

HOW ETHICAL (OR UNETHICAL) IS YOUR ORGANISATION'S CULTURE?

The concept of organisational culture is generally well understood as “the way things are done around here”. Whether the culture is ethical or unethical will be reflected in the dominant “way things are done”, encompassing conduct, decisions and strategy.

Clearly an ethical culture is very desirable, not least because the optimal outcome of an ethical culture is trust, which delivers great value and multiple benefits to the organisation and its people. Given this, the quest for more ethical workplace conduct makes culture especially pertinent and, in particular, it makes culture an appropriate ethical goal for the organisation.

Organisational culture is influenced by many factors, such as the nature of the business and the industry. The culture in an industry like mining would differ from the culture in the advertising industry where creativity – rather than safety – would be a central focus. Within an organisation sub-cultures can also exist among different departments, shaped by the nature of their work. For example, the culture in the compliance department is likely to differ from the public relations department. From an ethical perspective, building an ethical culture derives largely from the influence of the organisation's leadership and its norms, values and rules (the latter including legislation, regulations, the code of conduct and company policies).

The crucial point that is widely accepted is that culture acts to shape behaviour in organisations, for good or for bad. What is not as widely recognised is that, in addition to being a driver of behaviour, culture also acts as a reflection of behaviour by mirroring the norms and standards of the actions and conduct by employees among themselves and relative to external stakeholders. Therefore, culture serves as a communication channel to “show” employees what is considered acceptable and unacceptable in the workplace and, since it is on-going, to reinforce those behaviours. As this often takes the form of non-verbal communication, its impact is strengthened, because actions generally have a far greater effect than words. This role as an effective self-reinforcing mechanism makes the attainment of an ethical culture a high-priority goal, and adds to the validity of culture being the optimal ethics goal.

Leaders who aim to achieve this goal therefore need to ensure that they understand how ethical or unethical the organisation is, as this is directly manifest in its culture.

Although the assessment of the organisation's ethical status should be central to a sound ethics management system, all too often it is not measured or monitored – despite the assessment/monitoring and reporting of ethics being a requirement of the Companies Act (in terms of the social and ethics committee mandate) and a King III recommendation. Yet consider, for example, that you would automatically assess the honesty, trustworthiness and reliability of the handyman you allow into your home, or of the garage doing your vehicle repair. If you were taking out new insurance cover, you would assess the company's fairness. In other words, you would automatically be assessing their ethical status.

So too do others assess your organisation's ethical status based on a myriad of things, from press reports to what your employee said about the company or its leaders. It includes how you treat your customers, suppliers and other stakeholder groups, whether there is a gap between what you say and do, and whether your values are lived or just framed on the wall.

The assessment of your ethical status by internal and external stakeholders is important because it affects your organisation, either positively or negatively.

A positive assessment of your ethical status enhances the quality of your relationships with your stakeholders, be it employee commitment, customer loyalty or investor and market confidence. It also supports the recruitment and retention of top talent for employees and your board. Internally it produces higher levels of individual accountability and avoids the need for excessive regulation. Other valuable results of a positive ethical status include easier access to capital and lower cost of capital.

The high-trust environment that a strong ethical culture creates can enhance the company's reputation and brand equity and have a positive impact on risk management, reducing the likelihood of high costs and other negative consequences associated with ethical breaches. Ultimately, this all adds up to a unique source of competitive advantage, a very valuable commodity in today's economy.

A negative assessment is, of course, damaging on many fronts: for corporate reputations, brand equity, client retention, or even for the on-going operation of the business. And, your negative ethical status will not be accorded any form of confidentiality. Quite the contrary: it may be very newsworthy and widely shared.

But, positive or negative, first you have to know your status. And not just for today, not just after the bribery or collusion charges have hit the press, but all the time by regularly monitoring it.

ASSESSING ORGANISATIONAL ETHICS

A comprehensive, accurate ethics assessment can be done with an instrument such as a web-based ethics survey, which measures the ethical status of organisations based on the perceptions and experiences of management and employees (as opposed to the limited view of a few senior leaders and board members). The results highlight the company's ethical strengths, weaknesses and risks, and identify and prioritise actions to improve ethics and to support of the effective management of workplace ethics.

For smaller organisations, the Ethics Awareness Checklist serves as a quick and easy appraisal of an organisation's ethical status that encompasses the level of a company's ethics awareness, understanding and management. If the majority of the employees answer "no" or "don't know" to any of the nine questions, it indicates that further action should be taken to more effectively manage the organisation's ethics.

Do the directors, executives and employees share a common understanding of what constitutes ethics in your organisation?	1	YES
		<hr/>
		NO
		<hr/>
		DON'T KNOW

A clear, shared understanding is an essential foundation for ethical behaviour. It also serves to build greater levels of ethical awareness. Without a common understanding, differences can arise from divergent personal values, among other issues.

Do you understand why workplace ethics is important?	2	YES
		<hr/>
		NO
		<hr/>

Insight into the benefits of sound ethics and the potential costs of unethical conduct strengthens employees' understanding of why workplace ethics matters in the workplace.

Has your company appointed someone to manage ethics and to whom queries and problems can be referred?	3	YES
		<hr/>
		NO
		<hr/>
		DON'T KNOW

Smaller companies are generally not required to set up a social and ethics committee. However, all companies should appoint someone to manage ethics and to handle queries or problems. This could be an ethics officer or, if the company is too small to warrant a fulltime position, it could be a senior member of staff such as the CEO or the HR director.

Does your company have a clear ethics goal and a supporting ethics strategy?	4	YES
		<hr/>
		NO
		<hr/>
		DON'T KNOW

The company's ethics goal (such as building and maintaining an ethical culture) should be clearly articulated so that all employees understand what the company is aiming to achieve. Understanding or having some insight into the strategy means that more people are able to support and give effect to the strategy.

Does your company have an ethics management system?	5	YES
		<hr/>
		NO
		<hr/>
		DON'T KNOW

An ethics management system consolidates the ethics initiatives to create a greater impact on employees. In the absence of a sound, integrated ethics management system, the company risks its ethics initiatives being disjointed and not achieving the intended benefit.

The ethics management system needs to include six focus areas: ethics goals and strategy, leadership commitment, ethical standards, ethical awareness, ethics assessment and reporting and operational ethics

Does your company manage its ethics proactively and regularly?	6	YES
		<hr/>
		NO
		<hr/>
		DON'T KNOW

The benefits of ethical conduct and the costs associated with misconduct warrant that ethics is not managed reactively or on an ad hoc basis. Effective ethics management rests on proactive, regular attention.

Does your company provide opportunities for its people to learn how to handle ethical dilemmas effectively?	7	YES
		<hr/>
		NO
		<hr/>

Effective ethics training can help build and reinforce an ethical culture. It also provides the opportunity to address ethical challenges in the workplace, makes employees more aware of ethical choices and decisions, and equips managers and supervisors with the necessary knowledge and understanding to manage ethics better among their people.

To ensure that ethics training programmes are impactful, the following design features should be taken into account: do not teach what the participants already know, take the “knowing-doing” gap into account, teach ethics based on your company’s ethical reality, not on abstract theory, and combine appropriate theory and practice.

8	Does the company have an ethics policy, a code of conduct or other policies that provide clear guidelines about what behaviours are and are not acceptable?	YES
		NO
		DON'T KNOW

One of the key features of an effective ethics management system is defining the company’s ethical standards in an ethics policy and/or a code of conduct with supporting policies.

9	Does the company report on its company’s ethics?	YES
		NO
		DON'T KNOW

Ethics reporting is a recommendation of King III and a requirement of the Companies Act social and ethics committee. An ethics report should include the activities of the social and ethics committee, details of the company’s ethics management system, and the annual measurement of the company’s ethics, all of which should be presented in relation to the organisation’s ethics goals and strategy. An added benefit from the regular assessment your organisation’s ethics derives from the business dictum that ‘you can’t manage what you don’t measure’. Although this is somewhat of an exaggeration, you can certainly manage ethics better and more easily if you measure it.



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