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# Five Levees for Improving Ethical Performance

BY DENIS COLLINS

When was the last time you faced an ethical dilemma? Think hard. The correct answer should be...“a few minutes ago.” Every decision that impacts human beings or the natural environment has an ethical component. Did you treat your staff with respect this morning? Were

you absolutely honest during your last interaction with your customer or supplier, your spouse, or children? Is your product or service environmentally friendly?

All human beings are ethically challenged. Research conducted by Bella DePaulo of the University of Virginia and her colleagues found that people lie or tell a half-truth once or twice every day and in 20% of their conversations that last longer than 10 minutes. Other studies report that 10 million people lie to the IRS every year, 70% of all doctors lie to Medicare or to insurance companies, and 25% of middle-managers admit to having written a fraudulent internal report.

From a moral perspective, we are morally imperfect people living in a morally imperfect world. We are born to morally imperfect

parents, grow up with morally imperfect siblings and friends, are taught by morally imperfect teachers, and get jobs working for morally imperfect bosses in morally imperfect organizations.

This doesn't mean that we aren't good. Indeed, we are often very good...just not all the time and in every situation.

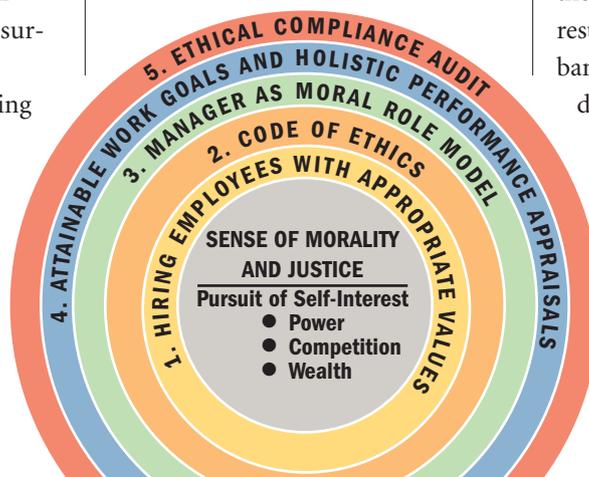
Given this morally imperfect context, organizations must do every-

thing possible to maximize ethical behavior and minimize unethical behavior. A lie to an important customer could end that relationship. A lie on a report could result in a misinformed strategic decision. A lie to a stockholder or the government could find us in court and jail.

A capitalist economy depends on the truthful conveyance of information to the market. When that doesn't happen, greater government regulation is right around the corner.

As shown in Figure 1, creating and sustaining an ethical culture requires building a series of five moral levees around an individual's freedom to pursue his or her self-interests in a competitive business environment where wealth and power are highly valued. If unprotected by moral levees, the competitive urge to rise to the top of the social hierarchy could result in another business scandal, bankruptcy for the organization, and disgrace for the individual.

Figure 1. Five Moral Levees



## Moral Levee #1: Hiring Employees with Appropriate Values

When you hire people, you hire their ethics as well. People bring their perceptions of

right and wrong with them to work. Organizations should conduct background checks at all levels of hiring to understand the value system of the employee being interviewed. Hiring just one person with an inappropriate value system—someone whose sense of morality and justice doesn't match the existing culture—can corrupt an entire organization. If left alone, a new employee with the wrong value system will attract like-minded people and lead them in directions that are likely to be detrimental to the organization.

Integrity tests, the easiest method to screen potential employees for unethical propensities, are prone to false-positives because people who lie on them outscore more honest job applicants. Personal interviews are a more reliable method for gauging ethics. Job finalists can be asked to tell stories about the ethics of their previous boss or work culture. They can also respond to several ethical dilemmas that highlight real-life scenarios at your workplace.

### **Moral Level #2: Make Your Code of Ethics a Living Document**

An organization's code of ethics should be relevant to employees. Provisions within the code of ethics must be consistently and publicly enforced to make them meaningful.

Employees should be surveyed annually on how well the company is "walking the talk" as part of employee training and development workshops. Each code statement—such as "We exhibit high respect for our customers"—could be measured on a five-point scale. Participants should then provide stories about situations that show high and/or low compliance. Employee

feedback shouldn't impact performance evaluations; otherwise, only socially desirable responses will be offered.

In the spirit of continuous improvement, employees should hold brainstorming sessions to address the low-compliance items. Discussing these issues in small groups provides a voice for the moral ideal, raises moral expectations, and increases moral accountability.

### **Moral Level #3: Making Managers Moral Role Models**

Managers who want employees to exhibit ethical behaviors must themselves behave ethically. Employees receive cues for appropriate behaviors directly from their managers. If a manager sacrifices ethics to accomplish a short-term goal, then employees are likely to do likewise. Loyalty matters a great deal in most organizations. Employees seeking managerial approval will replicate their direct manager's attitudes and behavior patterns.

Managers must encourage and listen to employees reporting unethical activities at work and respond appropriately. Many employees are hesitant to exercise the required moral courage because they fear retaliation or don't want to be labeled "moral prudes" or "squealers" and be ostracized by coworkers.

### **Moral Level #4: Set Attainable Work Goals, and Conduct Holistic Performance Appraisals**

Employees also receive moral expectation cues from work goals and performance appraisals. Some employees will find unethical ways to achieve unattainable work goals to protect their jobs or receive a bonus or promotion. Performance appraisals should be linked directly to

employee goals. Organizational ethics are enhanced when employees making ethical decisions are financially rewarded and promoted and those making unethical ones are dismissed.

Managers can hold all employees accountable to high ethical standards through holistic performance appraisals. Behaviors and attitudes that impact organizational ethics should be quantified as part of an employee's performance review. A phrase such as "s/he is trustworthy" is subject to a wide interpretation. "S/he promptly handles customer complaints in accordance with company policies" is a more objective measure of trustworthiness.

### **Moral Level #5: Conduct an Ethical Compliance Audit**

Ethical risks must be identified and managed. Managers can create a defect-free ethical culture—one that automatically rejects unethical behaviors—by applying total quality management analysis to ethical deviances. Employees should track unethical behaviors to their systemic cause, develop appropriate corrective metrics and benchmarks, and then be held accountable for accomplishing the desired results.

This activity should be part of an annual comprehensive organization-wide ethical compliance audit. Managers can gather information regarding company relations with owners, employees, customers, suppliers, the community, and the natural environment and share it with employees. Appropriate remedies should be implemented to reduce gaps between the ethical ideal and actual performance.

Organizations with a well-fortified ethical culture tend to have higher

degrees of employee, customer, supplier, and investor satisfaction and loyalty. These long-term trusting relationships directly benefit the bottom line.

These five moral levees enhance ethical behaviors, protect organizations from unethical behaviors, and help to ensure the preservation of the free market system. For long-term success, the pursuit of self-interest in a highly competitive environment that offers huge financial rewards to those who obtain the most power must take place within a system of checks and balances supportive of a strong ethical culture or DNA. A moral levee with a small leak must be repaired promptly and supported by other moral levees. Otherwise, the levee could be breached, the entire organization destroyed, and all of society ends up with harsh governmental interference. ■

#### **QUESTIONS:**

1. How many moral levees are in place in your organization?
2. Are they strong enough to withstand the next “hurricane season”?

*Denis Collins, Ph.D., is professor of management at Edgewood College in Madison, Wis. This article is adapted from his recent book Behaving Badly: Ethical Lessons from Enron, which has an interactive website at: <http://business.edgewood.edu/behavingbadly>.*

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