

# The Case for Business Ethics

Fostering Ethical Organizations

# A New Tone- Executive Order on Ethics Commitments January 20, 2009

REQUIRES “**EVERY** APPOINTEE IN **EVERY** EXECUTIVE AGENCY  
“ TO SIGN A DETAILED ETHICS PLEDGE.

Approximately, 69% of US companies have an Ethics and Code of Conduct policy; SHRM survey, 2009.

# Definition - Work Ethic

Those specific employee behaviors generally valued and sought after by the company which include:  
motivated, dependable, flexible, team player, positive,  
good written and verbal communication skills,  
integrity, polite, excellent attendance, detail-oriented,  
honest, responsible.

*‘What in your opinion are the three greatest deficiencies in the labor force today?’*

*Survey of 1352 Employers, 2003, NYS Department of Labor*

What's in it for me attitude (entitlement).

Lack of a good work ethic.

Dependable "want to work" people – motivated.

Expectation of instant gratification, e.g., pay raise before earned.

Gentleness, kindness, caring.

Basic life skills. Honesty, loyalty, integrity.

Personal responsibility.

Professional work ethic.

Reliability. Ethics.

Honesty.

Pride in doing a day's work; loyalty.

# How does HR recruit and hire candidates that ensure their organization's culture of ethical behavior is maintained?

DEVELOP INTERVIEW QUESTIONS THAT IDENTIFY THE CHARACTERISTICS AND VALUES THAT ARE IMPORTANT TO THE COMPANY SUCH AS:

What made you decide to apply at ABC Company?

Tell me about a time when you demonstrated your trustworthiness or integrity at school or at work.

Tell me about a time when you had to go above or beyond a call of duty to get a job done.

Give me an example of a time when you were able to successfully communicate with another person even when that individual make not have personally liked you.

# *2007 National Business Ethics Survey Report*

- One in eight employees feels pressure to compromise their organizations' ethical standards.
- About one in three employees observes misconduct at work.
- One in three fears retaliation if they report misconduct or other ethical concerns.
- Senior and middle managers' perceptions about ethical behaviors in their organizations are consistently more positive than those of lower level employees.
- There are virtually no differences in ethical standards perceptions among employees of government, for-profit and non-profit activities.

Ethics Resource Center, Washington, D.C.



# Disrespect in the Workplace

## IMPACTS

71% OF 1,100 WORKERS SURVEYED SAID THEY HAD EXPERIENCED PUT DOWNS OR CONDESCENDING AND OUTRIGHT RUDE BEHAVIOR ON THE JOB.

DEMEANED EMPLOYEES FACE A “CATCH-22”: COMPLAINTS OFTEN TRIGGER SOCIAL OR WORK-RELATED RETALIATION BUT KEEPING QUIET FOSTERS ANXIETY AND DEPRESSION.

INCIDENTS OF RUDE BEHAVIOR WERE TIED TO LESS JOB SATISFACTION AND LOWER PRODUCTIVITY.



# DESK RAGE

DEFINITION OF DESK RAGE: “ABUSIVE BEHAVIOR FUELED BY STRESS. IT’S ON THE RISE . . . PUSHING SEXUAL HARASSMENT FROM ITS PERCH.”

## IMPACTS OF DESK RAGE:

1% OF PEOPLE BULLIED QUIT THEIR JOBS; 46% CONTEMPLATE DOING SO.

AN ADDITIONAL 12% SAID THEY INTENTIONALLY DECREASED THE QUALITY OF THEIR WORK; 22% SAID THEY SLOUGHED OFF. PEOPLE WHO WERE BULLIED WERE LATE MORE OFTEN, CALLED IN SICK MORE FREQUENTLY AND SPENT MORE HEALTH-CARE DOLLARS.



The cost of these behaviors is enormous.

# Making the Case

## DIRECT COSTS:

6% OF GDP (PER KIPLINGER REPORT)  
TURNOVER, RECRUITING & TRAINING COSTS  
LOST BUSINESS OPPORTUNITIES

## INDIRECT COSTS:

REDUCED MORALE  
REDUCED PRODUCTIVITY (SLOUGHING OFF, ILLNESS)

# How does HR handle ethical concerns within their organizations?

HR creates a culture of ethics-policies, communication, training, mentoring, hotlines, Walks the Talk!

Helps Management to set the tone.

Encourages all managers to model ethical behavior.

Creates an environment of trust at all levels.

Trains employees in the appropriate behavior and have them sign off on policy.

HR communicates the importance of ethics at all levels of the organization.

HR rewards ethical behavior.

HR provides assistance in resolving difficult situations.

Focuses on long term perspective.

Train and train again!

# What laws mandate ethics and compliance training?

1. THE SARBANES-OXLEY ACT OF 2002 (SOX)-applies to publicly traded companies, outlines 'Code' disclosure, encourages education & training, Law of Shame, Code available to public, Anti-retaliation protections.

Many private companies adopt SOX-good business practices.

2. THE 2004 FEDERAL SENTENCING GUIDELINES AMENDMENTS (FSGS)-rules that set out a uniform sentencing policy for convicted defendants, Judges use these guidelines to determine punishment. Employers can be liable for employees' illegal conduct. Requires all employers to adopt ethics and compliance programs and train employees on the fundamentals. This includes private and public sector employers.

3. 2007 & 2008 AMENDMENTS TO THE FEDERAL ACQUISITION REGULATIONS (FAR)-Government Contractors-applies to contracts of \$5million or more and requires at least 120 days to perform. Must develop written code of ethics & business conduct within 30 days of contract award and promote compliance within 90 days of contract award. Must train everyone and includes subcontractors and training must be ongoing.

**On average, what percentage of ethics  
hotline complaints are related to  
HR/employment law issues?**

**> 25%**

**> 45%**

**> 65%**

70% of hotline reports measured over a one year period were employment law related.

OPEN COMPLIANCE AND ETHICS GROUPS, 2005



# Why does the responsibility of 'Ethics' often fall to HR?

- HR has the largest impact on the largest number of employees.
- HR has the responsibility for most of the training, including harassment training and investigations, within an organization.
- To avoid conflicts of interest, HR usually reports directly to the CEO.
- HR is trained to handle difficult situations and to remain calm and objective.
- As a core principle, HR contributes to the ethical success of the organization in which they work.



The Return on Ethics....

**WHAT IS YOUR COMPANY'S REPUTATION  
WORTH?**

## **How do you know if the company you are interviewing with is ethical or has a Code of Ethics and Business Conduct?**

- The Code is public knowledge and should be on their website.
  - Check with the local Human Rights Division to see if any claims have been filed against this employer. This information is public knowledge.
  - Check the Equal Employment Opportunity Commission (EEOC) to see if any claims of harassment have been filed against this employer and won. Public knowledge.
  - Use social media such as LinkedIn to connect with past and current employees and ask questions.
  - Search the internet for current articles about the company.
- RBJ, D&C.

## For more information:

[www.shrm.org](http://www.shrm.org); Society of Human Resource Management

[www.humanresources.org](http://www.humanresources.org); National Human Resources Association

[www.ethics.org](http://www.ethics.org); Ethics Resource Center

[www.globalethics.org](http://www.globalethics.org); Institute for Global Ethics

[www.eeoc.gov](http://www.eeoc.gov); US Equal Employment Opportunity Commission

[www.dhr.state.ny.us](http://www.dhr.state.ny.us); NYS Division of Human Rights



**Thank you!**