest as possible about business plans.** Regardless if the news is good or not, share numbers, forecasts, and invite questions. When fear is running rampant, it's difficult for any employee to have a good attitude and be focused on job responsibilities. Morale suffers, and the rumor mill runs wild. Conversely, honest, but not sugar-coated communication can boost morale and keep gossip from spreading.

❖ **Find ways to give managers and supervisors regular feedback.** One company uses a "stool exercise," in which each business leader takes turns sitting on a stool while others offer suggestions for improvement. The idea isn't to nitpick but to get *constructive* criticism out in the open.

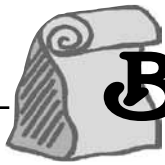
❖ **Administer regular employee surveys with results that are widely distributed.** For instance, tough questions should be addressed such as: "*Does the company provide the necessary tools and training for employees to perform their jobs well?*" and "*Is a commitment to serve customers rewarded and encouraged by the organization?*" Like the previous point, if the workplace is to truly exhibit a culture of character, shortcomings can't be swept under the rug.

Summary

To build a truly ethical organization, ethics can't be separate from everyday business. Just as every business decision is made in light of financial implications, each decision must also take ethical issues into account.

Creating a corporate culture of character takes time and effort – but it leads to ethical considerations, which eventually become second nature.

Additional sources: Robert and Lyn Turknott, authors of Decent People, Decent Company: How to Lead with Character at Work and in Life; employee assistance professionals John C. Pompe and RaeAnn Thomas; and Timothy Keiningham and Lerzan Aksoy, co-authors of Why Loyalty Matters.



Brown Bagger HANDOUT

How Ethical is Your Workplace?

How ethical of an environment do *you* work in? Would you say that your co-workers are honest? Your supervisor? Top management? *Honestly* answer the questions below to get some ideas if you work in an ethical workplace – or if improvements are needed.

(If your first response would lean toward an answer such as, “sometimes,” consider whether you would *usually* answer “yes” or “no.”)

1. I respect my co-workers and believe them to be honest. YES..... NO
2. I respect my supervisor or other direct manager and believe that he/she is basically honest. YES..... NO
3. I respect my CEO and other leading management where I work, and I believe they're usually honest. YES..... NO
4. I have seen a co-worker steal something. YES..... NO
5. If I saw a co-worker steal something, I would report the incident to management. YES..... NO
6. It's OK to take something small from work – after all, I worked hard and they'll never notice it. YES..... NO
7. I've stolen something from work (big or small). YES..... NO
8. I spend more than an hour each day surfing the Internet for personal reasons. YES..... NO
9. Some of my co-workers spend more than an hour each day surfing the Internet for non-work-related reasons, but I look the other way. YES..... NO
10. My employer cares about my personal concerns. YES..... NO
11. My employer would probably look the other way if an unethical worker brought a lot of money into the company (i.e. he/she is an excellent salesperson). YES..... NO
12. The company I work at conducts a thorough background check before hiring someone. YES..... NO

Source: Robert and Lyn Turknett, authors of *Decent People, Decent Company: How to Lead with Character at Work and in Life*.