SHRM Foundation’s Effective Practice Guidelines Series

Shaping an Ethical Workplace Culture

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Shaping an Ethical Workplace Culture

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Dear Colleague:

Researchers have found that an organization’s culture is a strong predictor of how much market value that firm will create, and a key part of culture is organizational ethics.

Stock market returns of publicly traded firms with the strongest cultures outperformed the stock market by an average of 20 percent in the late 1990s. Yet despite the clear benefits of maintaining an ethical workplace, nearly half of U.S. employees still report witnessing illegal or unethical conduct at work.

Clearly, there is room for improvement.

This new SHRM Foundation report, Shaping an Ethical Workplace Culture, will give you a fuller understanding of what is meant by an ethical workplace, and how it can benefit your organization. It will also provide specific suggestions for shaping your workplace culture in a more positive way.

Entrusted with the time, talent and potential of employees, HR professionals are uniquely positioned to serve as both guardians and champions of an ethical workplace culture. If managed attentively, strong ethics create trust, and trust is key to improving employee engagement and commitment. By developing a more ethical culture, HR professionals can help unlock employees’ energies in the service of the organization’s mission.

The SHRM Foundation created the Effective Practice Guidelines series in 2004 for busy HR professionals. It can be a challenge for practitioners with limited time to keep up with the latest research results. By integrating research findings on what works with expert opinion on how to conduct effective HR practice, this series provides the tools to successfully practice evidence-based management.

Other recent reports include Building a High-Performance Culture: A Fresh Look at Performance Management, HRM’s Role in Corporate Social and Environmental Sustainability, and Promoting Employee Well-Being. This report is the 17th in the series. To ensure the material is research-based, comprehensive and practical, the reports are written by subject-matter experts and then reviewed by both academics and practitioners. Each report also includes a “Suggested Readings” section as a convenient reference tool.

The Effective Practice Guidelines series is just one way the SHRM Foundation supports lifelong learning for HR professionals. In addition to creating educational resources used in hundreds of classrooms worldwide, the SHRM Foundation is a major funder of original, rigorous HR research. We award more than $150,000 annually in education and certification scholarships to SHRM members. And all this good work is made possible by the generous support of donors like you.

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In an ideal workplace, structures and relationships will work together around core values that transcend self-interest. Core values will inspire value-creating efforts as employees feel inspired to do what is right, even when the right thing is hard to do.
Ethics—the values an organization demonstrates in its goals, policies and practices—are the heart of any workplace culture. And the quality of experience in an organization depends on the quality of its culture. Whether we are employees, customers or clients, a positive culture enlivens and enriches our experience of a firm—and a negative culture diminishes it.

Each year, almost half of U.S. employees report witnessing unethical or illegal conduct in their workplaces. The majority of these events go unreported and unaddressed. The cost of unethical behavior can be staggering. More than half of the 10 largest corporate bankruptcies since 1980—think Enron, WorldCom, Lehman Brothers—resulted from unethical business practices. The cost to owners and the economy: $1.228 trillion, or almost 10 percent of the U.S. gross domestic product in 2011.

In 2012, corporations paid almost $8 billion in fines for defrauding the U.S. government and taxpayers. The Financial Crisis Inquiry Commission report found that a major cause of the 2008 crisis was a systematic breakdown in ethics. Small wonder, then, that people regard the banking and financial services industries with great distrust. Currently, only 50 percent of Americans trust banks “to do what is right.”

Fortunately, good news is coming from organizations with ethical workplace cultures where trust in managers and management runs high. Businesses that have ethical workplace cultures outperform their competitors and peers in all the categories that matter, but especially in stock price growth.
GOOD ETHICS = GOOD BUSINESS

We should not be surprised by the link between ethical workplace culture and profit. Researchers have found that an organization’s culture is the strongest predictor of how much market value that firm will create for every dollar invested by shareholders. Between 1993 and 1998, stock market returns of the publicly traded firms with the strongest cultures outperformed the stock market by an average of 20 percent. That means that investors who put $1,000 into the average stock market portfolio in 1993, reinvesting interest gained every year, would have earned $3,000 by 1998. If the investors had invested the $1,000 with the firms possessing the strongest, clearest and most congruent workplace cultures, they would have earned $5,000.6

The evidence indicates that a positive workplace culture predicts shareholder value by enabling superior value-creation. The ethics of a firm’s culture plays a significant role in creating and sustaining value.

Consider Southwest Airlines, the low-cost carrier that outperforms its competitors across a range of factors, satisfying both customers and owners. Southwest’s advertisements invite travelers to “Fly Southwest Airlines because you want to be treated like a person.” This pledge depends on the behavior of 46,000 employees, who must treat customers with respect and care. Guided by its Chief People and Administrative Officers, Southwest nurtures and respects its employees, so that they will pass on a positive, helpful culture to everyone who flies with the airline. Customers, in turn, reward Southwest with industry-leading profits.

Contrast Southwest with another budget carrier, Japan’s Skymark Airlines. In 2012, Skymark announced that its customers should not expect flight attendants to help stow bags or even speak politely. If travelers complained, the airline warned, they would be removed. Skymark directed travelers’ outrage to Japan’s National Consumer Affairs Center. Customers rewarded Skymark with derision and a wave of negative publicity that circled the globe faster than Skymark’s jets.

Clearly, strong ethics are essential to a successful business, so let’s now consider how best to reach the goal of an ethical workplace culture.

This report will examine:

■ What elements comprise an ethical workplace and the benefits of striving to create one.

■ How to assess your own workplace culture, and three models to consider.

■ What HR professionals can do to shape an ethical workplace culture and where such efforts fit within the larger context of human resource management practices.

■ How an ethical culture supports legal requirements for ethics and compliance programs and what cautions HR professionals must apply in working with these programs to ensure that they do not unintentionally weaken the organization’s ethical, value-creating culture.

■ How HR professionals—and managers and employees at all levels—can lead the processes that shape a strong and ethical workplace culture.

Virtue, the saying goes, is its own reward. But virtuous organizations, like virtuous people, outperform their peers over time. The ethical values guiding the world’s most successful organizations are cheap but powerful sources of competitive advantage.

For example, when managers at Starbucks Coffee faced shortages of the high-quality Arabica coffee beans on which they depend, they forged a partnership. Joining forces with Conservation International, they developed programs for farmers and importers that increased supplies of shade-grown Arabica beans and that protected biodiversity and critical habitats. According to Harvard
## What Are Ethics?

Ethics are principles by which we live good lives as individuals and as a group. Ethics encompass work, play, family, education, community, politics, war and worship. Our ethics answer vital questions:

- What purposes should we pursue?
- What rules should we uphold?
- What choices should we make?
- What actions should we take?
- What should our characters be?
- What sort of culture should we shape?

Ethics begin with the goals we seek to fulfill. We derive our goals from our values. In a workplace, our values can be divided into the organizational, professional and personal. The more complex our goals, the more complex our values. A good portion of workplace ethics concerns articulating and communicating our values, then refining them to evaluate actions, policies, people and events.

**Debate and discussion foster ethical learning.** Almost all ethical learning happens when people discuss and debate their values. We learn ethics by listening to others as they react to our ideas. If we do not articulate our values, then no one can respond to us, and no ethical learning will occur. In other words, the “moral muteness” of many managers and employees prevents ethical learning.

**Ethics help us make “right versus right” choices.** When worthy goals conflict and we cannot choose between two goals, our ethics guide decision-making. For example, we might feel torn between applying rules impartially and showing mercy to a person or group. In discussing such a “right versus right” choice, we may be tempted to justify our personal choice as ethical and judge other choices as unethical. An “I’m ethical, and you’re not” approach to a dilemma is not only self-righteous; it also has a chilling effect on debate and blocks ethical learning. We are better served by framing answers as “more adequate” and “less adequate,” instead of as “ethical” and “unethical.”

A *more adequate* ethical choice will:

- Consider what is at stake or at risk for more of the parties affected by the decision.
- Prioritize moral appeals over appeals to laws, roles, contracts or existing social practices. Although such things can be part of our choices, appeals to moral criteria fall more in line with ethics.
- Appeal to ideals that are shared by others, regardless of age, culture or personal preference, not narrow sectarian principles or idiosyncratic beliefs.
- Be unbiased, refusing to favor some at the expense of others.

Surprisingly, people the world over share a broad consensus on the values that meet these four criteria. (See box titled “Are Your Organization’s Values Ethical?” on page 4.) This consensus makes it possible to reach agreement about ethical choices both within and across organizations, societies and cultures.
Shaping an Ethical Workplace Culture

Business School professor and corporate strategist Michael Porter, Starbucks's own ethical values spurred the recognition of shared values on which their sustainable competitive advantage depends. Small-holding coffee bean farmers improved their supply and increased their profits at the same time that Starbucks ensured a steady supply of high-quality beans. Such *win-win relationships* fulfill the highest-priority human values.

Your organization certainly wants employees who can learn quickly and adapt to changing circumstances. The fact is, ethically engaged, internally motivated employees learn and adapt faster than ethically disengaged, externally motivated workers. With ethical clarity comes trust, which can ease the tension of difficult workplace situations.

One process that helps people in a difficult situation determine the proper course of action is the “OODA” loop, meaning Observe, Orient, Decide, Act. This process describes how an individual or group can see what is happening, interpret the meaning, determine the proper course of action and finally take action. If the loop is too slow, important opportunities may be missed. When trust between employees and managers is strong, the loop speeds up, which offers a distinct competitive advantage.

On the other hand, a total breakdown of the OODA loop can lead to a vicious cycle of ethical disengagement, distrust and “I win/you lose” competition within an organization—as in the case of an employee work slowdown—and it certainly destroys value for customers. Unethical workplace cultures often fall into a death spiral and ethical collapse, which may presage financial collapse.

In summary, organizations with positive, virtuous ethical cultures enjoy bottom-line and top-line benefits, including:

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

Are Your Organization’s Values Ethical?

Cross-cultural research conducted by Shalom Schwartz has identified 10 values that motivate human action. The research reveals surprising commonalities among societies the world over in the importance they assign to these values.

Among the 10 values, two ethical values are preeminent: benevolence and universalism. Researchers call these self-transcendence values because they motivate actions that benefit others, not just oneself. Benevolence is about enhancing and preserving the well-being of other people. Universalism seeks to protect and enhance the rights and interests of all people and of nature. People around the world assign top priority to benevolence, followed closely by universalism.

Self-direction values, including creativity, curiosity, freedom, self-respect and choosing one’s own goals, come in a close third. Although not strictly focused on others, they do support the expression of benevolence and universalism.

The self-enhancement values are priorities that seek to further self-interest alone. Most people place the values of self-enhancement far lower on their priority lists. At the bottom is power, which includes wealth, authority, social recognition and preserving one’s public image. Another value that sits at the bottom of these lists is hedonism, or self-indulgence.

Management systems that appeal to employees’ self-enhancement values will make it difficult to create an ethical culture that exceeds the bare minimum of adhering to the letter of the law. Organizations with better ethical cultures promote self-transcending values, making them part and parcel of employees’ daily work.

To discover the ethics of your own values, you can take the Schwartz Value Survey online at www.yourmorals.org.

Shaping an Ethical Workplace Culture

ASSESSING WORKPLACE CULTURE
All workplace cultures are not created equal. Some are more ethical than others. The first step to improving a culture is to assess its current state. Ethical cultures are measured by looking at three factors: ethical content, how well ethics are put into practice in the organization’s everyday operations and how well each individual adheres to ethical behaviors.

Ethical content
Ethical workplace cultures prioritize self-transcendence values such as care, compassion, honesty and the responsibility to uphold the rights of all persons and of nature. These other-regarding values trump self-enhancing values such as wealth, power, pleasure and fame. In fact, contrary to popular belief, people the world over prioritize self-transcending, ethical values over self-enhancing values. 

In business, selflessness translates into prioritizing concern for employees’ rights, fair procedures and equity in pay and promotion, as well as demonstrations of tolerance, compassion, loyalty and honesty in treatment of customers, clients and employees. These values, if cultivated and encouraged, are the bedrock on which to build ethical organizational operations.

Ethical operations
When we say that one organizational culture is “more ethical” than another, we refer to how adequately the organization’s values, systems and policies address the complex realities of its everyday operations.

An ethically adequate workplace culture will leverage such essential tools as onboarding, performance and promotion procedures, role-modeling, communications, and employee feedback to build ethics into its operations. An ethically less adequate organization will leave gaps between its values and operations unaddressed and will leverage only a small portion of the tools that can shape ethical culture.

Ethical individuals
Finally, workplaces in which employees at all levels strive toward self-transcending values and adhere to ethical obligations are, by definition, more ethical than those in which employees strive toward self-enhancing values or violate their ethical obligations. We probably all know people in our private lives who say one thing but do another. Workplace cultures are no different.

Together, ethical content based on self-transcending values, ethical operations that leverage all the tools available, and consistency at the organizational and individual level make for ethical workplace cultures.

BUILDING BLOCKS OF AN ETHICAL WORKPLACE
If workers believe that their organization and its leaders are fair, respectful and trustworthy and that the organization’s values and practices are ethically justified, they will meet or exceed expectations. HR professionals can shape their practices to reflect self-transcending values and thus set the stage for employees to meet the goals of an ethical workplace.

For example, TD Industries, a Dallas-based mechanical construction firm, communicates ethical values to all employees right from the start. On the first day all employees—or “partners,” as they are called at TD—start learning about the firm’s management philosophy and the values that place customers’ needs and employees’ careers on equal par with profits. At TD:

- Partners annually evaluate their managers according to criteria centered around the firm’s values.
- Leaders bid on construction projects based on the potential impact on partners’ careers.
- Pictures of every partner line the walls of the corporate headquarters, and the president sits in a cubicle, not a fancy office.
- When a project is completed, the company hosts a party for all partners and their families at the newly constructed facility. Partners who worked on the project conduct tours of the facility, showcasing their workmanship for their families and friends.
This commitment to equality among the staff and benevolence toward all partners, which to some might seem radical, helps drive TD’s mission of mechanical construction excellence. TD has repeatedly won the Texas Quality Award and the TEXO Distinguished Building Award. For its people-directed, ethical values TD has been recognized by *Fortune* magazine as one of the “Top 100 Best Companies to Work for America” for 15 years in a row. Perhaps most telling, TD Industries enjoys an 8 percent annual turnover rate in an industry that averages 24 percent.

If analyzed carefully, TD Industries’ example shows that shaping an ethical workplace culture requires disciplined attention to four ingredients in every ethical workplace: compliance, fairness, trust and a working ethical self-concept.

**Compliance**

*Compliance refers to the norms, values and ethical expectations set by the organization and its management practices.*

Compliance is the foundation on which every ethical workplace culture stands. The organization’s norms, values and expectations must be communicated in concrete terms that all employees can understand and that relate directly to their daily work activities. If employees cannot see how the firm’s values safeguard its mission and enhance their own contribution to that mission, they will view compliance as a bothersome add-on, rather than as part of every workday.

Law and regulation require a minimum level of compliance for all organizations, but legal compliance alone will not build an effective ethical workplace culture. Firms that aim only for compliance usually get less than the minimum.

Effective workplace cultures ensure compliance by making values and ethical expectations crystal clear—repeating the norms, values and expectations in a multitude of ways across a wide array of communications. They also use the other elements of ethical culture to raise employees’ ethical commitment far above the bare minimum required by law and social convention.

**Fairness**

*Fairness refers to the perceived justice of the policies and practices that affect employees and their work.*

If employees perceive an organization and its leaders as fair and just, then trust can be built. If, however, employees perceive the organization’s policies and practices or those of its leaders as unfair or unjust, distrust will cripple performance.

Employees assess the fairness of a firm and of its leaders based on how managers treat employees. They look at decision-making, personal interactions, information-sharing, pay and promotion, and resources allocated. Each of these factors triggers concerns about justice—procedural justice, interpersonal justice and informational justice. Weakness in or violations of any one of these factors diminish the overall sense of an organization’s fairness.

If the organization espouses and acts on ethical values, such as respect, honesty, responsibility, care, compassion and loyalty, then employees will assess the culture and its leaders as fair and just. By contrast, when employees perceive leaders as acting to enhance their own interests, creating unfair policies or ignoring existing good policies and procedures, employees will not only decide the firm is unfair but will also withdraw their support. Employees come to work hard-wired to expect fairness. In short, we all want justice along with our paychecks.

The most effective ethical workplace cultures weave ethical values seamlessly into every aspect of their work. Consider the examples of Southwest Airlines and Four Seasons Hotels. These are two firms that enjoy double-digit profit margins in industries averaging single-digit profits or worse. Managers and leaders in both organizations go to great lengths to demonstrate respect and care for employees’ time, dignity and service. And both companies expect employees, in turn, to go to great lengths to demonstrate respect and care for customers’ time and dignity.

Care costs very little. Respect costs less. Both are priceless in terms of engendering employees’ positive attitudes toward an organization. Neither Southwest nor Four Seasons Hotels pays employees above-average wages for their industries. Yet because workers’ high expectations for an ethical work culture are met, they strive to fulfill customers’ expectations as well, resulting in above-average profits for their companies.
Motive-based trust

Motive-based trust refers to the assessment employees make regarding the ethical character of those with whom they interact at work.

The United States Marine Corps—deemed the most elite branch of the military by the American public—evaluates the fitness of officers primarily based on ethical character. Nine of the 14 categories on the officers’ fitness reports pertain to ethics. Similarly, ethical character in leaders is essential to foster trust and performance in business organizations.

Employees constantly revise their assessment of managers and co-workers based on their experience of behavior and observed traits, trusting those whose intentions seem ethical. Managers who model ethical behavior will build motive-based trust, so that even when those managers make mistakes, employees will continue to trust them. Among the most important characteristics for trustworthy managers are:

- Willingness to listen to criticism.
- Willingness to admit and take responsibility for ethical mistakes.
- Willingness to ask for forgiveness and take corrective action.

W. L. Gore & Associates, an American manufacturer best known for its Gor-Tex fabric, institutionalizes trust by allowing employees to vote on project leaders and managers. Negative role-modeling at W. L. Gore never gets a chance to take root because employees reject untrustworthy leaders.

When managers and leaders are good role models—when they demonstrate universal ethical values—employees will meet expectations and even give extra time and effort to accomplishing the organization’s goals. The most effective ethical workplace cultures diligently and consistently cultivate trustworthiness in managers and leaders, promoting and even requiring positive role-modeling and relationship building.

Ethical working self-concept

Ethical working self-concept refers to the degree to which employees make the ethical values of the organization part of their concept of who they are and what is expected of them as members of that organization.

This new sense of self for employees at every level is the most powerful of the four ingredients of ethical workplace culture and cannot be created without the other three. If employees frame their definitions of who they are and what is important to them in terms of the organization’s values, then they will always strive to take actions consistent with those values.

Organizations can either promote or impede the process of internalizing organizational values.

In 2004 when Neville Isdell came out of retirement to become the Coca-Cola Company’s new CEO, he also returned the company to its mission: Inspiring moments of optimism and happiness. Trusting that Coke’s leaders and people knew better than anyone else what needed to be done to turn the ailing company around, Isdell’s HR team asked employees for their views on what was right with the company and what was wrong with it, as well as their views on Coke’s leaders and on the level of trust within Coke.

Discovering that the company’s people lacked both a common strategy and a common sense of purpose, Isdell assembled 150 of Coke’s most passionate leaders from across the globe, empowering them to create a common strategy and purpose for the organization. Six months later they issued “Our Manifesto for Growth,” having involved 400 top managers in shaping a vision and strategy for the culture reflecting the highest aspirations of the organization’s people.

Coke’s leaders enshrined their values in Five Ps, expressed in terms of ethical values:

- People: We are a great place to work where people are inspired to be the best they can be.
- Planet: We are a responsible global citizen that makes a difference.
- Partners: We nurture a winning network of partners and build mutual loyalty.
- Portfolio: We bring to the world a portfolio of beverage brands that anticipate and satisfy people’s desires and needs.
- Profit: We maximize return to shareowners while being mindful of our overall responsibilities.

Each of these tenets was translated into specific goals to be implemented across the globe.

Reflecting on the process years later, Isdell wrote:

The most important piece of the story is that by the time we started putting the Manifesto out to the whole organization, the top 400 managers felt part of it. They’d written it, so they didn’t have to just be compliant
with what the senior people had said. They wrote it. They were committed. It’s part of trusting people.\textsuperscript{18}

Research demonstrates that an ethical working self-concept stimulates employees to display the highest levels of ethical judgment and action, as well as the motivation to go above and beyond what their job description requires.\textsuperscript{19} But employees will only make such investments if an organization does its part in creating and maintaining the first three building blocks of an ethical workplace culture.

Coke’s story shows that bringing together people’s personal aspirations and their work can unlock a powerful source of value-creation. Isdell noted that a devotion to ethical values was at the heart of his management approach: “It is the power demonstrated in the Manifesto and most powerfully expressed in the People and Planet Ps.”\textsuperscript{20}

**ETHICAL WORKPLACE CULTURE: THREE MODELS**

The extent to which an organization’s managers and leaders leverage the four building blocks discussed above will determine the type of ethical workplace culture they shape. The ethical culture of most organizations falls into one of three models:

- **Compliant ethical workplace cultures** promote the minimum ethical standards required by law, regulation and social convention. Concerns about justice and fairness are limited to contractual obligations and commitments, such as respect for employees’ rights and respect for employer’s property.

- **Positive ethical workplace cultures** go beyond the legal bare minimum by ensuring that self-transcending values and expectations are clearly communicated to all managers and employees and by ensuring that all employees adhere to the highest levels of justice and fairness. Furthermore, positive ethical cultures encourage their managers to become role models and to learn from the ethical dilemmas that inevitably arise in conducting business.

- **Virtuous ethical workplace cultures** pursue the highest standards and levels of compliance and justice and make adherence to self-transcending values a priority. Ethical values are synonymous with a firm’s value-

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**Figure 1: The Four Building Blocks of Ethical Culture**

- **Ethical Working Self-Concept**
- **Motive-Based Trust**
- **Fairness**
- **Compliance**
In this section of the report we will examine the HR professional’s specific role in shaping ethical workplace culture, including building an organizational ethos and fostering trust, looking at both means and outcomes systematically, using consistency and repetition, and guarding and championing ethics.

**Ethics, ethos and building trust**

Scholars who study organizational culture point to the reciprocal relationship between the ethos of a workplace and its ethics. The ethical climate of an organization, its ethos, results from the behaviors of its members. Those behaviors, in turn, result from management’s ethics, including policies regarding how people ought to be treated and to behave. Clearly, HR teams are intimately involved in developing an organization’s ethos.

In an ethical workplace culture, ethics and ethos reinforce each other positively. Managers and employees speak openly and clearly about how members ought to treat each other and how they ought to treat customers. They also have a clear

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**HR’s role in creating an ethical workplace**

Aristotle famously counseled that rather than always seek the ideal, a virtuous person or culture will strive to attain the mean between too much and too little. Too much moral courage turns into self-righteousness. Too little moral courage turns into cowardice.

Workplaces in which employees seek a balanced, pragmatic approach to living out their ethical values develop cultures of character that make ethics practical, attainable and adequate to the complex challenges of modern work.

Perhaps the most important point for HR professionals to understand is that good work can only be sustained in an ethical workplace culture. Work that is of excellent technical quality, that is ethically pursued and socially responsible, and that employees find engaging and enjoyable exists reliably only in organizations that pursue a culture of character.

**Hallmarks of an ethical workplace**

- Employees feel genuinely cared for and respected.
- Employees, regardless of rank or role, put the work at hand and the interests of others above themselves.
- Leaders live by clear standards and self-transcending principles when conducting the organization’s business, modeling a drive for excellence both in what they do and in how they do it.
- Employees feel empowered and energized to reach for ethical and technical excellence in serving customers, clients and each other.
- Employees hold themselves and their managers accountable to uncompromising standards of conduct.
- People at all levels move toward, not away from, ethical dilemmas and conflicts to address and resolve them in light of self-transcending ideals.
- The ethical lessons learned during conflicts alter the organization’s practices, setting in motion a virtuous cycle of improvement.
understanding of their duties and obligations toward owners, investors, the community and the natural environment. Management expresses those beliefs and values in systems, policies and practices, which are in turn scrutinized for their adherence to the organization’s values.

If managed attentively, ethics and ethos create trust, the key to improving the engagement and commitment of employees and satisfying customers and clients. By fulfilling their critical duties in shaping the ethics of their workplace, HR professionals help unlock employees’ energies in the service of the organization’s mission. Simply put: High ethics creates high trust. High trust creates high performance.

**Means and Outcomes**

Until recently, academics studied the ethical dimensions of workplace culture under the category of organizational justice, and practitioners focused on legal-ethical compliance programs and people practices. Neither studied ethical culture. Today, however, both academic researchers and practitioners understand that an ethical workplace culture is a direct result of research-based factors and time-tested practices.

The model above summarizes the means for shaping ethical workplace culture and the outcomes such a culture produces. The ability to shape an ethical workplace culture clearly depends on managerial skills.

**Consistency and repetition**

To shape an ethical workplace culture, HR staff must work with each other in a coordinated fashion and reach out to other parts of the organization to complement their work. The human resource management (HRM) and complementary functions are discussed separately here, but the key to building and maintaining an ethical workplace culture is consistency and repetition. Consistency begins with collaboration—crossing organizational boundaries to integrate the efforts of different departments and functions. Repetition of the message across levels, departments and geographies reminds the managers and employees of ethical expectations and assists employees in framing the issues facing them in terms of the organization’s ethical, mission-driving values.

**Guarding and championing ethics**

Unfortunately, Americans do not trust most organizations to do the right thing. According to the 2013 Edelman Trust Barometer, only 59 percent of America’s informed public—the people our corporations and nonprofits rely on for sales and support—trust the
ethics of business, media, government
and nonprofit organizations. A mere 15 percent of Americans trust business leaders to tell the truth. That means that 85 percent expect spin and lies.

Edelman analysts note with alarm that across every dimension of ethics, people distrust businesses. Only 28 percent of survey respondents—less than one in three—think that businesses have ethical practices.

Consider the percentage of people who say business performs well in various categories related to ethical behavior:

- Listens to customer needs and feedback: 30 percent.
- Treats employees well: 24 percent.
- Places customers ahead of profits: 23 percent.
- Takes responsible actions to address an issue or crisis: 25 percent.
- Has transparent and open business practices: 24 percent.
- Communicates frequently and honestly: 23 percent.
- Works to protect the environment: 26 percent.
- Addresses society’s needs in its everyday business: 26 percent.
- Creates programs that positively affect the local community in which it operates: 23 percent.
- Partners with NGOs, government and third parties to address societal needs: 19 percent.

As professionals entrusted with the time, talent and potential of people in pursuit of their organization’s mission, human resource professionals serve as both guardians and champions of workplace culture, including its ethical content, ethical adequacy and ethical consistency.

As guardians, HR professionals have a duty to protect their organizations’ people, customers and clients from value-degrading and value-destroying conduct. Ethical culture is the chief instrument HR professionals wield.

As champions, HR professionals can help their workplaces flourish. An organizational culture that strives toward self-transcending values in all its operations, by all its members, all of the time builds trust and promotes human development. No one has more influence over the trust-building levers of workplace culture than HR professionals.

Case Study: Using Organizational Levers to Shape an Ethical Culture at Georgia Power

In 2004, the newly appointed CEO of Georgia Power, the state’s largest utility company, commissioned a study of his firm’s efforts to shape an ethical culture. Beginning in 2000, in response to a class action lawsuit accusing the organization of racial discrimination in its promotion practices, the company had launched over 30 initiatives aimed at building a workplace culture characterized by trust, diversity and respect for all persons. The new Georgia Power CEO wanted to assess the degree to which these ethical-culture-building initiatives had been successful and to identify areas for improvement.

The study found that the initiatives had been largely successful but identified seven areas for continued improvement, including perceptions of unfairness in the company’s performance, management and promotion systems. The CEO also found that employees were still afraid of retaliation from their managers. The study warned that if left unaddressed, these fairness issues would undermine employee trust, inhibit the recruitment of high-potential candidates and increase attrition rates among Georgia Power’s high-potential employees.

In 2005, Georgia Power’s management council responded to the survey findings by approving five areas of focus aimed at improving the ethical culture. Over the next four years, cross-functional teams of managers and employees identified and addressed the specific behaviors and cultural practices underlying employees’ perceptions of unfairness in performance reviews and job selection and their fear of retaliation.

The team working to reduce the fear of retaliation discovered that employees’ concerns went far beyond, and much deeper than, those addressed by law. Employees perceived that managers were discouraging open communication and punishing nonconformity. Some of the “retaliatory” behaviors by managers included:

- Rewarding and recognizing only those people who did not “rock the boat.”
- Holding back or derailing a person’s career by isolating her or him from important projects and people.
- Bringing up past negative events and holding them against targeted
employees while forgiving or overlooking similar past events involving others.

- Regularly overlooking some employees when assigning developmental projects or additional responsibilities.
- Withholding work-related information or resources from targeted employees.
- Publicly ridiculing targeted employees or making them the brunt of pranks or practical jokes.
- Withholding the "real" reasons for actions and decisions affecting employees and their work.
- Ostracizing targeted persons by intentionally excluding them from formal and informal work-related meetings.

To address these behaviors and practices, Georgia Power created two-person teams of managers to deliver training aimed at increasing the awareness of behaviors perceived as retaliatory and building skills intended to reduce such behaviors. Real-life scenarios taken from Georgia Power's workplace ethics case files were scrubbed of identifying details and turned into videotaped scenarios. The two-person training teams then led role-plays that gave managers a chance to improve their skills at creating an inclusive, fair and respectful workplace culture. The training teams delivered the workshop to every Georgia Power manager, starting with the president's own executive team.

By using line managers, rather than HR specialists or outside trainers, to deliver the training, Georgia Power put the work of building an ethical culture into the hands of those whose actions and decisions shaped that culture every day. Each two-person team consisted of managers with high scores on trust and inclusion, one manager coming from within the region and one from outside it. The result was a sense of camaraderie and sharing of effective practices across regions. Assessments of the workshop's learning objectives tracked attendees' clarity and confidence in dealing with the identified issues. Related questions were also added to the annual employee survey. Concurrent with the training sessions, the president of Georgia Power held 18 town hall meetings with employees throughout the state devoted exclusively to the topic of retaliation.

By 2009, over 1,300 managers had received training from their manager peers. Contrary to concerns voiced by those who were fearful or skeptical about allowing line managers to deliver training on such sensitive topics, the results exceeded even the highest expectations:

- 97 percent of attendees "strongly agreed" that the workshop "increased my awareness & understanding of retaliation."
- 96 percent "strongly agreed" that "I understand what specific behaviors can reduce trust."
- 98 percent "strongly agreed" that "I know how to give and receive feedback without causing fear of retaliation."

This example of one organization's multiyear commitment to shaping an ethical workplace culture highlights a number of areas critical to any effort to build and maintain an ethical culture. The Ethical Culture Inventory on the following page is designed to help you assess areas of strength and areas for improvement in your organization's ethical culture. The inventory identifies 21 levers available to managers. These levers, which are described in detail in the following section, address organizational policies, practices and procedures, and the dynamics of employee motivation that promote ethical, pro-social behavior and that prevent unethical behavior.

**ETHICAL LEVERS AT WORK:**

**UNDERSTANDING THE INVENTORY**

**Ethical clarity, self-transcendent values, ethical competency**

The first few levers in the survey relate to the foundation of ethical culture, compliance and concern for ethical clarity, or the degree to which managers and employees understand and can apply the values, laws and rules they are expected to uphold. Ethics suffers if the values, norms and rules of the organization are not concrete and relevant.

Georgia Power, for example, enhanced employees' ethical clarity by identifying the specific behaviors that employees perceived as retaliatory and by training managers about the company's expectations regarding those behaviors. The training that Georgia Power's line managers conducted for their peers drew on real-life scenarios and common work situations. The training also identified the competencies required to fulfill the ethical values that Georgia Power expects of all its managers and gave those managers an opportunity to practice and hone those advanced skills.

The competencies required for managing ethics are among the hardest to develop. All managers will need assistance and a lot of...
## Ethical Culture Inventory

Rate your organization on each of the 21 levers described below, according to the criteria shown here at the right.

<table>
<thead>
<tr>
<th>Ethical Clarity</th>
<th>We make our ethical expectations—our values, norms and rules—clear, concrete and understandable for all recruits, managers and employees.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Transcending Values</td>
<td>The values that drive our mission and value-creation insist on employees’ excellence in serving the welfare and interests of our customers, clients and co-workers.</td>
</tr>
<tr>
<td>Ethical Competency</td>
<td>Our ethics training includes clear criteria for the competencies we expect managers to possess or develop to fulfill the organization's ethical expectations.</td>
</tr>
<tr>
<td>Ethics Communications</td>
<td>All formal and informational communications by managers and management (websites, newsletters, e-mails, etc.) describe the ethical issues occurring within the organization and industry in explicitly ethical terms.</td>
</tr>
<tr>
<td>Respect for Employees’ Rights</td>
<td>We regularly communicate to our employees their workplace rights and actively support their exercise of those rights.</td>
</tr>
<tr>
<td>Respect for Employees’ Dignity</td>
<td>We insist that all managers and employees treat each other with dignity and respect.</td>
</tr>
<tr>
<td>Employee Input</td>
<td>We ask for employee input on decisions that affect them and their work before those decisions are made.</td>
</tr>
<tr>
<td>Fairness in Decision-Making</td>
<td>We make decisions regarding performance, pay and promotion impartially, according to clearly understood criteria.</td>
</tr>
<tr>
<td>Consistent Decision-Making</td>
<td>We apply our rules consistently to all people, regardless of role or status.</td>
</tr>
<tr>
<td>Honest Communications</td>
<td>All our managers tell people honestly why decisions are made.</td>
</tr>
<tr>
<td>Ethical Transparency</td>
<td>We make information about ethical and unethical conduct inside our organization and its consequences visible to all managers and employees.</td>
</tr>
<tr>
<td>Ethical Sanctions</td>
<td>We punish unethical conduct and learn from it as an organization.</td>
</tr>
<tr>
<td>Feasibility</td>
<td>Managers at all levels give employees sufficient time, budget, resources and authority to fulfill their responsibilities.</td>
</tr>
<tr>
<td>Values Reactivation</td>
<td>Managers at all levels constantly re-emphasize self-transcending values and tie them to specific workplace behaviors that drive our business success.</td>
</tr>
<tr>
<td>Reward and Recognition</td>
<td>We recognize and promote people who get results by upholding our self-transcending values; we do not recognize or promote people who violate our values to get results.</td>
</tr>
<tr>
<td>Trustworthy Supervisors</td>
<td>Supervisors at all levels are assessed by employees and managers according to our self-transcending values.</td>
</tr>
<tr>
<td>Trustworthy Management</td>
<td>Our top-level managers act as role models for our self-transcending values.</td>
</tr>
<tr>
<td>Character Formation</td>
<td>We actively facilitate the pride that our managers and employees take in their work and encourage them to identify with the self-transcending values that drive our mission.</td>
</tr>
<tr>
<td>State-Dependent Ethics Training</td>
<td>Our ethics training simulates the real-life conditions of the ethical issues that employees face.</td>
</tr>
<tr>
<td>High-Quality Connections</td>
<td>We actively foster the formation of high-quality interactions among employees at all levels.</td>
</tr>
<tr>
<td>Organizational Routine and Ritual</td>
<td>We cultivate routines and rituals that reinforce a shared organizational identity based on self-transcending ideals.</td>
</tr>
</tbody>
</table>
practice developing their skills for managing ethics. To be effective, ethics training must involve more than an annual PowerPoint presentation and online quiz that are often used by organizations seeking to meet the bare minimum requirements of the law. If your ethics training does not include clear criteria regarding the ethical competencies expected of managers and an opportunity to practice and develop those competencies, then you can expect to get less than compliant behavior.

Compliance requires both ethical clarity and ethical competency. If the ethical issues are not clear or if employees feel they lack the skills to act on their ethical judgment, the majority of employees will suppress their ethical judgments.⁴

**Ethical communications**

Ethical communications from managers to employees are critical because studies show that an overwhelming majority of employees will override their own ethical assessment of a situation and accept an ethically purged interpretation if their manager conveys it.⁵ Ethically purged communications by managers trigger the “authority bias” that seduces employees into transferring their personal ethical responsibility onto their managers. This inclination to say “Somebody else is responsible, not me,” is at the root of many failures to act on ethical issues that occur in the workplace.

But if managers frame the ethical dimensions of work situations clearly, employees will engage the ethical issues with their own judgments and skills. The authority bias works both ways.

Communication about ethical and unethical behavior and its consequences must be made available to managers and employees so they can both act responsibly. At Home Depot and the Coca-Cola Company, the internal company webpage regularly contains accounts of ethical code violations and the consequences of those violations. More employees read the ethical code violations than any other website section.

Of course, issues and infractions must be scrubbed of any identifying information before communicating them. Letting employees know that ethical procedures are followed and unethical actions are punished sends a clear message regarding management's commitment to ethics.

**Fairness levers**

The backbone of an ethical workplace culture is fairness. Levers related to fairness are the most complex part of a workplace culture because employees assess fairness in terms of both organizational decision-making and interpersonal treatment. Fairness levers include respect for employees' rights, respect for employees' dignity, employee input, fairness in decision-making and consistency in decision-making.

Employees assess the fairness of interpersonal treatment according to several factors:

- Are their rights as employees respected?
- Are they treated with dignity and politeness?
- Are their needs considered when managers make decisions affecting them and their work?
- Do decision-makers give an honest account for their decisions and actions?
- Are decision-makers honest about the unethical behaviors and ethical mistakes made by the organization, and do they learn from them?

When something unethical has occurred, our natural human reaction leads us to identify with the injured party. Employees want to know that management took notice, addressed the problem and made things right. And when someone steps up and does the right thing in an ethically difficult situation, employees often identify with the courageous party and draw conclusions about management's commitment to ethics based on whether that person is recognized or punished. Management's punishment of the courageous party has a chilling effect and causes people to stay mum when they witness unethical actions.⁶

The fear of retaliation for standing up and doing the right thing remains one of the most powerful causes of ethical inaction in organizations. When managers talk about the ethical lessons learned when problems arise, they reduce fear, removing a major obstacle to ethical action.

Employees assess decision-making fairness according to several factors:

- Do they have opportunities for input before decisions that affect them and their work are made?
- Are decisions made according to rules that are clearly understood and transparently applied?
Are those who make decisions about pay, promotion and developmental assignments doing so impartially and objectively?

Are rules applied consistently to all people, regardless of status, and applied consistently over time and episodes?

All these aspects of "procedural justice" combine to signal the degree to which the organization and its leaders can be trusted. The stronger the evidence of management’s trustworthiness, the greater the potential of the third and fourth set of levers by which organizations shape an ethical culture.

**Motive-based trust levers**

As noted above, all around the world people prioritize self-transcending values such as loyalty, honesty, respect and responsibility above self-enhancing values such as power, achievement and personal enjoyment. Organizations in which most employees follow the rules and put forth discretionary, value-creating effort espouse and enact self-transcending values.

The third set of levers includes those related to the goodwill and trust between employees and managers, and to the self-transcending values that create motive-based trust. These levers include honest communications, ethical transparency, ethical sanctions, feasibility, values reactivation, reward and recognition, and trustworthy supervisors and management.

When managers who enjoy the goodwill of their employees make mistakes, employees give them the benefit of the doubt. This response buys managers precious time and space to acknowledge and learn from their mistakes.

Employees’ assessment of leaders’ ethical trustworthiness also relies on employees’ assessment of the ethical feasibility of performance objectives set by those leaders. Specifically, employees will assess the time, budget, resources, information and authority they receive to fulfill their responsibilities. If employees feel forced to cut corners to attain their performance requirements or if they are given performance objectives they believe are unobtainable, they will distrust the motives of managers.

Employees trust managers and leaders who clearly acknowledge the value conflicts that can and will arise in pursuing performance objectives and who resolve those conflicts by adhering to the organization’s ethical values and expectations.

Unfortunately, the Ethics Resource Center’s 2011 *National Business Ethics Survey* reports that 13 percent of employees feel pressured to compromise ethical standards to do their jobs.27

If employees believe that managers or leaders illegitimately deny them the time, budget, resources or authority they need to get the job done, whether through malign intent or negligence, they will attribute unethical intent to the managers and the management that allows such conditions to continue.

**Ethical working self-concept levers**

The fourth set of levers relates to the concept of an ethical working self-concept and primarily concerns the character that the organization encourages in its leaders, managers and employees. These levers are character formation, state-dependent ethics training, high-quality connections, and organizational routine and ritual.

The degree to which employees identify with the self-transcending values of their organization determines the strength of their workplace character and increases the likelihood that they will act consistently with the organization’s ethical intentions. The working self-concept of employees is most malleable during the onboarding and early socialization period, so organizations must pay special attention to communicating ethical expectations during onboarding.28

Internalized values, not sophisticated reasoning or clarity, predict ethical
behavior. Ethical rules cannot anticipate every situation, and of course, rules mainly address past failures. Ethical challenges often arise because of dynamic, ill-defined and unanticipated situations that demand immediate decision or action. None of these conditions favor deliberative decision-making and rule-based ethics. They do favor internalized values.

Researchers have recently identified interlocking cognitive and emotional processes, known as “System One” thinking, that intuitively guide our information-processing and behavior when facing ethical situations. System One thinking happens automatically, quickly and efficiently and generates decisions and behaviors that reflect our internalized values. System One thinking relies on previously formed character traits, not decision-rules and cost-benefit analysis. This new understanding of System One cognition has changed ethics training and education.

Today, organizations that want to foster an ethical working self-concept among employees seek to integrate ethical values into employees’ System One processes. To do this, they use various forms of state-dependent learning, which holds that knowledge and skills must be learned under conditions closely approximating the real-life conditions in which they will be used. The principle of state-dependent learning helps explain why so much ethics training does not work. The conditions under which most people learn ethics bear no resemblance to the real-world conditions of ethical conflict and choice. Therefore, the ethics training is not available to individuals when needed most.

State-dependent learning of ethics helps ensure that the employee’s ethical working self-concept will be available and ready-for-use under the difficult circumstances that normally arise around ethical conflict. If those in authority uphold self-transcending values consistently, especially under difficult circumstances, then motive-based trust can be built, which in turn reinforces the formation of an ethical working self-concept by employees in a virtuous cycle of organizational self-improvement.

**ORGANIZATIONAL LEVERS**

As an HRM professional, you have a variety of levers that are part of your work in the organization, and you can use these effectively each and every day to shape an ethical workplace culture. Your approach will depend on whether you are operating in a compliant, positive or virtuous ethical workplace culture.

**Onboarding**

The people you recruit, select and promote will ultimately determine your workplace culture.

So the best place to start shaping an ethical workplace is at the beginning of each employee’s experience with your organization, that is, with onboarding. During their early socialization into the organization, new employees absorb and adopt the values and expectations of the organization most readily. Inculcating ethical workplace values and expectations right from the start is easier than trying to change them once employees have become acculturated members of the organization.

**Compliant** ethical workplace cultures have no formal mention of self-transcending values in recruitment and orientation of new employees. Compliant cultures typically emphasize self-enhancing themes that highlight the prestige of the organization and the personal benefits of becoming a member. Compliant cultures frame the ethical expectations of new employees in generic terms that emphasize following all relevant laws and regulations and adhering to ethical conventions like honesty and respect.

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**Voicing Our Values at Lockheed Martin**

Lockheed Martin Corporation uses the principles of state-dependent learning embodied in Giving Voice to Values, a state-of-the-art ethics training regimen developed by a collaborative group of scholars and educators led by Mary Gentile of Babson College.

Lockheed’s program, called “Voicing our Values,” presents manager-led learning groups with real-life scenarios. Employees work together to prepare action scripts and responses, which they then practice in live role-plays and group feedback sessions. By giving employees a chance to work together to develop, try out and hone the skills of raising ethical issues with peers, bosses and customers, Lockheed recreates the dynamics that employees will face when they have to raise these issues for real.

—Lockheed Martin’s “Voicing our Values”
In a positive ethical workplace culture, orientations will include concrete examples drawn from the organization’s own case files to make sure employees understand exactly what the organization expects of them in terms of ethical behavior.

In a virtuous ethical workplace culture, recruitment emphasizes self-transcending values so that potential employees will select the organization based at least partially on its ethical appeal. Challenging onboarding programs often screen out new employees whose values are not congruent with the ideals and aspirations of the firm. For example:

- Zappos, the online clothing retailer, asks potential applicants to “Please check out the Zappos Family’s 10 Core Values before applying! They are the heart and soul of our culture and central to how we do business. If you are ‘fun and a little weird’—and think the other 9 Core Values fit you too—please take a look at our openings and find the one or two that best fit your skills, experience and interest!” Challenging onboarding programs screen out new employees whose values are not congruent with the ideals and aspirations of the firm and inculcate the organization’s values and expectations more deeply into those who share those ideals.  

- Connecticut’s award-winning Griffin Hospital begins its online job search instructions with a self-transcending statement of purpose: “At Griffin Hospital, every employee is a caregiver and every employee makes a difference. We understand that employee satisfaction leads to patient satisfaction. Our culture of teamwork, professionalism, and respect makes Griffin Hospital a place where both patients and employees want to be.”

Orientation programs in a virtuous culture formally emphasize self-transcending values and ground all ethical expectations using superlative descriptions of those values, making clear that high standards are expected of employees all the time and in all circumstances. Zappos famously offers new employees $2,000 to quit at any time during its intensive, five-week onboarding program.

Virtuous ethical cultures synthesize ethics and performance so that their ethical values and their mission-driving values are one and the same. In the case of Zappos again, the company’s code of ethics ties at least one of its core values to specific examples of what Zappos expects of its employees in practicing the list of values below:

- Deliver WOW Through Service.
- Embrace and Drive Change.
- Create Fun and A Little Weirdness.
- Be Adventurous, Creative, and Open-Minded.
- Pursue Growth and Learning.
- Build Open and Honest Relationships With Communication.
- Build a Positive Team and Family Spirit.
- Do More With Less.
- Be Passionate and Determined.

Finally, in virtuous cultures, onboarding often includes storytelling: stories about how ethical values drove past success, about how ignoring ethical values led to failures, and about failures that were analyzed and turned into ethical learning opportunities. This sort of storytelling instills new employees with confidence that the firm is committed to learning from ethical mistakes.

**Ethics and compliance programs**

In most organizations, a formal ethics and compliance program stands as the most visible and important part of an ethical workplace culture. Typically managed by the legal department and often reporting directly to the general counsel, the most effective ethics and compliance programs are integrated closely with training and development departments and with senior management strategies. HRM professionals seeking to build an ethical workplace culture need to understand the structure and requirements of their organization’s ethics and compliance programs to integrate them into an ethical culture and business strategy.

Highly effective ethics and compliance programs emphasize the organization’s mission-driving, self-transcending values as the motives for compliance rather than impose sanctions for noncompliance.

In positive and virtuous ethical cultures, managers frame rules and compliance as an expression of the firm’s ethical values. For example, UPS leaders at all levels emphasize identification with the firm’s self-
transcending values as the reason for compliance, saying “UPS-ers don’t bribe public officials because that is not who we are. UPS-ers don’t do that.”

Unfortunately, many firms inadvertently undermine their ability to build a positive or virtuous ethical culture by using a rules-based approach to ethics and a “Do this or else!” approach. Even incentives like cash prizes and spot bonuses should be avoided. Offering rewards for ethical behavior removes those expectations from the realm of duty and obligation and places them in the category of discretionary, self-enhancing behavior. The most effective sanctions for ethical wrongdoing are graded in severity according to the seriousness of the infraction.

Nothing helps build an ethical workplace culture better than learning first-hand from your manager about what happened to those who violated the firm’s ethics and the lessons that all managers and employees ought to draw from that example. In fact, the No. 1 reason given by employees for not speaking up when they witness unethical behavior is their belief that nothing will be done about it by their managers.

Many ethics and compliance programs use the seven steps outlined by the U.S. Sentencing Commission’s Federal Sentencing Guidelines for Organizations, focusing on rules and penalties and appeals to self-enhancing motives. Ironically, the instrumental, self-enhancing nature of most compliance programs renders them less effective in generating the very rule-following they seek. 35

HRM professionals should be aware that not all the elements of a federally compliant ethics program promote the shaping of an ethical workplace culture. Some detract from it. Research shows that monitoring, auditing, rewarding and incentivizing for ethics are negatively associated with the role-modeling of managers and motive-based trust. Monitoring for ethics conveys a lack of trust in employees on the part of managers and management and therefore diminishes trust in employees. Trust tends to be reciprocal. If you tell me to trust you, then you ought to trust me in return. Monitoring and auditing appears to upset this reciprocity and belie a deeper motive on the part of management—“Employees cannot be trusted.”

HRM professionals responsible for building an ethical culture will want to work with the firm’s monitoring and auditing functions to ensure that employees perceive that their supervisor and senior management are primarily responsible for ethics, not the auditors from some department related to legal compliance.

Research shows that the overall strength of an ethical workplace culture positively affects compliance programs. 38 In other words, a strong ethical workplace culture is an ethics and compliance officer’s best friend.

Research also shows that having a robust compliance program contributes significantly to shaping an ethical workplace culture by making the organization’s norms, values and ethical expectations clear to all employees. In the most effective ethics programs, peers talk openly with each other, their supervisors and their direct reports about ethical issues and pass along helpful information.

In virtuous ethical workplace cultures, monitoring and auditing complement and support ethical role modeling by managers. Virtuous cultures avoid incentivizing and rewarding ethics because doing so perverts the motive of “virtue as its own reward.” HRM professionals must be careful to avoid creating the impression that ethical conduct is extraordinary rather than obligatory and expected of every employee.

**Pay, performance, promotion and procedures**

The assessments that employees make regarding the fairness of decisions regarding pay, performance, promotion and procedures form the “make or break” difference between a compliant ethical culture on the one hand and a positive or a virtuous ethical culture on the other hand.

In compliant ethical cultures, the decision-criteria for pay, performance and promotion are only vaguely understood and communicated and do not explicitly state or weight ethical values and behaviors. Furthermore, in compliant cultures, the procedures applied in arriving at decisions regarding pay, performance and promotion are passively or intermittently enforced. Inconsistent applications are not made a matter of ethical concern and are not uniformly corrected.

By contrast, in positive and virtuous workplace cultures, the decision-criteria for pay, performance and promotion are clearly understood by all employees, who perceive them as both fair and consistently upheld throughout the organization.

Virtuous ethical cultures distinguish themselves from positive cultures primarily in terms of the degree to which performance appraisals and feedback weight explicitly ethical behavior and character traits. Virtuous workplace
cultures weight character and ethical behavior as equal to or greater than technical competence and objective results. Virtuous cultures demonstrate that ethics and values matter by promoting high performers who live the firm’s self-transcending values and passing over those who do not.

Leadership role-modeling
Leadership role-modeling of consistent adherence to the organization’s rules and procedures and to its mission-driving, self-transcending values is the linchpin of an ethical workplace culture. With consistent role-modeling, employees come to believe in and identify with the firm’s self-transcending, mission-driving values. With inconsistent role modeling or negative role-modeling, employees come to doubt those values and the credibility of management.

The most effective ethical workplace cultures regularly schedule ethics and values “reset” sessions for their leaders in which supervisors at all levels are reminded of the firm’s core, mission-driving values and are brought up-to-date on the current ethical issues facing the organization. They are also assisted in crafting their own communication strategies to reaffirm those values and frame the ethical issues to their direct reports.

For example, Synovus Financial Corporation holds an all-hands meeting every Tuesday morning to communicate expectations and discuss current issues and strategies in light of the firm’s core values. With up-front participation by a different functional area leader each week, the Tuesday morning meetings make leaders go on record about the organization’s expectations and their own commitments. Those same leaders rotate responsibility for speaking to every new employee in Synovus’ “Right from the Start” orientation program.

Perhaps the most important aspect of role-modeling by leaders concerns the decisions and communications regarding pay, performance and promotion. Leaders who demonstrate high-quality decision-making and who clearly articulate to direct reports and others the relevant values or principles involved in those decisions create the conditions for motive-based trust. Those who make poor-quality decisions or who fail to articulate the principles used in arriving at the decision erode the foundations of trust.

Every manager and supervisor should be able to articulate the procedures and principles used for pay and promotion decisions. Employees assess the equity of their organization and its leaders according to the decisions made on pay, promotion and the conferring of stepping-stone developmental assignments. Leaders who communicate to employees the criteria used in decisions about pay and promotion prevent the default perception that some people receive favorable treatment over others.

Leaders who demonstrate respect and care in their treatment of employees lay another foundation stone on which motive-based trust is built. Managers demonstrate respect by talking about and acting on employees’ rights, both contractually and as people with lives outside of work. Managers show their respect primarily by actively listening to employees in honest, two-way communication. Managers who provide honest accounts for their decisions, even unpopular ones, help shape a positive ethical culture.

In virtuous cultures, leaders take on the additional role-modeling activities that create high-quality work relationships, such as relational mentoring. In relational mentoring, as opposed to formal mentoring, the person mentored receives high-quality, highly individualized care and consideration. Relational mentoring proves especially powerful when the mentor is regarded by peers and employees as skilled in living out and applying the self-transcending values of the organization.

Training and development
In compliant ethical cultures, employee training and development emphasize job competence and career enhancement and typically feature ethics training that is generic to the industry, often delivered through off-the-shelf programs.

By contrast, virtuous ethical cultures emphasize character formation, the resolution of conflicting values and the formation of a “calling” orientation toward work and career. In virtuous organizations, developmental assignments and job promotions are framed in terms of the organization’s self-transcending values and mission, which assist employees in viewing their work as a “calling.” Research found that employees with a “calling” or “vocational orientation” toward their work were three to four times more likely to be highly satisfied with their jobs and less likely to leave their organizations than employees who view their work as a career or just a job.37

In positive ethical cultures, training and development materials explicitly highlight the ethical dimensions.
of firm-specific knowledge, skills, procedures and practices. By framing the ethical dimensions of the firm’s own management system and practices, positive ethical cultures remind managers and employees of their ethical duties and obligations and reinforce the values by which their firm defines its ethics. Skills that build positive communications and workplace relations are placed on equal footing with technical skills.

Virtuous ethical cultures expand the repertoire of skills and knowledge they expect managers and employees to master to include the rare, hard-to-develop competencies that support and extend ethical values and that create superior performance, such as constructive conflict management, managing vision and purpose, generating employee engagement, strategic agility in the face of competing demands, and dealing with ambiguity.

Furthermore, in virtuous cultures, current, hot-off-the-press ethical issues facing the organization and industry are raised in the training environment. In virtuous cultures, trainers do not provide answers to these real-life issues and cases but do encourage ethical empowerment by insisting that employees and managers discuss, debate and resolve the issues among themselves and by appealing to the organization’s values. Virtuous cultures are distinguished by the frank acknowledgement by leaders at all levels that the organization’s own ethical values will from time to time conflict when confronting challenging circumstances and that there are no easy answers or party lines in resolving those dilemmas.

Workplace communications and routines
The formal and informal communications of employees’ day-to-day work experience are a rich resource for shaping an ethical workplace culture.

Virtuous ethical workplace cultures form high-quality interactions by making them part of the organization’s routines. In positive and virtuous cultures, communication is characterized by a high degree of inclusion, respect and support.

The Atlanta-based nonprofit Moving in the Spirit is a nationally recognized youth development program that uses dance to positively transform the lives of children and teens. Moving in the Spirit uses a simple process of direct, one-on-one positive feedback called “Sunshine” to conclude every meeting. By making this rare, high-quality interaction part of its organizational routine, the organization daily reinforces an ethical culture that has won it recognition as one of the nation’s top 10 youth programs.

Honest, two-way communication that includes diverse voices conveys respect toward employees and taps the wellspring of trust. Managers who support others’ viewpoints encourage everyone else to tolerate differing opinions too. Managers and employees are able to focus on problems and possible solutions in a collaborative manner. Moreover, information is common property that belongs to any and all members of the organization. Directives, rules and plans are framed in terms of the intent that lies behind them and the values they are intended to fulfill. This approach invites engagement and a sense of ownership.

Positive and virtuous ethical cultures make extensive use of organizational symbols and rituals to express and reinforce the ethical expectations of the organization and to encourage personal identification. Organizational symbols reveal and explain the beliefs, feelings and values that animate the organization’s culture.

For example, L.L. Bean employees spring surprise celebrations annually on their co-workers chosen by peers as “Bean’s Best” for their exemplary service to the company in living out L.L. Bean’s values. These taken-for-granted values are the ultimate source by which employees evaluate the situations they face.

In positive and virtuous ethical cultures, the symbols and rituals directly refer to and incorporate the organization’s ethical, self-transcending values. Research shows that the positive feelings that are evoked and the personal relationships that are affirmed around these ethical values enhance group problem solving of ethical challenges and open up richer repertoires of resource and action. The well-documented “broadening and building” effect of these positive emotions is especially important for virtuous ethical cultures as they seek to resolve the internal paradoxes among their core values into ever greater forms of performance.38

Rituals and ceremonies celebrate and punctuate meaningful moments in the life of an organization and its members, thereby creating a sense of community. In addition, they provide holding environments that enable an organization’s members to grieve, learn and regroup after difficult challenges or failures. Virtuous ethical cultures are distinguished by their use of organizational rituals to process through and learn from their own ethical failings.

Principal among the virtues that symbol and ritual help build is courage. The most intangible and elusive of all ethical
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virtues, courage has been described as the “necklace” on which all the other ethical virtues hang. Without the courage to live our ethical values, they are of little meaning. A virtuous organization is one that intentionally supports and recognizes employee courage in living ethical values—especially when there are conflicting values.

**Culture surveys and feedback tools**

Many medium and large organizations use employee surveys to gauge employee perceptions regarding job satisfaction and workplace conditions. Some of these surveys include questions about the ethical conditions of the workplace. Unfortunately, these surveys often really measure organizational climate or employee engagement, rather than culture, and few touch on all the levers shaping ethical culture.

Regardless of whether your organization uses a culture, climate or employee engagement survey, you will want to ensure that it includes direct or proxy measures for each of the 21 levers for building an ethical workplace culture. Always follow effective practice guidelines on the interpretation and use of survey data to contribute to employees’ positive perceptions regarding fairness.

**THE TONE AT THE TOP: THE SPECIAL ROLE OF EXECUTIVES**

HRM professionals at the top of an organization play a vital role in shaping an ethical workplace culture. Postmortem analyses of ethical breakdowns in corporations such as Enron and WorldCom have illustrated that the tone set by top management goes a long way toward shaping the overall ethics of a workplace. Today, when they analyze the relationship between top management and a firm’s performance, researchers use the label upper echelons theory. Put simply, their conclusions suggest that what top managers do and say matters.

Top managers serve as role models and sources of guidance regarding what really counts in the organization. In positive and virtuous ethical cultures, top executives practice what they preach. Employees and managers pay particularly close attention to their bosses’ behaviors and to these questions:

- **Who is rewarded and how?**
- **Who is recruited, promoted and fired?**
- **How are resources allocated, and is the system fair?**
- **How do leaders react to critical ethical challenges or crises?**
- **What specific ethical values are embedded in the stories that leaders tell about important organizational events and people?**

An HRM leader with a seat at the C-suite table can serve as an advisor, guide and conduit for feedback to top team members regarding these behaviors. HRM professionals who encourage executives to speak and act courageously on behalf of their own and the organization’s highest ethical ideals—and who do so themselves—ensure the most effective form of ethical leadership: personal example.

**CONCLUSION**

Building an ethical workplace culture requires equal skills in policy-making and relationship-building, and equal emphasis on procedures and values. Structural concerns like codes, training and clear criteria matter, but so do storytelling, mentoring and presiding over an organization’s routines and ceremonies.

In an ideal workplace, structures and relationships will work together around core values that transcend self-interest. Core values will inspire value-creating efforts as employees feel inspired to do what is right, even when the right thing is hard to do.

The ethics of our workplace cultures matter because the work itself matters and requires the cooperation that only positive, virtuous ethics can sustain. Compliance keeps us out of trouble, but virtuous ethics will create value for our co-workers and for our organization.
Virtuous ethical cultures emphasize character formation, the resolution of conflicting values and the formation of a “calling” orientation toward work and career.
REFERENCES


34. The growth of ethics and compliance programs began in 1991 in response to the promulgation of Unites States Federal Sentencing Guidelines for
Organizations. Amended in 2004, the Guidelines were intended to prevent organizations from profiting from wrongdoing and to prevent wrongdoing in the first place by promoting appropriate compliance programs inside organizations. The Guidelines outline seven minimum, due-diligence requirements that judges may consider when levying fines against organizations found guilty of wrongdoing. These minimum requirements have been elaborated into nine elements of an effective compliance program.

- Code of ethics.
- Ethics officer.
- Ethics training and communications.
- Pre-employment screening on ethics.
- Monitoring and auditing of ethics.
- Ethics reporting mechanism ("hotline") free from retribution or fear of retaliation.
- Incentives and reward policies for ethical conduct.
- Policies to hold staff accountable for unethical conduct.
- Response policies for unethical conduct.

In response to the mitigation incentives, the seven requirements became the de facto template of almost every compliance and ethics program in the United States. Fortunately, the maturity of most organization compliance programs in response to these federal guidelines provides a handy resource for HR professionals. In revising the Guidelines in 2004, the Commission stated that "a firm must, if it is to have an effective compliance and ethics program, (i) exercise due diligence to prevent and detect criminal conduct and (ii) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law." HR professionals will do well to remember this second emphasis and not capitulate to the instrumental motivations and self-enhancing motives that most compliance programs rely on.

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35. Tyler, T. (2011). *Why people cooperate: The role of social motivations*. Princeton, NJ: Princeton University Press, 42-43. The instrumental, disciplinary nature of most ethics and compliance programs runs counter to the intent of the Federal Sentencing Guidelines themselves. In revising the Guidelines in 2004, the Commission stated that "a firm must, if it is to have an effective compliance and ethics program, (i) exercise due diligence to prevent and detect criminal conduct and (ii) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law." HR professionals will do well to remember this second emphasis and not capitulate to the instrumental motivations and self-enhancing motives that most compliance programs rely on.


Simply put: High ethics creates high trust. High trust creates high performance.
SOURCES AND SUGGESTED READINGS

BOOKS AND BOOK CHAPTERS


The authors draw on up-to-date research in examining what causes people to behave contrary to their own stated values, whether they are deciding or acting individually, in a group, as an organization, or socially. Known as “behavioral ethics,” this research highlights the ineffectiveness of traditional ethics and compliance training. Though longer on “why we are not as ethical as we think we are” and shorter on “what to do about it,” this book highlights issues that HR professionals must address in forming policies, designing and delivering training, and handling ethics and compliance issues.


The first major compendium of theory, research and practice in positive organizational scholarship, which corrects decades of overemphasis on organizational dysfunction by highlighting the causes, conditions and practices of organizations that flourish. The 79 chapters cover almost every conceivable aspect of positive and virtuous organizational practices. Parts 1 through 4 focus on the attributes and elements of positive and virtuous organizations. Parts 5 and 6 focus on human resource and organizational practices.


This fun and inspiring set of stories conveys the full range and implications of trust, especially for the new modes of reciprocal exchange that experts predict will dominate the cloud-based economy. The authors give the book away, trusting you to pay.
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Covey, S. M., & Merrill, R. R. (2006). The speed of trust. New York, NY: Simon and Schuster. The authors explore the dimensions of trust that emanate from individuals to their relationships, organizations, markets and society. The book includes reflection exercises, practical tips and behavioral strategies at various levels—self, relationships, organizations and society. It develops the notion of the “trust dividend” that multiplies the effectiveness of organizational strategies and the “trust tax” that diminishes effectiveness. What it lacks in research-based rigor, this book more than makes up for in readability and practicality for anyone seeking to build motive-based trust.

Gardner, H., Csikszentmihalyi, M., & Damon, W. (2001). The conditions of good work. In Good work: When excellence and ethics meet (pp. 15-36). New York, NY: Basic Books. Based on extensive, multidisciplinary research across professions, this groundbreaking model captures the full range of cultural, personal and social factors necessary to protect and promote value-creating work. Many of the factors described fall within the sphere of influence of HR professionals. Unlike many models, which focus only on procedural issues related to ethical workplace cultures, this book does not shy away from content issues of concern to professionals seeking to fulfill their obligations in service of their organizations’ mission.

Gentile, M. C. (2010). Giving voice to values: How to speak your mind when you know what’s right. New Haven, CT: Yale University Press. This book articulates the intent and practice behind a new approach to ethics and values training. The author addresses the many rationalizations we deploy to narrow our choices and impede, or even prevent, our “giving voice” to our values. The methodology opens up an array of options and tactics so that each person can contribute to ethical learning, which only occurs in discussion and dialogue. Based on research demonstrating that when we squelch our voices we deprive ourselves and others of nearly all ethical learning, the author conveys a compelling sense of wonder and excitement about learning ethically with others. By preparing readers for the common rationalizations for unethical behavior that they will encounter, the book develops ethical competence through action scripts. Trainers and managers can access for free a supporting trove of articles, cases and readings to assist them in designing and implementing their own values and ethics training at http://www.babson.edu/faculty/teaching-learning/gvw/Pages/home.aspx.

Isdell, N. (2008). Building a culture of ethics. Atlanta, GA: The Center for Ethics and Corporate Responsibility. Reflections by the former chairman and chief executive officer of the Coca-Cola Company on his successful efforts to transform the organization’s culture in response to ethical and strategic challenges. Isdell relates in this short and memorable book practical examples of how he and his management team strove to create a positive workplace culture that supported Coke’s business strategy.

Lyman, A. (2012). The trustworthy leader: Leveraging the power of trust to transform your organization. San Francisco, CA: Jossey-Bass; Lyman, A., & Adler, H. (2013). The trustworthy leader: A training program for building and conveying leadership trust. San Francisco, CA: Pfeiffer. Lyman, co-founder of the Great Place to Work Institute, whose Fortune magazine “100 Best Companies to Work For” project has become a de facto international standard for ethical workplace culture, distills the leadership attitudes, habits and practices—the virtues—that build trust. She develops the concept of the virtuous circle that originates in the sense of honor felt by managers and supervisors as they express their gratitude to and for the people they are asked to lead. Full of stories from different organizations and industries, Lyman’s subtle account of the roots of trust within great workplaces makes it both attainable and eminently practical. The supplemental text and training program include assessments, participant workbook and facilitator’s guide. Highly recommended for HR professionals seeking to understand and build motive-based trust.

Ratcliffe, D. M. (2010). Culture of accountability. Atlanta, GA: Center for Ethics and Corporate Responsibility. The former chairman and chief executive officer of Southern Company, parent of Georgia Power discussed above, relates the simple philosophy and practices he used to build motive-based trust. Memorable because they are personal and practical, the author’s stories capture the essential dynamics of building and maintaining trust.
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Solomon, R. C., & Flores, F. (2001). *Building trust in business, politics, relationships, and life*. New York, NY: Oxford University Press. The authors explore the dimensions of trust and trust building, debunking myths and demystifying processes. Their perspective illuminates the far-reaching implications that high-trust cultures and relationships have for value-creating behavior and innovation.

### ARTICLES AND OTHER RESOURCES


Cultural inconsistencies—gaps between values employees espouse and those they actually live by—damage trust, diminish morale and make staff less inclined to perform to the best of their abilities. Executives and rank-and-file employees must be held to the same standards and ethics. Managers must act as stewards of high ethical standards, influencing their direct reports and others. The author provides HR professionals with practical suggestions for monitoring cultural inconsistencies, including cultural fit assessments, cultural-fit interviews and storytelling. The author highlights how the HR levers of training and development, onboarding, and workplace communication and routines support an ethical culture.


A nationally available resource that provides assessments, training and recognition programs for building trust in organizational cultures and customer relationships. The BBB’s “EthicalEnterprising” framework, assessments and training provide small and medium-sized organizations with the resources typically commanded by large corporations.

**Buss, D. (2004).** Corporate compasses: The increasingly important corporate ethics function doesn’t have to be a challenge to HR’s role upholding ethical business behavior. *HR Magazine, 49*(6), 127-128, 130, 132.

The author discusses the increasingly common interplay between HR and ethics and compliance functions. In a 2003 survey by the Ethics Resource Center, 40 percent of organizations reported that ethics was not part of their HR infrastructure, yet about 70 percent said their HR department was a primary resource for their ethics office. Demands on ethics officers are growing, but many are not teamed with HR. The author explores the positives and negatives of HR professionals working with ethics officers, detailing what works and what does not, noting the strains that can develop if this relationship and its shared responsibilities are not managed properly. Rotating high performers through ethics functions as part of their career development can nurture an enduring ethical climate and, in time, create a cohort of leaders who are sensitive to the nuances of ethics as well as familiar with the technical nature of an organization’s business.


The authors examine the links between the ethics and the ethos of organizations and the effect both have in buffering employees from negative, value-destroying events and forces and amplifying positive, value-creating dynamics. Underscores the importance of ethics and virtuousness in promoting effective change and innovation. The article references valuable, evidenced-based empirical research on the topics of ethics, ethos and virtuousness vis-à-vis organizational performance and the bottom line.


Drawing on cross-professional expert input, this guide examines the key factors and issues in building and protecting an organization’s reputation, including leadership role modeling, workplace communications and routines, and ethics compliance programs.

This research study examines the effects of an ethical workplace culture on managers’ well-being. Using Kaptein’s Corporate Ethical Virtues model of ethical culture, the author provides compelling evidence for the positive, self-reinforcing role of ethical workplace culture.


This article discusses real-world best practices gathered from in-depth interviews with 26 ethics officers of *Fortune* 500 companies. The author profiles successful ethics programs and explores the origins, priorities and justifications for each. Noting that there is no single, most effective model for integration, the author concludes that program success depends on an awareness of best practices and an ability to choose those most appropriate for one’s organization.


This article describes the results of the author’s four-phase process for empirically validating the Corporate Ethical Virtues model, which is the first validated, multifactor model of ethical workplace culture. Kaptein’s construct of ethical culture contains seven procedural virtues, or “organizational conditions for ethical conduct”...[that] reflect the capacity of an organization to stimulate ethical conduct of employees.” Those virtues are clarity, congruency, feasibility, supportability, discussability and sanctionability.


The article examines whether ethics programs and ethical culture are related to each other and if so, what impact an ethics program has on the ethical culture and vice versa. Using his Corporate Ethical Virtues model, the author hypothesizes that an ethics program might influence every aspect of ethical culture. The author identifies nine standard components of ethics and compliance programs, including ethics code, dedicated ethics officers, formal ethics training, helplines/hotlines, policies on accountability for unethical behavior, response policies on investigations of allegations and on corrective actions, policies to prevent unethical behavior, and pre-employment screening.


Ethical codes are effective, until they are not. The author explores five factors that make ethical codes effective: a) content of the code, b) frequency of communication, c) activities surrounding the code, d) the quality of the communication activities, and e) the embedding of the code in the organization by both senior management and local management. The article also provides practical insight about why good codes are not enough on their own.


An important component of an ethical workplace culture is the willingness and ability for employees to report unethical behavior. How an organization enables or hinders this process contributes directly to the organization’s ethical culture. The author examines how different dimensions of ethical culture are linked to whistle-blowing and how constructing and nurturing an infrastructure for ethics reporting, such as helplines, contribute positively to ethical culture and effective reporting.


The author contrasts ethical cultures—command and control ethics and compliance programs and values-based programs. He cites research literature demonstrating the superiority of the latter in generating compliance, internal reporting of violations and extra-role effort. The author emphasizes the role of fairness in employees’ perceptions of ethics, as well as trust in the commitment...
of management and supervisors to ethics. Where trust is low, ethical misconduct prevails. Where it is high, misconduct diminishes.

The authors identify five common myths about business ethics and provide responses grounded in theory, research and business examples. Myths include the following: a) It is easy to be ethical; b) unethical behavior is simply a result of bad apples; c) ethics can be managed through formal ethics codes and programs; d) ethical leadership is mostly about leader integrity; and e) people are less ethical than they used to be.

Employees create perceptions of executives’ trustworthiness based on what they read about executives, videos of the leaders broadcast to the organization, and what they hear through the grapevine. Yet trust is best built through one-on-one interaction. This article presents scenarios for HR professionals who manage compensation, incentives, bonuses, career advancement opportunities, health coverage, retirement benefits, training, and career advancement to conduct personal interactions that reassure employees that the organization has their interests in mind.

Apart from the CEO, there may be no more important ethical role model in the organization than an HR manager. HR professionals play a crucial role in conducting ethics audits, a major component of the ethics and compliance lever. An ethics audit resembles a financial or operational audit. The primary mission is to compare ethics guidelines with actual behaviors. The audit involves interviews with employees and managers, reviews of records and other information, and sometimes, observations of processes and practices. Through multiple interviews the author identifies six steps to conducting an effective ethics audit: 1) Start with a detailed foundation; 2) develop objective metrics to measure ethical behavior; 3) create cross-functional teams to conduct the audit; 4) combine audits conducted by other teams to minimize disruption; 5) look for unnoticed issues; and 6) respond consistently and communicate. HR professionals also play a pivotal role in responding to ethical or legal issues or violations that the audit identifies.

This short article highlights components of an ethical organization, placing importance on moral persons and managers (leadership and role modeling), recruitment and selection (onboarding), orientation and training, policies and codes, reward and punishment systems (pay and promotion), accountability and responsibility, and decision-making (workplace communication and routines).

Murphy, J. E. (2010). A compliance and ethics program on a dollar a day: How small companies can have effective programs. Minneapolis, MN: Society of Corporate Compliance and Ethics.
A tool for small businesses with tight budgets that want to know how to develop an ethical culture. The author reviews why an ethics program is needed for a small business and provides starting points pertaining to all six HR levers that enhance an ethical culture.

The author examines objections and justifications for linking compensation to compliance and ethics reward systems—a difficult dilemma for many HR professionals to negotiate. The article provides guidance relevant for the pay, promotion and performance procedures lever.

Practical, to the point, and poignant, the article asserts that trust can be gained once and lost once, but is lost forever if breached again. The author provides a sharp reminder of what is really at stake in our ethics and compliance programs and our daily behavior.

This paper examines what it takes for HR professionals to promote ethical behavior through values, culture and leadership. It highlights the knowledge and skill involved in working with leadership, codes of conduct, compliance training, ethical decision-making, cultural and generational differences around ethics, communication, rules, leadership, rewards, transparency, rituals, and stories.


The authors argue that codes and rules can be effective instruments for shaping ethical behavior and guiding employee decision-making. Codes, however, must be embedded in an ethical culture and communicated effectively. Discussion between employees and management is a key component of successful ethical codes.


This scholarly article provides a wealth of practical tips and insights for leaders—critical for the leadership role modeling lever. The author contends that “traditional models of ethical decision-making (EDM) are an inadequate framework for understanding how leaders respond to ethical dilemmas under conditions of uncertainty and equivocality. Sensemaking models more accurately illustrate leader EDM and account for individual, social, and environmental constraints.” The author proposes four strategies (emotion regulation, self-reflection, forecasting, and information integration) to aid leaders in navigating ethical dilemmas in organizations.


The author explores the importance of the HR lever of training and development. HR professionals interviewed say no amount of training will ensure that employees will choose the desired behavior in every situation. But training can start a useful dialogue about right and wrong behavior that employees may remember when murky situations arise.


This article provides a valuable training simulation that could be applied readily to ethics training conducted by HR. Simulations are much more effective in accomplishing the cognitive re-wiring required for improved ethical analysis than are readings. These training initiatives are based on organizational ethical decision-making theories and empirical research indicating the benefits of training in developing an ethical organizational culture.


The authors present the evidence for, and implications of, the superiority of values-based cultures in securing voluntary compliance and motivating extra-role behavior. Written in straightforward prose with clear conclusions, the authors pinpoint areas of focus for building motive-based trust.
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