



Managing workplace ethics* - how to improve your organisation's ethical health and achieve organisational integrity

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In recent years, the issue of management or governance of ethics within organisations in the public and private sectors has come to the fore. For several valid business reasons organisations have been forced to become socially responsible, to act with increased ethical sensitivity and to report on the organisation's performance relative to its ethics statement to all stakeholders. Organisations that recognise the strategic importance of ethics within business and pro-actively manage ethics reap the benefits of stakeholder confidence, public trust in the organisation and a good reputation.

An increased awareness of the ethical dimension of the governance of organisations has also shifted the focus away from the approach that had to satisfy the owners only, to a more inclusive approach focusing on the needs, rights and interests of all the stakeholders or constituencies that are affected by the organisation's decisions and activities. Improving governance within organisations includes considering the ethical implications of all actions undertaken and consistently striving to improving the organisation's ethical health by formally managing its business practices with ongoing reference to the stated ethics of the organisation.

Managing ethics within an organisation is the responsibility of senior management, who should buy into the fact that ethics can and should be effectively managed. Senior management should take a strategic decision to increase the ethical health of the organisation by establishing a formal ethics management process, building ethics into its strategy and identifying ethical leaders to set the example and drive the process.

Organisations aspiring to "walk the ethics talk" should recognise the fact that organisational ethics is much more than a code of ethics with a few ethical platitudes to aspire towards. Organisational ethics is about making ethics real within the organisation by devising and implementing a formal ethics management framework within the organisation. A formal ethics management framework typically includes an ethical organisational culture, ethical leadership, an ethics strategy, an ethics management team (ethics officer, ethics committee, integrity unit), and a formal ethics management process. All these ethics initiatives should be effectively utilised to ensure an improved organisational culture based on agreed ethics, applied and monitored continuously to ensure sustainable ethical health for the organisation.

Ethical culture

Creating and maintaining an ethical organisational culture is an important part of the ethics management framework. Top management has a responsibility to oversee the process of establishing an ethical culture. A culture of ethics is characterised by amongst others, an ethics awareness, ethical leadership, ethics talk, ethical decision-making and stakeholders' satisfaction. Senior management should therefore ensure that the organisation has an ethics vision, an ethics strategy, and the necessary systems and structures in place to empower and enable ethics within the organisation.

The ethical culture of the organisation can play a significant role in stimulating or discouraging responsible individual behaviour. Dubious or even bad apples (individuals) can be restrained from unethical behaviour should they find themselves in barrels (organisations) that are ethically healthy and have a strong ethical culture. Such organisations would not tolerate unethical behaviour, and would reward ethical behaviour and encourage an ethical way of thinking and doing.

Ethical leadership

An organisation aspiring to improve its ethical health, should identify and invest in ethical leaders. Landman and Punt (2006:11) state that ethical leadership is characterised by setting high standards and communicating these standards loudly and repeatedly in public and private, acting when someone violates the standards, funding and supporting ethics initiatives and holding people accountable for ethical and unethical conduct. Furthermore, ethical leadership requires more than being an ethical person. Ethical leaders should shape the ethical culture, model ethical conduct, require ethical conduct from others, reinforce ethical conduct in others and pursue and root out unethical conduct by others.

People in management positions are not necessarily ethical individuals demonstrating ethical leadership. An effective ethics management framework should be managed by people who

* Workplace ethics or organisational ethics is defined as the principles, norms and standards that guide an organisation's conduct of its activities, internal relations and interactions with external stakeholders (King II). The term "ethics" as used in this article refers to the ethical standards identified, defined and implemented within organisations to achieve a culture of organisational integrity.

have a reputation for ethical leadership. Rossouw and Van Vuuren (2004:240) identify cognitive (having analytical and decision-making skills), behavioural (commitment and courage to implement ethical decisions) and managerial (the knowledge and skills to direct, control and reward the ethical behaviour of others) competencies as being required by ethically competent managers. These ethical leaders should be agents for change within organisational ethics, ethics managers, as well as being ethical in the performance of their own jobs.

The determination of ethical leadership is therefore a critical part of the ethics management framework. Ethical leaders or role models who have adopted praiseworthy values and are consistently guided by these values need to be employed within the organisation. Executives should develop a reputation for ethical leadership and should set the ethical tone from the top. Even though senior management remains the driving force behind the ethics management process, it is critical that they continuously consult with stakeholders throughout the process, enhancing ethical decision-making and ensuring stakeholder engagement and feedback. Once ethical leaders have been identified within the organisation, an ethics strategy needs to be determined.

Ethics strategy

An organisation has to develop a sustainable ethics strategy in pursuit of its ethical objectives. Rossouw and Van Vuuren (2003:389-402) present a model - Modes of Managing Morality (Table 1) - which explains the different ethics objectives and management strategies organisations adopt to manage ethics. They highlight five primary strategies, each of which will be discussed briefly.

The *immoral* strategy is characterised by a culture where management does not see the need to make decisions concerning ethics. There is no commitment to dealing with ethics and practically no sensitivity to ethical issues. Organisations operating in the immoral mode have no ethics management interventions and the corporate culture makes little or no provisions for an ethical way of thinking.

The *reactive* strategy is, for many organisations, a starting point in managing ethics, but a defensive approach to managing ethics

risk. Unethical behaviour is observed and recognised but normally ignored and remains unpunished. This strategy, also referred to as *laissez-faire* ethics management, is used by organisations who believe that a show of commitment in the form of a set of ethical values (mere words on paper), will create a sufficiently compelling context for ethical behaviour.

The *compliance* strategy is a rules-based approach to managing ethics and is selected by organisations who want to commit themselves to monitoring and managing their ethics performance. These organisations use their codes of ethics to prevent unethical behaviour and as a standard against which its ethical performance can be measured.

An *integrity* strategy on the other hand, is a values-based approach selected by organisations who want to "walk the ethics talk". These organisations want to raise the level of corporate ethics performance and recognise the strategic importance of ethics. They pro-actively promote ethical behaviour and strive to obtain commitment to a set of shared values from individual members of the organisation.

An ethically mature organisation will choose a *totally aligned* strategy where ethical behaviour is of strategic importance to the sustained success of the business. Ethics is integrated into the corporate purpose, strategy and operations and reinforced as part of the organisational structure and culture. The totally aligned organisation (TAO) recognises ethics heroes who embody the vision, purpose and ethical commitment of the organisation. The ethics management strategies of these organisations focus on continuous stakeholder engagement as well as identifying and rectifying discrepancies between behaviour and organisational values.

An organisation's ethics strategy will determine the nature and extent of its ethics management process. An organisation in the immoral mode will not be interested in managing ethics, whereas the ethics management process within a totally aligned organisation will empower management at all levels to pursue their activities and decision-making in an ethically integrated manner. An effective ethics management process will therefore include a strategy for managing ethics performance.

Table 1: Summary of modes of morality model

	Immoral	Reactive	Compliance	Integrity	Totally Aligned Organisation
Nature	Bread first, morals later	Awareness of ethics risk	Prevent unethical conduct	Promote ethical conduct	Ethics integrated with corporate purpose and strategy
Purpose	Unethical practices endorsed	Create ethical standards, but do not enforce it	Rules and external enforcement	Values and internal commitment	Ethics entrenched in corporate culture

(Source: Rossouw & Van Vuuren 2007:38)

A formal ethics management process

As discussed earlier, many organisations believe that the "right thing to do" is to develop a code of ethics in an attempt to formally manage ethics. The focus is on the *product* - namely the code - but the *process* behind the code development, as well as the process to entrench the code into the organisation's culture is often overlooked or ignored. Management is satisfied if they can answer "yes" to the question: *Do you have a code of ethics?* It is however important to move beyond compliance and answer "yes" to the questions: *Is there increased ethics awareness within the organisation and Is there a decrease in fraudulent activities by employees?* Enron, for example had a very impressive written code of ethics, but no efforts were made to effectively institutionalise the code, to make ethics real within the organisation, nor to actively promote ethical conduct.

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The critical elements of a formal ethics management process are:

- **an ethics risk assessment**

Organisations should perform an ethics risk assessment by conducting a formal climate/culture survey amongst its stakeholders to identify ethics risks: for example, reputation risk. A good reputation takes years to build, but can be damaged overnight. An ethics risk assessment will identify the threats of unethical behaviour and the opportunities for ethical behaviour and ethical performance, and should be conducted before attempting to develop a code of ethics.

- **the development of a code of ethics**

In response to the ethics risk assessment, a code of ethics should be developed to manage these risks. A code of ethics should be a "living document" - not merely nice words on paper. A code of ethics should be used as a guide to promote ethical behaviour throughout the organisation, and not merely a "window-dressing" exercise to comply with legislation or in reaction to negative publicity. When developing a code of ethics the format, content and tone of the code should be carefully considered by all the role-players within the organisation.

- **an institutionalisation process**

Ethics should be effectively integrated into the organisation. The values and/or rules underpinning the organisation's code of ethics, as well as its vision and mission, should be embedded in the organisation. An ethics committee or ethics office can play an important role in the institutionalisation process and should be responsible for establishing and maintaining the necessary ethics policies and strategies, ethics training initiatives and ethics

communication strategies. The ethics office could also identify ethics advocates or champions at all levels within the organisation who can stimulate and sustain continuous ethics dialogue to ensure that ethics is effectively built into the structure and culture of the organisation.

A vital phase of the institutionalisation process is to regularly monitor and assess the effectiveness of the ethics management framework of the organisation. Ethics performance indicators can be used to measure effectiveness and monitor the organisation's improvement or decline in ethical health over a period of time.

- **a report on ethics performance**

Organisations should not only report on their financial performance, but should also be encouraged to report on their ethics performance to all their stakeholders. Globally, organisations are increasingly publishing sustainability reports, and reporting on their economic, social and environmental performance. A sustainability report should thus include a report on the organisation's ethics performance or the status of its ethical health. Information that could be included in such a report is amongst others:

- an identification and description of the organisation's stakeholders;
- a description of stakeholder engagement processes or stakeholder relations, including employee relations;
- corporate social responsibility initiatives; and
- details of fraud prevention initiatives as well as statistics on the decrease in fraudulent activities.

The ethics management process is usually driven by the ethics office or ethics committee, but could also be delegated to independent ethics management consultants and other relevant service providers. A summary of the formal ethics management process is presented in Table 2.

Conclusion

Organisations wanting to improve their ethical health should pro-actively build on an ethical culture by identifying ethical leaders, implementing ethics strategies and following a formal ethics management process. A formal ethics management process should include an ethics risk assessment, the development of a code of conduct, an institutionalisation process and ongoing reporting on ethics performance.

The challenges faced by organisations that want to "do the right thing" and ensure organisational integrity are vast. Building an ethical organisational culture and achieving ethical business competency is a long term process, but renders long term benefits including a good reputation and stakeholder confidence - critical in ensuring sustainable business success and service delivery.

Organisations aspiring to "walk the ethics talk" should recognise the fact that organisational ethics is much more than a code of ethics with a few ethical platitudes to aspire towards.


Table 2: Ethics management process

Elements	Actions	Role-players
Ethics risk assessment	Identify threats posed by unethical behaviour and opportunities presented by ethical behaviour	Relevant stakeholders - management, employees, suppliers, customers, community, government
Development of a code of ethics	Identify the values and principles that the organisation aspires to and formulate these in a code	Ethics committee or an independent ethics management consultant
Institutionalisation of ethics	Identify all the relevant ethics initiatives that can be used to effectively institutionalise ethics within the organisation - for example ethics training programmes, ethics communication strategies, ethics help-line, ethics performance measurement systems, monitoring systems	Ethics committee or an independent ethics management consultant
Reporting on ethics performance or ethical health	Identify relevant performance indicators to measure the organisation's ethics performance and report internally to management as well as externally via the annual report or sustainability report to the stakeholders	Ethics committee or an independent ethics management consultant


References

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