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# Ethical practice and the role of HR

Explore the role HR professionals play in applying ethical values to organisational practice

## Introduction

Scandals involving workplace harassment and poor treatment of workers have highlighted what can happen when ethics aren't integral to the way organisations operate. With unique access to staff throughout their careers, as well as opportunities to influence the organisation's strategy and the way it manages its workforce, the people profession is uniquely placed to embed principled decision-making into daily practice. Ethics are at the heart of professionalism. To create cultures of transparency and trust, practitioners should demonstrate strong standards of integrity when advising business leaders.

This factsheet explores what ethical practice means and why it's important in an organisational context. It outlines the trade-offs involved in upholding ethical values and the challenges faced by HR professionals. Finally, it looks at the role of the profession in creating ethical organisational cultures through key practices and systems.

## What is ethical practice in organisations?

Ethical practice is the application of ethical values in organisational behaviour. It applies in all aspects of organisational conduct, including corporate governance, employment practices, sales techniques, stakeholder relations, accounting practices, and issues of product and corporate responsibility. It's about the discretionary decisions that organisations and the people who work for them make in day-to-day situations. Are colleagues treated with dignity and respect? Are customers treated fairly? Are suppliers paid on time? Does the organisation acknowledge its responsibilities to wider society?

People management decisions often involve trade-offs between different needs or priorities. Being aware of and understanding the outcomes of alternative courses of

action will enable people managers to make sound judgements. Philosophy literature says there are different perspectives or 'lenses' to be considered when making ethical decisions in the workplace. These do not represent 'right' or 'wrong' judgements, but rather, alternative ways of looking at a situation. For example, one lens says that work should be good for people, whereas another lens suggests that long-term interests are more important than short-term gains.

Our [Ethical-decision making](#) research informed our [principles for the profession](#). They are designed to guide practitioners' decision-making in any given context and when faced with unexpected situations. The principles represent higher-level value judgements which go beyond prescriptive rules, signalling what an individual should take into account when deciding how to act. Our [new Profession Map](#) has ethical practice as a core behaviour.

## **Ethical practice in the time of coronavirus**

The COVID-19 pandemic has forced many organisations to make rapid changes to their business model. This may include reducing operations, redeploying staff or hiring new workers to meet increased demand. It's also bringing unique people management challenges as employees adapt to workplace changes or personal challenges such as juggling caring responsibilities or self-isolating.

In this unparalleled situation, having a principled based approach to decision making is essential to make sure organisations behave ethically. There are many factors to be considered; from employee wellbeing and safety, business finances and long-term sustainability. Using a principle-based approach can help guide decisions as the situation evolves. We've created a COVID-19 workforce planner to help organisations navigate complex decisions about workforce changes during the pandemic.

People professionals need to champion ethical practice and work with the wider business throughout the crisis to ensure the best possible outcomes for all. Find out more about the role that people professionals should play in [Coronavirus and the workforce: doing the right thing in a crisis](#).

There's more on what employers should be doing in our [Responding to the coronavirus hub](#).

## **Why is ethical practice important?**

Organisations should 'do the right thing' because it is the right thing to do. [The Institute of Business Ethics' research](#) supports this view, and demonstrates the benefits to organisations when they take their ethical values seriously:

- An open culture improves morale.
- Good relations with customers lead to an enhanced reputation.
- Ethical companies outperform their peers financially in the long term.

Reputations are based not only on an organisation's delivery of its products and services, but on how it values its relationships with its staff and stakeholders, and how it establishes responsibility and accountability towards them. Demonstrable ethical practice is not only an effective insurance policy, mitigating risk; it gives organisations a competitive advantage. The success of any organisation depends on trustful relationships with employees, customers, suppliers and the community.

Serious risks can occur when an organisation's culture is at odds with its stated ethical values. The 'say/do gap' – where leaders say one thing but do another – is harmful to their credibility and leaves workers cynical and disengaged. As a result, the organisation is susceptible to ethical lapses and damage to its reputation. Leaders should be clear on what the organisation's ethical values are and set expectations with employees so that they reflect these values in their behaviours. In our [Purposeful leadership](#) report, we investigate what business ethics means for leaders at various levels of the organisational hierarchy, and the extent to which these leaders can help organisations articulate and embed ethical values. Listen to a round-table discussion in our podcast [Ethics: a leadership imperative](#).

## Establishing an ethical culture

The term 'ethical culture' is about how ethical values are brought to life in the day-to-day running of the organisation. So, for example, a company may have 'excellence' as a value. But how is excellence defined in that organisation? How is it achieved? Is it with integrity, or is it at the expense, for example, of child labour or poor working conditions?

An organisation's ethical climate also matters. It's about the social norms and values that outline what 'the right behaviour' is and how ethics should guide behaviour. Ethical climate is influenced by policies and practices, meaning businesses need to pay attention to management practices and how they shape the ethical environment. Find out more about [organisational culture and climate](#).

To operate ethically, an organisation needs an ethics programme to support and bring its values to life. This may be a formal or informal programme depending on the size of the organisation, but it should include a code of ethics as the key element. If values are a compass to guide behaviour at work, then a code of ethics is the map that helps people navigate ethical dilemmas in the workplace. When done well, a code articulates expected behaviours and brings the organisation's values to life – and isn't seen just as a compliance-driven initiative. To understand expectations and ensure they are achievable,

staff need guidance from their leaders. And once a code of ethics is launched, organisations shouldn't stop ethics activities as valuable insights can be fed back from staff, customers and stakeholders.

Listen to our [Creating ethical workplaces podcast](#) which explores how organisations can support ethical behaviour through their people management practices.

## **Embedding ethics**

Ethical values are the compass by which we live our lives. They are what is important to us. For example, is it important to you to give an honest quote, even if that means losing out to the competition (who may not be so honest)? Would you stand up to your boss if you felt they were asking you to do something unethical?

Core values exist in most organisations, whether they've been consciously created through many years of leaders behaving in a certain way or left to chance, and whether or not they are formally articulated. Whatever policies and programmes are in place, it's the organisation's values that provide the framework for the company's culture and decision-making. These core values will be the foundation of any ethics programme.

In the rapidly changing world of work, there is not always a 'golden rule' or 'best practice' to help practitioners navigate workplace dilemmas. The ability to exercise situational judgement is critical to operating effectively in this environment and making the best possible decisions, by drawing on both one's knowledge and sensitivity to the ethical choices.

In 2015, our [Best to good practice HR](#) research found that while HR professionals want to make ethical decisions, there's often a gap between that ambition and actual practice. Practitioners sometimes feel they have to compromise on their principles because they feel under pressure from the business. Since the remit and identity of HR has been closely tied to organisational goals, the ability of people practitioners to operate as independent professionals, with the power to challenge organisational decisions when they violate ethical values, has been questioned.

Our People profession in 2018 survey found that most people professionals believe that their jobs gives them the opportunity to fully express themselves as a professional. However, nearly three in ten feel that there's a conflict between their professional beliefs and what their organisation expects of them. Developing a strong sense of purpose and identification with the people profession can equip practitioners with the courage to challenge unethical organisational practice.

The personal values of employees may or may not align with organisational values, therefore organisations may need to provide support for employees in how to deliver

them. Some organisations provide individuals with 'ethical tests' to help them make decisions and navigate ethical values and principles. These might involve a series of questions, such as:

- Is it consistent with the organisation's code of ethics?
- How would I feel about it being on the front page of tomorrow's newspapers?

Ethical dilemmas can arise in many situations and at all levels within organisations, from those related to strategy and policy in the boardroom to those faced by managers or individuals in their day-to-day work. While the boundaries of right and wrong as defined in law are clear, behaving ethically is discretionary. Dilemmas arise when what's right and wrong are not clear; for example, when an individual is faced with a choice between the least wrong options, or when the needs of different stakeholders are in conflict.

CIPD members facing challenges can use our discussion forum [Workplace dilemmas in confidence](#) to post anonymously and seek valuable guidance and peer support from the member community.

There's a checklist on addressing the ethical climate of your organisation in our [Ethics at work employer's guide](#).

## Communicating ethics

Organisations should articulate what ethical principles mean in day-to-day practice and support employees in embracing them, as well as working with individuals to recognise when an ethical dilemma arises and how to deal with it. Our [Ethics at work employer's guide](#) includes a 'Transparent decision making' flowchart that can be shared with the workforce.

Communicating the organisation's values indicates a long-term strategic commitment to building and maintaining an ethical culture. Regular internal communications should regularly refer to the values and ethical expectations. Where there has been an ethical lapse or scandal, communications can help [rebuild internal trust](#) by revitalising the commitment to behaving ethically. But it needs care to avoid the impression that 'everyone is doing it' or suggesting unethical behaviour is the norm in the organisation.

Where different cultures have merged (for example, in an acquisition), internal communications of ethical values can help develop cohesion, consistency in behaviours, and common purpose. Global companies will find this approach helpful as it supports the task of uniting different cultures in the corporation behind one set of values. A useful way to do this is to nominate ethics ambassadors and obtain case studies from each business area.

If an organisation has an ethical code, it should be regularly reviewed and interactively discussed with employees. It shouldn't just be covered during induction. Talking internally about ethical values will also enhance the [employer brand](#).

## **Key systems**

The HR and people profession is responsible for key systems and processes underpinning the effective delivery of an organisation's ethics messages. With its expertise in change management and internal communications, and by working in partnership with those responsible for ethical performance within their organisation, the profession can help to integrate ethics into the following organisational processes:

- Recruitment and induction
- Diversity and inclusion
- Learning and development
- Performance management
- Reward, including bonuses and incentives.

Our [Ethics at work employer's guide](#) has sections on job design, and targets and reward.

People professionals can also introduce specific activities to familiarise staff with ethical issues, for example anti-bribery, modern slavery and data protection training.

Finally, people professionals should ensure they understand the governance structure of the organisation and enable full transparency by implementing confidential ways for employees to raise concerns. There's a 'Speaking Up' checklist in our [Ethics at work employer's guide](#).

## **Assessing and reinforcing ethical behaviours**

Our research reviewing [unethical workplace behaviour](#) highlights the key risk factors. By understanding better what influences people's decision-making and behaviour, businesses can take evidence-based action to tackle it. These include people management practices like reward and job design. There's practical guidance on how to promote ethical behaviours in our [Ethics at work employer's guide](#).

As well as establishing and communicating ethical values, organisations should assess and reward ethical behaviours. [Performance management](#) requires commitment to organisational ethical values, and performance reviews should look for ways in which employees and their departments have supported these values. For example, how have difficult decisions been made? As with other performance measures, these can

demonstrate how staff have contributed to the organisation's ethical performance and can be included in decisions regarding bonuses or promotions.

Developing a reward system which promotes ethical behaviours is another way to encourage and reinforce expectations. This could include ethics awards, or remuneration and promotion based on ethical behaviours.

Assessing employees' application of ethical values can encourage them to behave ethically, as well as monitor the effectiveness of the ethics programme to see where further training should be focused. HR professionals and senior leaders should agree on the extent to which ethics are core expectations of employees and any organisation's representatives, and what consequences might arise if those ethics are not upheld.

## Useful contacts and further reading

### Contacts

[Institute of Business Ethics](#)

[Institute of Business Ethics - Speak Up Toolkit](#)

[Business in the Community](#)

[The B Team](#)

[The Jubilee Centre for Character and Virtues](#)

[Institute for Business in Society - 'Giving Voices to Values' Program](#)

[TED talk - The surprising ingredient that makes businesses work better by Marco Alverà](#)

### Books and reports

FRANCIS, R. and MURFEY, G. (2015) *Global business ethics*. 3rd ed. London: Kogan Page.

INSTITUTE OF BUSINESS ETHICS (2014) *The collaboration between the ethics function and HR*. Briefing 40. London: IBE.

LEIGH, A. (2013) *Ethical leadership*. London: Kogan Page

ROBINSON, S. and DOWSON, P. (2012) *Business ethics in practice*. London: Kogan Page.

Visit the [CIPD and Kogan Page Bookshop](#) to see all our priced publications currently in print.

## Journal articles

EPLEY, N. and KUMAR, A. (2019) How to design an ethical organization. *Harvard Business Review*. May-June. Reviewed in [In a Nutshell, issue 87](#).

GRAVE, K. (2018) [HR must speak up about ethics](#). *People Management* (online). 10 September.

[Half of staff 'witness unethical behaviour at work](#). (2017) *People Management* (online). 31 October.

KARLSSON, P-O., AGUIRRE, D. and RIVERA, K. (2017) Are CEOs less ethical than in the past? Why more chief executives are losing their jobs after scandals and corporate misconduct. *Strategy + Business*. Issue 87, Summer. Reviewed in [In a Nutshell, issue 71](#).

SHARP, R. (2019) Ethics and HR. *HR Magazine*. April. Reviewed in [In a Nutshell, issue 87](#).

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