

The Ethics Landscape in American Business

A Survey Report by the Society for Human Resource Management and the Ethics Resource Center

AN HR PERSPECTIVE

Increasingly, many organizations now have an ethics officer or professional in a similar role. This role is often an added function to the responsibilities of an executive or member of the senior management team, such as the vice president of human resources. To be effective, an ethics officer must have sufficient authority and status in the company. A 2007 article by the Ethics Resource Center, titled “Leading Corporate Integrity: Defining the Role of the Chief Ethics and Compliance Officer (CECO),” states that it is “imperative that the CECO report to the highest level of the organization.”¹ 2008 research from The Conference Board points out that it takes an organizational shift before the ethics and compliance function is elevated to be part of board strategy and vision.² Finally, key findings from the Global Economic Crime Survey 2007 by PricewaterhouseCoopers, one of the most comprehensive international studies on economic crime worldwide, with interviews conducted with more than 5,400 companies in 40 countries, reveal that “the level of collateral damage is directly proportional to the seniority of the perpetrator.” In 29% of the cases where top management was involved, the damage to the company brand was very significant. Internal controls are not sufficient. Rather, it is the ethical corporate culture that plays a key role in deterring fraud, with companies that have ethical policies and compliance programs reporting fewer economic crimes.³

What is your management’s culture? Does it foster ethical behavior or does senior management look the other way? The following mini case study illustrates the importance of HR’s role to uphold corporate ethics standards and help straighten out the company’s damaged financial health and reputation when misconduct occurs.

MINI-CASE STUDY: WORKPLACE HARASSMENT

Situation

A mid-size private manufacturing firm in the United States produces parts for the airline industry. In the Purchasing Department, the supervisor had been bullying his staff for years. In the past month, two key staff in the department resigned without notice. One of the remaining employees had noticed great stress in his co-workers and was also getting fed up with the lack of respect from his manager.

Recently, the company had hired a new vice president of human resources. This HR executive had made a point of being accessible to the workforce and greeting each individual—on all three shifts—over the course of her first six months at the company. Over time, employees began to feel that she truly cared about the workforce. After enduring months of bullying, the employee from Purchasing decided to take a chance and speak with HR.

Actions

The vice president of HR listened carefully to the employee and took copious notes. It was evident that the employee was unsure of his reception in HR, and so she assured him that the situation would be thoroughly investigated. The descriptions of bullying clearly pointed to a serious problem. Over the next two weeks, the vice president of HR conducted interviews with the remaining three employees in Purchasing. She also contacted the two people who had resigned and met with them away from the company premises. The investigation revealed that the employees had been threatened with the loss of their jobs if they went to management to reveal that the supervisor had approved many contracts for one particular vendor, disregarding the company's standard procedures for a request for proposal (RFP). As a result of the investigation, the Purchasing supervisor, with six years' tenure, was fired. The two employees who had resigned were given the opportunity to return to the company; one accepted and one declined.

The investigation also revealed that although the company had an ethics policy, not all senior management was known for 'walking the talk' in terms of ethical behavior. Complicated by insufficient resources allocated to ethics compliance, the policy was not uniformly administered. Rather, the general viewpoint was to get the job done, whatever it took.

Results

The vice president of HR made the following changes:

- 1) The organization conducted a thorough review of the ethics policy, ensuring protection from retaliation for employees who reported ethics violations.
- 2) With support from the CEO, ethics training was made mandatory for every employee, including top management and the board of directors, with the goal to improve the ethical environment.
- 3) Ethics training was added to HR orientation for all new hires.
- 4) The vice president of HR requested and received a direct line of report to the board of directors for ethics and compliance, so that the board would receive input regarding ethical leadership, workplace culture and decision-making.
- 5) In a letter to all employees, the CEO communicated the updated ethics policy and mandatory training for all employees and announced the vice president of HR as the company ethics officer, reporting to the board of directors.

6) The vice president of HR plans to administer an employee survey in three months to gauge employee morale and overall resulting transparency in the organization.

This mini-case study presents a scenario that demonstrates the importance of HR's role to help rectify ethical dilemmas. Fortunately, the CEO of this company was open to changes in order to avoid serious ethical allegations in the future and maintain the company's reputation in the marketplace. Full support from top management is essential for HR to be empowered to effectively address ethical situations in the workplace.

ENDNOTES

- ¹ The Ethics Resource Center. (2007, August). *Leading corporate integrity: Defining the role of the chief ethics and compliance officer*, p. 20. Washington, DC: Author.
- ² O'Brien, G. (2008, January). *A place at the table: Should the ethics function report to a company's highest authority?* New York: The Conference Board.
- ³ PricewaterhouseCoopers. (2007). *Economic crime: People, culture and controls*. Retrieved January 29, 2008, from www.pwc.com.