

# Tone at the Top

## “Creating an Ethical Organization”

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# Tone at the Top

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Ethical atmosphere that is created in the workplace by the organization's leadership.

## Organizational Culture

*(Includes implicit norms, values, hidden assumptions, unwritten rules and behaviors)*



# What is Ethics?

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- Standards of conduct
- How one should behave based on
  - Moral duties
  - Virtues
- What's right and wrong?
- How we meet the challenge of doing the right thing, when that will cost more than we want to pay?

# To Set the Right Tone

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1. Communicate to employees what is expected of them
2. Lead by example
3. Provide a safe mechanism for reporting violations
4. Reward integrity



# Common Types of Ethical Violations

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- Abusive or intimidating behavior of superiors toward employees
- Lying to employees, customers, vendors, or the public
- A situation that places employees interests over organizational interests
- Misreporting actual time or hours worked

# Common Types of Ethical Violations

(cont'd)

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- E-mail and Internet abuse
- Discrimination on the basis of race, color, gender, age, or similar categories
- Stealing, theft, or related fraud
- Sexual harassment
- Provision of goods or services that fail to meet specifications



# Common Types of Ethical Violations

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- Misuse of confidential information
- Falsification and misrepresentation of financial records
- Price fixing
- Giving or accepting bribes, kickbacks, or inappropriate gifts

# Why Employees Don't Report Unethical Conduct?

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- 55% of employees do not report
- Under age 30 were the least likely to report ethical misconduct
  - Fear of retaliation from management and coworkers
  - Felt that management would consider them “troublemakers”
- Middle and Senior Managers were most likely to report misconduct



# Top Reasons for not Reporting

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- No corrective action
- No confidentiality of reports
- Retaliation by superiors
- Retaliation by coworkers
- Unsure whom to contact

# Code of Ethics

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Employees who witnessed their company actively following its “code of ethics” were the most likely to report misconduct in the workplace.



# Determinants of Ethical Behavior

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- Behavior of superiors
- Behavior of peers
- Industry ethical practices
- Society's moral climate
- Formal Organizational Policy

# Negative Work Environment

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Low or nonexistent levels of employee morale or feelings of loyalty to the company

Employees will be more prone to committing fraud that will hurt the organization, since they feel no obligation to protect it.



# Negative Work Environment Components

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- Top management does not seem to care about or reward appropriate behavior
- Lack of recognition for proper job performance
- Negative feedback
- Perceived organizational inequities
- Autocratic management, rather than participative management
- Unreasonable budget expectations or other financial targets

# Negative Work Environment Components

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- Low organizational loyalty
- Fear of delivering “bad news” to supervisors and/or management
- Less-than-competitive compensation
- Poor training and promotional opportunities
- Unfair, unequal, or unclear organizational responsibilities
- Poor communication practices or methods within the organization



# Positive Work Environment

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- Recognition and reward systems are in tandem with goals and results
- Equal employment opportunities exist
- Team-oriented, collaborative decision-making policies are encouraged
- Compensation and training programs are professionally administered

# Components of Positive Organizational Culture

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- Ethical Leadership
- Supervisor Reinforcement
- Peer Commitment to Ethics
- Embedded Ethical Values



# Important Considerations for Stakeholders

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- Management team
- Products and services
- Organization reputation
- Governance

# Important Steps to Take

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- Set an ethical tone at the top
- Establish a code of ethics
- Carefully screen job applicants
- Assign proper authority and responsibility
- Mandate fraud and ethics training
- Implement effective disciplinary measures
- Implement a confidential hotline



# Important Steps to Take (cont'd)

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- Establish a whistleblower policy
- Follow through with reports of misconduct and promote effective internal controls
- Prevent reprisals
- Create a culture of doing the right thing

# Conclusion

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## How to Create and Maintain a True Ethical Climate

- Communicate what is expected of employees
- Lead by example
- Provide a safe mechanism for reporting violations
- Reward integrity



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# Discussion?