Cultivate an Ethical Culture
Strong Corporate Citizenship is Good for Business

By Gary Schwebach

Creating and preserving an ethical corporate culture in the real world can be tough. It requires clear ethical standards and a genuine commitment from company leaders and staff.

This means that leaders must go far beyond the paper trail of rules and policies often created as a precaution against corporate litigation. Through senior-level decisions and attitudes, employees throughout the ranks quickly figure out how serious a company is about the values professed; they conduct business accordingly.

And when a company waivers – leading clients down a dishonorable path or going with them there – everything that company does and says eventually comes into question. The recent history of the U.S. health care industry is a prime example of how missteps and misalignment regarding corporate ethics inside a few leading organizations can erode public confidence in an entire industry and lead to hostile regulation and unrelenting scrutiny.

Standing firm on business ethics certainly includes keeping promises and being fair with customers, but it goes far beyond sales. In fact, it encompasses every aspect of business – from employee hiring and promotion policies to the cultivation of business relationships with clients, prospects, suppliers and the community. And it's organic, evolving as needed to stay true to corporate values in the face of market events and internal situations.

The following six management practices can ensure that a company gets on the right track to establishing an ethical corporate culture.

- **Determine values:** Early in a company's life, it's prudent to establish the "ground rules" on which all major business decisions will be made. Some refer to these rules as a values statement. And usually a code of conduct and/or ethics policy supports this statement by articulating how a firm intends to earn consumer and public trust. Professional groups and governing organizations for specific industries may provide guidelines and major points to include in your company's ethics policy if you're in the process of developing it. To the extent possible, all employees should participate in the development of corporate values; this ensures that values are practical, reflect different perspectives and have staff support.
- **Communicate standards:** While it's important to develop processes, guidelines and checklists to ensure that products and/or services are consistently excellent, written statements have limited influence; they're only part of the effort needed to establish an ethical corporate culture. Training programs and discussion forums – those that are interactive and more than a cursory review of written policies – can help employees understand how to handle real-world situations and where to direct questions of an ethical nature. Yet, again, the most influential component of culture building is the attitudes and actions of leaders. Just as consistent and authentic expressions

of values reinforce it, indifference and negativity can erode loyalty to an organization. Leaders must demonstrate accountability and inspire confidence that corporate values are alive, guiding their major decisions affecting the company.

Gary Schwebach

- **Reward ethical performance:** Metrics used to assess performance and the ethical standards of a company must be complementary. Particularly if there's indication that undesired behavior is in effect, take a fresh look at current policies and practices and consider any potential messaging that counters the corporate culture you hope to achieve. It's possible that compensation structures and performance rewards are having unintended consequences on behaviors. It may also become necessary to demonstrate a commitment to the desired corporate culture by taking disciplinary action against employees who fail to uphold ethical standards or otherwise undermine the organization's credibility – internally and externally.
- **Encourage ownership and upward communication:** When employees at all levels of the organization have a say in the development and evolution of corporate values and are free to point out gaps and inconsistencies in their daily practice, an ethical culture can truly emerge. With encouragement to offer criticism, staff insight can minimize roadblocks to doing the right thing. For some organizations, it may be helpful to develop a cross-departmental committee charged with advocating an ethical corporate culture through activities, training and other initiatives. This committee could also function as a go-between for staff wanting to communicate indirectly with leaders.
- **Resolve ethical conflicts:** While each of a company's employees should serve as an officer of ethics at all times, it's usually prudent for companies to appoint a leader to oversee ethics compliance. Ideally, the appointed person will have the authority to resolve ethical issues in confidence and ensure appropriate outcomes. In most cases, employees should be encouraged to discuss ethical issues with his/her supervisor. However, if this is not a feasible source of counsel due to the nature of an issue, employees should be directed to the ethics compliance officer and feel confident that their discussion will be treated with respect and resolved fairly.
- **Monitor the company's ethical performance:** Credible award programs and other third-party assessment processes can provide an objective view of your corporate culture and business ethics. Since the daily implementation of values is fluid and somewhat unpredictable, external assessments can alert companies of shifting attitudes and internal dynamics that may be undermining efforts to cultivate an ethical culture. When

Pass It On

Continued from page 66

selecting an assessment program, think about how the program will measure behaviors and desired attributes against employee perceptions and observations. Then, with data in hand, adjust policies and incentivize ethical behavior to achieve desired outcomes.

No sound research data shows that ethical operations lead to financial gain, but we know intuitively and through general experience that "doing the right thing" pays off in the long run – for individual businesses and entire geographies. A fair and honorable marketplace can attract and retain businesses, investors and talent – ensuring the survival and continued growth of commerce. If ethical business practices can become a shared goal for all Indiana companies, we can reinforce credibility and nationwide trust in the state's business environment. With that, we all win.

INFORMATION LINK

Author: Gary Schwebach is a principal with G & S Research, which provides difference-making market research to health care decision-makers. The company was honored by the Better Business Bureau with a 2007 Business Ethics Awards and is a semifinalist for the BBB International Torch Award for Marketplace Excellence. G & S Research was also ranked among the top five Best Places to Work in Indiana companies by the Indiana Chamber of Commerce in 2006 and 2007. Learn more at www.gs-research.com