

Business Ethics White Paper January 2013

# BUSINESS ETHICS:

## Training Beyond Compliance and HR



**Chuck Gallagher, founder of the Ethics Resource Group, is an international business ethics consultant and trainer who helps organizations implement effective business ethics training and compliance solutions. This whitepaper is a reflection of Gallagher's most recent experiences relative to ethics training and suggestions for practical solutions when it comes to planning, developing and implementing an effective employee ethics training and awareness program.**

Most CEO's would agree that ethical behavior of employees is a critical factor in business today. With the proliferation of electronic connectivity and media, one ethical lapse can land a company on the front and center of a media scandal and severely damage a business reputation that took years to develop. Maintaining the highest ethical standards is of primary importance to the success of your business and the interests of the stakeholders. Yet the question that seems to be rising to the top of thought leader discussions in ethics is - *With 95% of our people operating naturally in an ethical manner, what do we need to do to ensure the remaining 5% find value in ethical behavior?*

All too often we hear that ethics training and programs center on legal and compliance issues and rarely focus attention on the underlying human factors that cause a person to choose unethical behavior. Yes, a number of companies, especially larger more public companies, have written ethical standards that are defined in their "Codes of Conduct" and touted as the standard for judging employee behavior. Yet, rarely do those guidelines contained in the written "Code" come to life in real world practical training. More often than not, ethics, ethical behavior and training are relegated to folks in HR and Compliance.

Beyond the issue of "ethics" contained in the Code of Conduct (recent surveys shows that 38% of mid-sized companies do not have a formal written ethics policy – contact us and we can help with that issue), business ethics policies are coming under higher public scrutiny. Many organizations find value in making public their stand on ethics and integrity in the operation of

their business. And if you're going to the trouble of being transparent about your core business values, then it stands to reason that you'll take the steps necessary to effectively train your workforce to be more than compliant when it comes to issues of ethics and integrity.

Several surveys, that span the US, Canada and Europe, report discontent with the level of training associated with integrity and ethical behavior. Most companies recognize the increasing importance that ethical behavior plays in their day-to-day business, but offer little substance when it comes to ethical training. Surveys conducted by the Ethics and Compliance Officers Association (ECOA) shows that gap between management's belief that ethics training is valuable and the actual guidance and staff training of ethics is severely lacking. In other words, most organizations are failing at communication and ethics training. Is yours?

Having worked with companies of all sizes world wide, there are several practical issues that span location and language. Many would say that business practices vary substantially based on location and culture, yet what may be "normal" in one location does not mean "ethical." For example, a multi-national US based company removed it's entire sales and operational team from a European country for practices that were considered "normal" to most all employees, but were certainly "unethical" and borderline illegal. Did this company have a "Code of Conduct" where ethical behaviors were illuminated? Yes! Was it effective in influencing employee behavior? Sadly...not for every one, especially when an entire business unit is removed for unethical behavior.

From a compliance perspective, the organization took all the "right" steps including auditing and certification actions to demonstrate the distribution of the policy. However, the question is – "Did they gain employee "buy-in" to the policy? In other words, were employees motivated to act in an ethical manner because they innately wanted to? If you want natural ethical behavior from your employees you will be, almost certainly, required to affect an imaginative training program (or series of programs) to inspire behavior.

Key components of an effective training program:

- Management support and leadership by example
- Clear communication about why ethical actions are important
- Employee empowerment clearly establishing employee responsibility for employee actions
- Direction and guidance related to making ethical decisions – real life examples that identify choices and the consequences that follow
- Leadership regarding where to seek help when an ethical dilemma arises
- An unwavering knowledge that ethical choices will be supported and unethical choices will be appropriately dealt with.

**Management Support and Leadership** is critical. A coherent effective ethics program will fail if employees sense that value placed on the program by management is only paid lip service. When management places high value on ethics and ethical behavior, employees will connect at a human level and respond accordingly. At a recent conference in Europe the President of the European division of my client spoke clearly and with depth of feeling about his view of ethical behavior.

“We should not have to rely on HR and Compliance. We should not need the number of lawyers we employ. The reality is we should want to make the “right” judgment because that’s what we innately want to do. Anything less than placing the highest value on ethics and integrity places our reputation as a company at risk and inhibits the tenants of our mission.”

As I heard those words I knew that what was being spoken was more than posturing or lip service. Having had the opportunity to work with this client for several months, it was clear that the President’s message was coming from an internal place of integrity and he was committed to making sure the ethical message was more than just an exercise in HR and Compliance.

**Clear Communication** is critical and that involves more than just case studies and rooms filled with people who are hostages to a presentation giving textbook answers in order to check off a box that ethics training for the year was completed. One of the most popular presentations and training courses offered by our group is “**The Human Side of Ethics**.” The most neglected factor today in ethics and compliance training is the human dynamic associated with conduct management. If an employee can’t truly connect internally with why they should make ethical choices or how good people make bad decision, then the training will most likely fail.

Making the message meaningful and applicable is the most important element of an effective program. To that end, we have created a powerful visual introduction that captures and holds attention at more than an intellectual level. “**The Human Side of Ethics**” goes deeper accessing emotion and connecting with the real issues humans face in their daily lives – all of which affect their ethical decision-making. By going beyond the surface and finding the depth of human experience creates the anchor needed to make the ethics and compliance training stick!

**Direction and Guidance** related to ethical decisions becomes another important part of an effective program. What is right or wrong is often learned behavior and influenced by the facts and circumstances at the time. We teach our children effective behavior. Likewise, as management, it is our responsibility to teach our most valuable asset – our employees – effective ethical behavior. For example, if social norms dictate that in order to get a sale you must bribe the buye, - is that operating with ethics and integrity? Most would say, “No” and yet, if we don’t foster education that provide clear guidance, how can we hold people accountable for unethical actions that they may believe are right actions?

A key component in effective training is wading through the confusion associated with policies and procedures vs. understanding of the reasons behind the information presented. Answer these questions and you'll find the impact of the training enhanced.

1. What is the policy and/or procedure;
2. What makes it important to me and/or my company or both; and
3. How do choices associated with the policy or procedure apply and affect me?

It is not the volume of information that determines the quality, but rather the “stickiness” of the presentation/training that connects with the likelihood of predictable ethical behavior. If the well thought out training program connects in three areas, there is an increased probability that a successful outcome will be achieved:

1. Training needs to reinforce with consistency the culture, policy and leadership direction (if any of these are incongruent, then the training is likely to fail);
2. The importance of the subject should be clearly evident and well thought out in the rollout of the message and format of delivery. For example, a one-shot event may be impactful, but rarely does it have the lasting effect that most organizations desire. Packaged programs presented in different and often experiential formats are most effective in solidifying the behavioral message desired; and
3. Message delivery must be effectively coordinated to gain maximum connection and benefit.

**Leadership** is critical when employees are faced with the need for help in resolving ethical dilemmas. Routine questions that arise in day-to-day activities and/or operations are easy to resolve, but rarely are the issues that create front-page news routine. If we expect our employees to operate from a place of integrity with high ethical values, then we need to provide the guidance and leadership needed to reinforce and teach right action.

The leaders role is to provide the standard by which ethical choices are measured. Creating an effective environment that fosters teaching core ethical principles is paramount to achieving consistent ethical choice results. An effective program would naturally embody the following:

1. Designed to be both compliant with relevant law: Sarbanes-Oxley, Foreign Corrupt Practices Act, and/or the Federal Sentencing Guidelines – as well as provide practical application as to what “right choices” or “ethical choices” mean to them personally.

2. Give appropriate consideration to the Value Proposition relative to training. If 95% of your workforce is always operating in an ethical manner; the question then becomes what is the potential cost to your business if any of the remaining 5% fail? Is the cost negative publicity? Is the cost a practical business cost due to loss of business? Is the cost the loss of competitive advantage or the creation of a competitive disadvantage?
3. Leadership will help guide the direction of an effective training program making sure that it is relevant to the location and context of the organization. Having a resource that is comfortable in understanding different cultures and relevant laws is critical for multi-national organizations. The Ethics Resource Group has the resources to meet the dynamic needs of businesses both domestic and foreign.

Above all, **Employee Support for Ethical Choices** is a linchpin for the success of an effective program. A consistent message properly reinforced will fail if the employee risking making the ethical choice believes that he/she will not be supported in their decision. **The Human Side of Ethics** has proven over and over that fear is a far more effective motivator of human behavior than gain. For example in a recent engagement the following was reported to me (which drove home the importance of leadership and culture):

“We really know what to do, it’s just that every time one of us takes a step forward to do the right thing, we find ourselves on the other end of a reprimand. We’re labeled as do-gooders or snitches. Frankly, it’s far easier to keep our mouths shut and keep the peace, than it is to change our culture. Ethics...it’s all just lip service around here.”

Sad, but the comment above can be found in many of the companies we consult with today. While senior management means well and truly has a desire to promote an ethical culture, often the reality is day-to-day issues take priority over comprehensive training in ethics and values.)Without fully supporting ethical choices and the employees that make them, you find that the foundation needed to support and maintain an ethical system of choices is not there. To that end, we, the Ethics Resource Group, help to evaluate your ethical temperature now and work with you to solidify the foundation of ethics in your organization.

## Seven Key Principles of an Effective Ethics Training Program

- 1** Define the Ethical Culture of the organization, promote with enthusiasm and commit to effective education (Culture, Promote and Educate)
- 2** Commit to Executive Buy-In! The difference between words and actions speak far louder than any mass announcement supported only by lip-service.
- 3** Create an employee centric training program that includes HR and Compliance – knowing that the primary support function that exists beyond any outside training and consulting is critical to long-term effectiveness.
- 4** Connect the dots between The Human Side of Ethics – choices and consequences – so that the stickiness of the comprehensive program has a long life.
- 5** Make the content practical, memorable and experiential. One delivery method is typically insufficient to create an effective long shelf life program. Canned programs are rarely the solution. Seek a solution provider that has the skills, creativity and capabilities to connect with your employee base and tap into the human experience. Your objective is to steer behavior naturally toward the ethical.
- 6** Seek to gain the greatest value for the objective sought. The real measure of the success of a program is long-term effectiveness. Fines for regulatory breaches have never been higher. Therefore, cost containment, while a noble goal, is often one of the primary reasons training programs fail. Evaluate the goals against the value of success or the cost of failure.
- 7** Finally, construct the business ethics training in such a way to place value on the context and location of training along with spirited content that has an impact. Reinforcement, updates (often electronic) and perspective shifted campaigns are all part of a long-term strategy to accomplish ethics training success.

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Chuck Gallagher, founder and CEO of the Ethics Resource Group provides ethics presentations, training and consulting worldwide. From Healthcare to Government, from Financial Services to Education, the Ethics Resource Group provides solution based ethics and compliance programs. To learn more about your how we can help your organization structure and effective training and awareness plan contact:

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