



HOW EXPOSED IS YOUR BUSINESS TO ETHICS FAILURE?

7 actions that help to build an ethical culture

1. Ensure everyone, from the most senior to the most junior, understands that each person has an important role in making ethics a priority.
2. Actively encourage dissent, disagreement, challenge, openness and a 'speak up' culture.
3. Make sure that managers understand they have a special responsibility to model ethical behaviour.
4. Include ethical behaviour in the reward system. Publicly recognise people who live up to your code.
5. Share positive stories about examples of ethical behaviour. Hold regular conversations in your team about ethical issues.
6. Ensure that time frames and targets are realistic because unethical behaviour is often the result if they are not!
7. Promote an ethical culture by insisting on inclusive, respectful behaviours, internally and externally. Insist on more than rule-based compliance.

Limitations of a typical compliance focus

It is difficult to read a newspaper today without coming across one or more cases of unethical behaviour on the part of professionals who had a clear responsibility to behave far better. Such cases understandably provoke public outrage. They also erode the bonds of trust and loyalty between an organisation and the community it serves. For good reason ethics is front of mind these days. We ask: why did these things happen? Who knew? Who should have known? Were there just a few 'rotten apples' in the barrel? Or was the barrel itself turning the apples rotten? Who should we blame?

When organisations think about how to ensure that everyone from the boardroom to the reception desk behaves ethically, they tend to focus on compliance activities. This usually includes formulating a code of conduct that defines acceptable and unacceptable behaviours, as well as conducting ethics training programs where moral dilemmas are discussed. But if employees are to be equipped to manage the moral complexities of organisational life today, there is a need to move beyond compliance alone.

Three common assumptions behind most approaches

The first assumption is that developing the skills of ethical analysis will be sufficient preparation for the ethical challenges people typically face at work. It's about teaching people to think carefully. The second assumption is that decision-making should be the domain of people with a strong moral character. We should recruit people, especially for senior roles, who can be trusted to behave in a morally responsible manner, even in pressured situations. It's about hiring the right people. The third assumption is that a comprehensive code of conduct will enable an organisation to deal with ethical challenges. It's about spelling out expectations and penalties.

The problem with these assumptions is that the research evidence shows you can have an organisation where ethics training has been implemented, where individuals are of reasonably sound moral character, and where there is a detailed code of conduct, yet there is still unethical behaviour. The challenge is: what can we do to create a more robust and resilient ethical culture?

Moral dilemmas abound in professional life these days. These typically demand that you choose between two or more options where each has a problematic aspect. Something of moral value may be lost whatever you do. It feels like a minefield. There will be impacts on people and on the business whatever you do. The moral tension can feel intense.

But ethics training programs are often rolled out as a tick box exercise, with little thought about assessing outcomes back on the job. The aim all too often

seems to be to enable the organisation, including the board, to distance themselves from any unethical behaviour. It can be claimed that this is an individual who acted unethically on their own. Training was delivered. A code of conduct was provided. But, looked at objectively, it's clear that the employee was sent into a situation where wrongdoing was virtually inevitable, even inescapable.

When unethical behaviour is publicly exposed, a key question is often whether senior leaders and the board knew what was going on. Legally, it's no longer enough to say: we didn't realise. Those at the top may have chosen wilful blindness. They took conscious steps to avoid knowing how a contract was won or how profits were increased. The positive impact of a training course can be outweighed by the negative impact of an unethical culture where, for example, incentives discourage employees from placing the client's interests first. The performance management system and the culture itself can send messages at odds with those conveyed in the training or the code.

When decent people behave badly

Most people are decent, so behaving unethically generally causes a kind of internal dissonance. They need to convince themselves that their actions are – somehow – acceptable. Considerable research has examined how a decent person may accept their own or their colleagues' unethical behaviour through a process of moral neutralisation, enabling them to square the wrong action with their moral framework. "Everyone does it." "It's just a small thing." "No one will know." "I need to provide for my family." Around sixty of these ethics neutralisers have been identified across four categories. It is the organisational climate and the norms of communication that typically determine whether someone will remain loyal to their ethical belief system, or convince themselves that it's acceptable to do the wrong thing. It seems that people are more likely to behave unethically when they have talked themselves into believing some type of excuse for their actions AND the social environment around them is supportive of these moral loopholes.

For these reasons, it is vital to build a communication climate where it is accepted and indeed normal to challenge, confront, question and disagree. Justifications and excuses are exposed. People are encouraged and indeed rewarded for speaking up. Everyone, from boardroom to factory floor, needs what we call 'disagreement skills' so that they feel able to voice concerns, even on the basis of a gut feeling. A climate of silence provides fertile ground for moral wrongdoing to flourish. Instead, a 'speak up' culture helps an organisation to move beyond compliance and makes space for serious conversations about right and wrong.