

Why 2020 is the year to reshape your code of conduct and build a culture of integrity

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The corporate scandals we've witnessed in recent years are creating a new level of awareness when it comes to what can happen if ethics aren't integral to the way organisations operate. With codes of conduct now more important than ever, how effective is yours at influencing culture and motivating employee behaviour?

Events playing out globally in the last few years have shown that ethical corporate practice is seen as increasingly important from a public perception and regulatory point of view. With movements like #metoo and #timesup and broader public sentiment, expectations of workplace and social behaviour are changing. And, as the urgency for many organisations to address

workplace culture and conduct issues increases, business leaders are coming under pressure to build cultures of integrity, free of harassment, discrimination and destructive workplace conduct.

Culture – the shared set of values, mindsets and assumptions distinct to an organisation – is the single biggest factor determining the amount of misconduct that will take place. The reflection of a company's values is found in its code of conduct. Starting each year with a reaffirmation of company values is a significant opportunity to reinforce an 'ethical tone' for a business. Here is where simple, effective leadership can have a big impact.

Despite best intentions, what we often see is company leadership rolling out a full-on communication strategy, complete with values posters that go up in every break room. All this is completely ignored by the employees. The truth is, employees don't look just to marketing campaigns to determine what the company values are. Although it's a start to effectively roll out a programme, it's not enough. Organisations need the tools and solutions in place to manage ethical risk, as well as attention and focus on creating the right culture. The culture that you have within the organisation will drive the risk employees will take.

Employees watch leadership behaviour, observe what gets rewarded and what gets punished and where the money gets invested to determine what a company values and what it doesn't. In other words, they look to the culture to see what values are being supported.

Pillars of an ethical culture

Few executives set out to achieve advantage by breaking the rules, and most companies have programmes in place to prevent malfeasance at all levels. Yet recurring events show that the corporate world needs to do better.

For the first time in 19 years, ethical lapses were the number one cause of CEO turnover in an annual PwC study.¹ In the wake of revelations about the pervasiveness of behavioural misconduct among executives, two-thirds of the CEOs terminated from their roles in 2018 had been accused of ethical lapses, according to the May 2019 report.

The rise in ousted CEOs is not because of more bad behaviour or more corporate scandals, but because boards have become more reactive to the real-time social media news cycle pressures and face greater scrutiny from investors, the public and employees.

With the change in technology and the way people consume content and use social media, the engagement of employees is even more critical than ever. Employees have a very powerful voice, they are speaking to customers every day, they are the reason an organisation will succeed or fail.

During 2019, a warning came from an unlikely place regarding the issue. In his annual letter to CEOs, Larry Fink, founder and CEO of BlackRock, the world's largest asset manager, said that society is "demanding that companies, both public and

It's time to become

private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.²

Companies now have more of an incentive to be ethical as the area of socially responsible and ethical investing keeps growing.³ Globally, sustainable investing assets stood at \$30.7trillion at the start of 2018, a 34 per cent increase in two years, according to the Global Sustainable Investment Alliance (GSIA).⁴ The increasing number of investors seeking out ethically operating companies to invest in is driving more companies to take this issue more seriously. And chances are, the expectations for delivering on ethical responsibility – and the resultant implications for the CEO – is only set to increase.

In light of this scrutiny that the CEO and boards now face, it is essential for company leadership to become more visible and vocal when it comes to ethical conduct. After all, ethics has everything to do with management. But without a supporting culture and controls imposed from the top, an organisation is susceptible to breakdowns and ethical failures, which could tarnish its reputation and diminish trust from both internal and external stakeholders.

Although most business leaders intuitively recognise the importance of ‘tone at the top’ for setting ethical standards in their company, easily

overlooked is ‘tone in the middle’ and the ‘tone of the company’. These are more significant drivers for ethical employee behaviour. Good leaders produce good followers; but if employees are surrounded by co-workers who are behaving unethically, they will most likely do the same, regardless of what their bosses say.

Rarely do the character flaws of a lone actor fully explain misconduct. More typically, unethical business practice involves the tacit,

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if not explicit, assistance of others and reflects the values, attitudes, beliefs, language and behavioural patterns that define the company’s operating culture. So-called descriptive norms – how peers actually behave – tend to exert the most social influence.

Most people have less difficulty knowing what’s right or wrong than they do keeping ethical considerations top of mind when making decisions. Ethical lapses can

therefore be reduced in a culture where ethics are at the centre of attention.

It is essential, therefore, for managers, employees and the board to believe the need for ethical change and to be champions of that change because deeply embedding an ethical culture requires buy-in and commitment from all levels of the company. If the established corporate vision for change can trickle down, then simple acts of compliance with best practices can also rise up to shape a workplace culture of integrity.

Take a look at Google – the employees did not accept a culture where misconduct is rewarded, and globally walked out and asked senior management to change their policy. This shows that somewhere in Google’s cultural DNA, speaking up is encouraged, that employees aren’t afraid to say something, and they are the voice of the business.

Getting the message across

Reputation is proving to be more salient than ever to long-term corporate success. And more companies are seeing the light and investing in their reputations – either in response to embarrassing and costly scandals or from their own foresight.

To establish a sustainable reputation, cultural alignment is as important as strategic alignment. To foster a climate that encourages ethical behaviour, businesses, large or small, need a comprehensive approach that goes beyond the often-punitive legal compliance stance. And while some companies strive to go beyond hitting the bare minimum regulatory standards, the truth is there are fundamental characteristics that contribute to high-quality ethics and compliance programmes.⁵

Establishing strong company values and living up to them each day as an organisation is a good place to start. »

a better business

» But there is plenty of evidence that organisations cannot solve their ethical challenges by simply introducing a set of corporate values. Though this has become a common way for companies to show good intentions, it has little to do with their ability to actually be ethical. Most companies that have gotten into trouble over the past years had nice values, yet those values didn't stop them from engaging in egregious conduct.

Every company today must have an evolving ethical framework strategy to maintain trust among their stakeholders. Organisations should look across their entire risk profile and consider their approach to ethics, culture and integrity and actively engage to protect their ethical core by moving beyond simply introducing a set of

drive people to be more efficient and innovative. When not, it can lead to poor decision-making and improper shortcuts, which can cost a company its reputation. In a deadline-driven, cost-conscious environment, the importance of ethics and integrity can be lost. This is why deliberate, simple and frequent messaging to employees is important.

Ethics and compliance (E&C) is about training and communication, but it is also about having conversations around ethical and compliance issues. By using learning-centric technology and in-person, or live remote connections for working through thornier grey areas, directly allows for richer dialogue, more robust conversation, and better perspective-taking. By implementing a campaign-based approach to E&C learning,

navigate change and respond appropriately in the face of mounting pressures.

Living code of conduct

People spend much of their lives at work and want to support and align themselves with companies that do the right thing. They are eager to see their own values mirrored by the companies they choose to work with. In Glassdoor's new mission and culture workplace sentiment survey, it found that more than half (58 per cent) of employees and job seekers say company culture is more important than salary when it comes to job satisfaction.⁶

Just as consumers can hold businesses accountable by holding revenue hostage, employees can play an equally, if not more, important role in shaping both a company's day-to-day operations and future priorities. The Google walkouts are a great example of this. With workers placing a higher emphasis on the values of their employers and where scrutiny and access to information remain bountiful, companies cannot afford to be apathetic in approaching their own character. In a recent study by SAI Global, data shows that more than half of people (57 per cent) were less forgiving and mistrusting of an organisation that had allegations of

misconduct in the workplace toward employees or suppliers.⁷

A reputation for ethics helps to attract and retain the best talent while minimising the cost of turnover. These individuals then foster and grow a work culture that's built around shared values. An ethical workplace is key because it allows employees to feel a sense of purpose and integrity on the job. When staff feel integral about their work, the company culture will thrive and, in turn,

boost morale, motivation and productivity.

In the end, creating a climate that encourages exemplary conduct may be the best way to discourage damaging misconduct. Only in such an environment do rogues really act alone. But no company will ever be perfect. Nonetheless, by integrating ethics and integrity into your overall identity, you can achieve better self-awareness, create greater brand value and work toward goals that have a positive impact on your business, your customers and society as a whole. 🌐

⁶<https://www.bloomberg.com/news/articles/2019-05-15/ceos-fired-for-ethical-lapses-hit-new-high-as-complaints-soared> ²<https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter> ³<https://www.ftadviser.com/investments/2019/10/10/ethical-investing-is-having-its-moment/> ⁴http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf ⁵<https://www.ethics.org/resources/high-quality-ec-programs-hqp-standards/> ⁶<https://www.glassdoor.com/blog/mission-culture-survey/> ⁷<https://www.saiglobal.com/hub/sai-global-newsroom/global-consumer-trust-is-on-the-offensive-survey-finds-2>

ESTABLISHING AN ETHICAL WORKPLACE
Companies thrive when employees feel part of a strong corporate culture



Focussing on ethics and integrity at periodic intervals or in isolated activities is not enough

corporate values and putting in place the tools and solutions to manage ethical risk.

To change sentiment and to embed an ethical risk aware organisation, initiatives must begin and thrive internally, with employees committed to building and owning corporate culture, before they become apparent to external stakeholders. Otherwise codes of conduct, ethics policies, compliance measures and articulated values just become boxes to check and words on the wall without efforts to instil an ethical culture in the daily actions of the company.

Though executives are driving the ethical strategy, employees actually play a more important role in preventing ethical lapses, especially given the rise in whistleblower protections and non-retaliation policies. Culture is driven by employees, the decisions they are making and what they say about the company. They are the voice of culture. Top and middle management need to lead, direct and participate in the culture conversation, but employees are the owners.

Focussing on ethics and integrity at periodic intervals or in isolated activities is not enough. Every day, employees face complex situations and cost pressure demands to do more with less. These types of pressures, when managed appropriately, can

a business can create a central hub of a well-thought-out and supported capability for driving corporate values and expectations for conduct into the fabric of the company culture.

The code of conduct, therefore, needs to be part of the workflow, part of how people access information, where they seek information. It needs to be dynamic and meaningful, so employees can see that the company they work for is trying to drive a healthy culture and help them make ethical decisions or to understand an ethical dilemma that they might face.

But the code of conduct is not a one-time event, it needs to be a living code of conduct, one that is truly embedded into the organisation. This is turn, helps to drive down the number of ethical missteps and empowers employees to feel comfortable about raising concerns before they become major issues. Having employees take responsibility for their own actions and for their co-workers' and speaking up when they see something that doesn't feel quite right, is essential in maintaining a strong organisational foundation of integrity. That kind of foundation provides the ethical grounding necessary for employees to