

Toolkit

Creating an Ethics Program in your Organization, A Step by Step Toolkit

A reputation for being ethical is one of the strongest assets a business can hold. It inspires customers to buy a product or service and entices them to recommend your organization to others. Good ethics attracts high quality employees and investors while bestowing credibility and influence among your industry peers. All combined, having strong business ethics in your organization plays a major factor in its long-term success.

The Omaha Business Ethics Alliance has provided this step by step toolkit to help you enhance your current organizational culture and set a standard for ethics in your community. Currently tailored for medium size organizations, it can be used to create and implement an ethics program in your organization. It will help ensure:

- Customer trust
- An strong reputation
- Prevention of lawsuits
- Employee retention

See how [a good ethics program can really benefit your bottom line](#)

The way that one organization creates an ethics program is often different from the way that another organization does it. So while the steps listed here apply to every organization, which step is taken first, second, third, etc., and how each is fleshed out should be personalized to an organization. Leaders must use their imaginations and creativity to develop and strengthen their own special approach to ethics and business conduct.

The steps are based on the Ethics Resource Center's 2007 National Business Ethics Survey and federal principles. The Federal Sentencing Guidelines for Organizations in 1991 and revised in 2004 *encourages* companies to have formal ethics programs. The Sarbanes-Oxley Act of 2002 *mandates* public companies to disclose whether they have a code of ethics for their principle executive, financial, and accounting officers; to have a mechanism for reporting misconduct anonymously; and discipline employees who violate the law.

If the steps listed here are adequately fulfilled then any organization will be prepared if the government questions its ethics and, more importantly, will know it is doing what is right and good.

STEP ONE: Assessment of your organization's current ethical standing

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Assessment of Culture

The first step in the development of any comprehensive ethics program is to assess the current state of your organization's ethics and policies. Use the following steps and guidelines to examine where your organization is, and where you want it to be.

1. **Start with this quick [assessment questionnaire](#) created by the Omaha Business Ethics Alliance.**
2. **Create and implement an assessment of your own organization.** This will provide a more in-depth examination of the current state of the ethics program in your business. Use these steps to help you create your organization-specific assessment:
 - **Survey your employees.** No one knows your organization better than the people who work in it. They'll have important insights about the ethics of their organization, superiors, coworkers and themselves.
 - **Do an ethics audit.** Use this [free online assessment tool](#) from Duke University's Kenan Institute for Ethics to gain a better understanding of where your organization sits ethically.
 - **Benchmark your competitors.** Gauge your ethics program against national statistics using this [online benchmarking tool from the Ethics Resource Center](#).
3. **Perform a detailed risk assessment.** By understanding the risks facing your organization, you can design a program that addresses your specific ethics needs. The assessment should be broad to cover all areas, including the risk of criminal conduct, legal exposure and damage to reputation.

The risk assessment process involves gathering information about the risks facing your organization. You may want to involve people from across your organization in the risk assessment process and use employee surveys, focus groups and/or interviews to gather information. Financial data, safety records, litigation history or audit findings are good resources as well.

The risks facing a organization vary based on the industry, size, geographic location, workforce composition, and the legal and political environment. Some common risk areas include:

- Employment law violations, such as harassment and discrimination
- Bribery and corruption
- Antitrust and unfair competition
- Conflicts of interest
- Environmental standards violations
- Employee theft or embezzlement of organization assets
- Fraud
- Privacy and data security law violations
- Safety violations
- Political donations
- Accounting and financial reporting

The risk assessment should also include an evaluation of the likelihood the event will occur, the significance of the impact it would have on the organization and the effectiveness of

controls, which are the measures you take to minimize the risks. [A risk management matrix and risk analysis grid](#) may be used to help you identify your highest risks.

Once you have determined your risk priorities, strategies for controlling these risks need to be developed. Such strategies may include updating or creating policies and procedures, providing training, increased oversight or management changes. The risk assessment process should be updated regularly. As your business changes, so will your risks.

STEP TWO: High level responsibility with resources

High Level Responsibility

Every important organizational program has a champion, adequate resources and personnel, and proper placement within the organization. Ethics programs are no different.

Champion

Without a passionate leader, an ethics program will always be secondary to other organization initiatives. So identify that person in your organization who is known for their honor and trustworthiness and is willing to "wear it on their sleeve". Depending on the size of your organization, that person might be you. Or it could be someone who has been with the organization for years or one of the newest members of the organization. Most importantly, your champion is someone who can, or can learn to, verbalize and overtly transmit the values of your organization. This person need not devote full time to the ethics project. Indeed, in Omaha, approximately 20% of companies with formal programs do not have full-time ethics officers. On the other hand, 35% of companies reported that they have two or more full time employees in charge of their formal ethics programs ([Greater Omaha Organizational Ethics Survey, 2008](#))

Financial Resources

Organizational ethics programs require financial support. Every employee knows that the programs that matter most are the ones on which companies spend money. The amount depends on the size of your organization and the emphasis you want to give the program. Financial support need not be excessive, but it must be sufficient for effectiveness.

With creativity and imagination, a small organization can implement an ethics program for the price of printing written ethics documents. In Omaha, out of all of the companies with an ethics program - small, medium and large - most spend between \$2,500 and \$10,000 (Greater Omaha Organizational Ethics Survey, 2008). In comparison, the Conference Board published a report in 2006 that indicated that 29% of companies surveyed had a budget of less than \$50,000 while 4% had budgets of greater than \$10 million. A current estimation is a median of \$150,000-\$249,000.

Personnel

Third, whether or not your program enjoys a large cash outlay, it will require time and effort. Not only should a champion be identified, but other personnel in the organization should be identified to maintain it as well. If you have a small business, at least two people should be involved in planning and implementation. Ethics is a collaborative process. If you have a medium or large organization, a committee can be organized. Typically, committees are from four to fifteen people. However, care must be taken when creating an ethics committee. Representatives from every level of the organization - from the bottom to the top - should enjoy membership in order to create buy-in and to show that every type of voice matters.

Placement

Where should the ethics program be housed? Again, this depends on the particular organization. A small organization will often house the program with the owner or CEO. Medium or large organizations with various departments can house the program in Human Resources, Legal, Auditing or any other place that fits that particular workplace. In most medium or large organizations, the person in charge of the ethics program does not report directly to the board of directors, although that is currently changing. The main thing is to have a structure in place that allows for reporting which can bypass stumbling blocks and allow the flow of ethics information to the upper most corporate level where it can be

appropriately and swiftly dealt with, and to the lower corporate levels so that all employees get the message from the top that ethics matter.

STEP THREE: Written ethics standards

Written Ethics Standards

One of the most important steps in your ethics program is writing your organization's ethics down in black and white. When you put your organization's ethics on paper, it gives you and your employees easy reference to what your organization stands for and how it's illustrated in the everyday operations. So what exactly do you put in writing? Start with these fundamental written ethical diagrams for your organization:

- Values Statements
- Code of Ethics

Finally, show your dedication to ethics by consistently promoting ethical conduct in your organization. Bringing in a speaker to talk with management is one way to stress the importance of an ethical tone at the top of your organization.

Leadership is critical to an organization's ethical culture, as integrity starts from the top and flows down. Employees see the actions of the leaders in their organization, and they base the organization's culture on the way they see leaders communicating and acting.

Research has found that ethical leadership is valued by employees. In a recent study, employees demonstrated more commitment to their organization and unethical behavior was lower in organizational environments where executives had high ethical standards and were role models for ethical behavior.

Concrete steps senior managers can take to show their commitment to ethics:

- Set high standards and communicate them loudly and repeatedly in public and in private
- Act quickly and firmly when someone violates the rules
- Do not ever "shoot the messenger"
- Talk to a wide variety of employees on different levels and in different locations
- In a crisis, take responsibility, be accessible, and be honest
- Put your money where your mouth is- fund and support ethics initiatives
- Contact the Omaha Business Ethics Alliance for suggestions on speakers that would be great for your organization.

NEXT: Values statements

Values Statement

One of the most important steps in creating an ethics program is developing a values statement. Your values statement will be the window to what your organization is all about and how that drives its everyday operations.

What is a Values Statement?

Values statements define how a business will treat its customers, suppliers and employees. They provide guidelines for how people will work together. Values statements place a framework around values, providing further explanation or interpretation.

Why Identify Values and Establish Values Statements?

Businesses, both large and small, can benefit by identifying and establishing their values. In smaller businesses, the culture (or what the business stands for) is determined largely by the owners. In many cases, the owner's values and approaches are clearly known and understood by all who work there.

In some businesses, the owner may not have taken the time to express his or her philosophy. This could lead to confusion if the owner is not constantly available to provide direction to employees. As businesses grow, there may be less direct contact with the owner and common understandings may be lost or misinterpreted.

In larger companies, with shareholders and changing organizations, the values may shift or be understood among only a few. In order for businesses to perform effectively, they must be clear what values they use to operate and deal with both employees and the outside community.

Businesses can use their values as guiding principles in many circumstances from hiring, evaluating performance, prioritizing resources, responding to crisis or adverse circumstances and on many other critical issues.

What are Values?

The best way to distinguish between moral and non-moral values is to use examples. Honesty and fairness are moral values. Efficiency, creativity and teamwork are non-moral values.

Values are traits or qualities that represent your organization's highest priorities or driving forces. Moral values pertain to what is ethically virtuous and good. Non-moral values are those things that are good aesthetically, strategically and economically within an organization. A organization's values establish its approach towards employees and customers such as respect, caring and integrity. They may also be used to show how a business approaches its services such as innovation, quality and teamwork. The values of a business, and the people who work there, form a corporate culture. Values will define how a business prioritizes its time and resources, and they are the starting points for what the business accomplishes.

Create Your Own Values Statement

The list below includes both moral and non-moral values. Review the list of values on your own or with a group of people from your organization -- and develop a values statement for your own business. Many companies choose five to eight values that are the most important to their business.

Examples of Values

Accountability

- Take personal accountability for results.
- Ensure timely decisions, quick action and ultimate success.
- Encourage others to take ownership and accept accountability.
- Think before you act.
- Consider possible consequences for your actions.
- Don't blame others, take ownership of problems.
- Be someone your customers can count on.
- Get things done.

Caring/Stewardship

- Show you care about others.
- Treat others the way you want them to treat you.
- Commit to rigorous stewardship of the resources entrusted to us.
- Obtain maximum benefit of resources for the community.
- Exercise stewardship of the assets entrusted to us.
- Embrace activities which enhance the quality of life.
- Put others at ease.
- Foster an agreeable social environment.
- Be a good listener.
- Be understanding.
- Be concerned about the well-being of others.
- Work for the well-being of others.

Customer Focus

- Achieve total customer satisfaction.
- Deliver what the customer requires flawlessly.
- Recognize that customers are essential to the success of the organization.
- Be truthful and forthright in all dealings with customers.
- Stand behind products.
- Honor explicit and implicit commitments.
- Keep promises to customers.

Diversity

- Value the skills, strengths and perspectives of a diverse team.
- Foster a participatory workplace.
- Enable people to make decisions.
- Value all employees.
- Develop all employees.
- Make a special effort to understand those from other cultures.
- Value individual differences.
- Appreciate our diversity.
- Foster diversity in organizations, programs and events.

- Understand and respond to customers' diverse and unique needs.
- Value diversity and promote creativity.
- Embrace the diversity of our employees, their ideas and expressions.

Flexibility

- Provide opportunities for creativity and flexibility.
- Value creativity and new ideas.
- Be open, accessible and flexible to our customers.
- Make the best of a bad situation.
- Appreciate the larger picture.

Fun/Enjoyment

- Work hard.
- Have fun working together.
- Bring relief.
- Make world a lighter place.
- Engage the world with enthusiasm.
- Be infectious and inspiring.

Honesty/Integrity

- Maintain an atmosphere where associates can be heard.
- Maintain an atmosphere where associates can air differences.
- Treat all people with respect by being courteous and polite.
- Be open-minded.
- Be truthful and forthright in all dealings with customers.
- Stand behind products if they fail to deliver claimed benefits.
- Honor explicit and implicit commitments and promises.
- Tell the truth in all situations and at all times.
- Take the high road.
- Practice the highest ethical standards and honor commitments.
- Be a model of trustworthiness.

Innovation/Risk

- Encourage new ideas, try new things.
- Don't be afraid of failure.
- Learn from mistakes in order to make better decisions.
- Satisfy customers with innovative technology and products.

Leadership

- Provide purpose, direction and support to associates.
- Help others understand their roles in achieving our vision and objectives.
- Develop a collaborative and cohesive work team that is motivated and productive.
- Set and manage clear behavioral and performance expectations.
- Empower others to make business decision.

- Inspire others.
- Take charge.

Learning/Personal & Professional Growth

- Create a learning environment.
- Equip associates to fulfill their responsibilities.
- Prepare associates to accept new challenges.
- Commit to a culturally active community.
- Foster opportunities to learn and grow.

Quality/Excellence

- Strive for excellence in our work.
- Strive for continuous improvement in all we do.
- Strive to excel in every aspect of our business
- Approach every challenge with a determination to succeed.
- Use excellence as the standard by which we measure ourselves.
- Fulfill our commitment of unmatched service.
- Be tenacious.
- Surpass expectations.

Reliability

- Be reliable.
- Perform your duties.
- Set a good example.
- Get things done and done well.
- Be dependable and competent.
- See it through.
- Be tenacious.

Respect

- Respect the rights and dignity of others.
- Acknowledge the basic human dignity of all we serve.
- Respect our social and physical environment around the world.
- Trust and respect individuals.
- Show thoughtful consideration for all members and clients.
- Value the quality of life.
- Value all people.
- Treat everyone with sensitivity, compassion and fairness.
- Provide information others need to make informed decisions.
- Respect our partners and customers.
- Respect the autonomy of others.
- Respect the rights of others to make decisions about their own lives.
- Treat all people fairly.
- Retain control in heated situations.
- Give others their due.

Security

- Strive to create a safe environment.
- Teamwork/collaboration
- Eliminate barriers.
- Reach out to find solutions.
- Create opportunities.
- Understand the role and relationships of each organizational function.
- Manage cross-functional and cross-organizational boundaries.
- Work together to reach common goals.
- Communicate and respect the foundation of great teamwork.
- Recognize you are all part of the same team.
- Give others their due

NEXT: Code of ethics

Code of Ethics

A written code of ethics serves as a foundation from which ethical behavior in an organization can be built. Sometimes referred to as a code of conduct, it ensures that a organization's expectations for how its employees act are concrete.

A code of ethics is a formal statement that describes the ethical behaviors an organization expects of its employees. It usually specifies acceptable and unacceptable types of behavior for those individuals involved in the organization. Most codes define standards that the organization, profession, or industry believes in and wants to uphold.

Developing your code of ethics:

- Write your code of ethics down.
- Get feedback from your employees.
- Revise your code of ethics based upon the feedback.
- Publish your code of ethics.

See the Ethics Resource Center's [suggestions on code construction and content](#)

See the Ethics Resource Center's [ten writing tips for creating an effective code of conduct](#)

See ConAgra's [code of conduct](#)

See [ConAgra's code of ethics for senior executives](#)

Have your current code [reviewed by Corpedia](#) for free to be sure it aligns with the Federal Sentencing Guidelines.

STEP FOUR: Ethics training program

Ethics Training Program

Why Training?

Does talking about organizational values, behavior in the workplace or policies do any good? Yes. The primary excuse most any employee gives when faced with a legal, compliance, safety, behavioral or ethics violation is: "I didn't know!" or "You never told me!" Explaining expectations, laws, standards or behavior in the workplace clarifies the ground rules for all.

The goals of a basic ethics training program are as follows:

- Inform employees of organizational values, behavioral expectations and related procedures and policy.
- Improve employees' understanding of ethics issues and their ability to identify them.
- Identify the contact person who could help them resolve ethical problems.
- Regularly provide the means for communication to and from employees regarding ethics with laws and policy so as to maintain a culture of integrity in the workplace and organization.

Starting with the end in mind - protection of your organization's reputation and individual integrity should be your goal. You should do whatever possible to prevent and protect against individual and corporate violations of the law, regulations and organization policies. Past organization and individual violations, if any, or public news stories of corporate failures, may be examples of areas of business conduct in which leaders may wish to increase awareness regarding laws and policies.

Basic ethics training for any size organization could be as follows:

1. Effectively communicating the ethics program organization-wide, including branding your program
2. President's or owner's presentation at a staff meeting. This may include:
 - Identification of organizational values
 - Definition of, and agreement on, a code of conduct and supplemental policies
 - Distribution of policies and code to all employees
3. President's communication to all employees
4. Department head, manager or supervisor presentation to employees
5. Responsibility for management of ethics program
6. Creation and maintenance of reporting process
7. A Manager's Communication Plan

NEXT: Communicating your program

Communicating Your Program

Effectively communicating your ethics program is critical to creating awareness, enhancing understanding and integrating ethics into your culture. Using innovative ways to reach employees and disseminate information about your organization's values and expected behaviors is an important component to your overall ethics plan. Therefore, some companies have created a "brand" around their programs in an effort to make ethics communications easily recognizable and stand out from the mass of information employees receive on a daily basis.

Creating an ethics brand is similar to marketing and branding your products or your employment value proposition. Your ethics program "brand" should be designed to reach out and touch your audience (your employees, board of directors, strategic partners and vendors), helping them understand and follow your ethics policies.

Some organizations use a symbol or logo that is applied to all ethics program materials. Examples of ethics program symbols or logos include a lighthouse, telephone or hands (to reinforce the organization's helpline or hotline). Some organizations use a slogan, for example, PPL Corporation, a power organization, uses the slogan "Be a L.E.A.D.E.R." (Let Ethical Awareness Determine Every Response) to communicate the organization's core values.

Be creative in developing your ethics program brand. You may want to enlist help from your communications or marketing staff or a graphic designer to develop your brand. Whether you use a symbol, a slogan or some other approach, what you use may be less important than consistently and effectively using your brand to enhance employee recognition of your important ethics-related communications and training materials.

NEXT: President's discussion with direct reports

President's Discussion with Direct Reports

Preceding the presentation or program, the owner or president should define, with proper input from employees and experts, the organizational values and policies, particularly regarding business conduct and ethics.

Obeying Organizational Policies, Our Code of Conduct, the Law and Regulations
Don't presume that everyone knows your ethics policies and the law to the extent necessary. Your goal is to make sure all of your employees are familiar with your ethics policies. You're not implying that your employees have problems with following the laws or the ethics policies of this organization, you're just making sure everyone understands how critical proper business conduct is to the reputation of your organization and to each individual.

The first explanation most employees have when there is a business conduct or ethics problem is to say: "I didn't know about that policy." One of your primary goals is to make sure everyone understands and is comfortable with your ethics policies and why you have them.

Knowing what to do, knowing the law and the organization's ethics policies is the most important step that your employees can take to avoid business conduct violations. It is useful for an employee who faces a critical ethical decision to ask: Would I want everyone to read about this decision or action in the news tomorrow?

It is important that you and your employees understand how important your organization's reputation is, and how fast that reputation can be damaged by one careless act.

NEXT: President's communication to all employees

President's Communication to All Employees

Be committed to making sure your employees and organization have the education, understanding and commitment to conduct themselves properly in the workplace. Don't drive the fun out of work - but make people understand there are laws and regulations that inform and govern your organization's conduct.

Some people may use the phrase "It goes without saying," well in the area of business conduct and ethics some things need saying and saying more than once. Make your employees understand that your ethics policies make it clear we will not tolerate dishonesty or violations of the law in your workplace. Your employees should know that you're committed to following the law and conducting your business with the highest ethical standards.

NEXT: Manager presentation to employees

Manager Presentation to Employees

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NEXT: Manager presentation to employees

Manager Presentation to Employees

You may find it helpful for a department head or supervisor to address your organization's commitment to ethical business conduct. Have them clarify and reinforce that commitment. Let them answer questions about your ethics policies or "how things are done".

Your department heads and managers should solidify your organization's ethical dedication in every field, including environmental laws, accounting, safety, etc.

What's more, your department heads should make sure each of their employees has been given a copy of your code of ethics, and should any questions arise, make sure your managers are accessible to answer them.

NEXT: Responsibility for management

Responsibility for Management

Each of your employees (including yourself) is responsible for knowing and understanding the law, state and local regulations, and your organization's ethics policies. You can not delegate your responsibility for adherence to organizational policies to others.

You may want to appoint a dedicated person to oversee distribution of your organization's code of conduct and ethics policies. Each supervisor should be responsible for presenting your policies to their employees and discussing any issues with them regularly (quarterly). Business conduct failures of individuals are partly the failure of supervisors. All employees are expected to report business conduct violations to through the proper channels.

NEXT: Reporting process

Reporting Process

As an ethics program administrator, you should set the standard that any perceived violations of law or your organization's ethics policies are to be promptly reported to an appointed person.

You may even set up a separate reporting channel to receive and address ethics and business conduct concerns. This channel may be a third party service or an in-house person (HR Director, Audit Director or General Counsel) responsible for receiving, recording and responding to appropriate concerns.

The responsible person for reporting ethics concerns should set up and maintain an appropriate database of reports and handle resolution accordingly through the proper channels. The responsible person must regularly report significant issues to senior officers. The responsible ethics person should make an annual report regarding ethics issues to all employees.

The responsible ethics person and management should make appropriate changes in policies and procedures to adequately address ethics issues raised by employees over the course of the reporting period.

A large company in Omaha uses this process to review ethics issues that have been raised (this process can be redesigned for medium size organizations):

- A code of conduct committee includes the CFO, Legal/HR, and Corporate Security.
- The committee meets regularly.
- All ethics matters coming through EthicsPoint (their outsourced ethics hotline) are reviewed by the committee to determine who will investigate them.
- The CFO reports quarterly to the audit committee on any significant investigations being done.

NEXT: Manager's communication plan

Manager's Communication Plan

Here's a 16-step program to help you prevent ethics violations on your watch. We recommend that each discussion should be structured like this:

- What is the policy/law?
- Why do we have it?
- What can happen if there are violations?
- Past examples of violations and consequences.
- Expectations that employees will follow the policy.
- Where to find the policy in more detail?
- Who to talk to if you have questions?
- Discussion and questions

Each discussion, perhaps held monthly, should last about 15 minutes. Why do this? Because you want to clarify expectations, prevent violations and failures, improve individual performance and achieve improvement in every group work product.

1. Talk to your employees about the importance of honesty and integrity in the workplace.
2. Communicate the organization's ethical standards, policies and culture.
3. Talk about environmental regulations.
4. Talk about sexual harassment policy and EEO laws.
5. Talk about accurate reporting and proper record keeping.
6. Talk about conflict of interest.
7. Talk about honesty in dealing with customers.
8. Talk about improper accounting practices.
9. Talk about deceptive sales practices.
10. Talk about confidentiality of personal, customer and organizational information.
11. Talk about drug and alcohol abuse.
12. Talk about authorized and proper use of organizational assets.
13. Talk about safety responsibility and risky behavior in the workplace.
14. Talk about bribes and kickbacks.
15. Talk about unfair treatment of employees.
16. Talk about other ethical or compliance issues that employees suggest.

STEP FIVE: Advice mechanisms

Advice Mechanisms

Before asking for help, your employees should be sure that they know the organizational policies and what they mean, particularly those that relate to:

- Legal compliance with laws and regulations
- Financial reporting and proper record keeping
- Safety, health and environmental laws

Provide ways for employees to know and understand organizational policies regarding honesty, confidentiality, privacy, personal conduct and conflict of interest.

Also provide ways for your employees to be well-versed in your organization's corporate governance - regulations regarding fiduciary and other responsibilities of corporate officers.

Your employees should follow these steps if they have a question about a workplace issue that may be a violation of the law or organizational policy:

1. Employees should contact his/her supervisor.
2. If they don't feel comfortable asking their supervisor, the employee should seek help from an appropriate department representative:
 - Legal issues: ask the organization's general counsel or legal representative
 - Financial issues: Corporate Controller or Corporate Auditor
 - Human Resources or Personnel: HR representative
3. If an employee is having an issue regarding how they are being treated, they should talk to a Human Resources representative.
4. If an employee feels they are being discriminated against, the employee may contact Human Resources or the local Equal Employment Opportunity office.
5. Safety, Health or Environmental: Production manager

STEP SIX: Employee compensation and evaluation

Employee Compensation and Evaluation

In order to reinforce the organization's values, it is important to align employee incentives with the organization's values.

The way an organization pays its employees sends a direct message about what is important. If a compensation structure for sales people is based solely on who makes the most sales then a competitive, it's-all-about-me atmosphere is created. In the zero-sum game of business, any victory represents someone else's failure. If sales people are paid based on who makes the most sales and who supports others in their sales then a cooperative, we're-in-this-together environment is created.

If the organizational incentive system is not aligned with the organization's values then, when push comes to shove, an employee will ignore values in order to get higher pay. How can they be blamed when they need to pay for their child's costly education or handle a family health care situation? Organizations need to send the message that profits should be achieved in keeping with, not in spite of, ethics.

You get what you measure. Performance evaluations must be based on how much the employee makes the organization at the end of the year as well as their teamwork, honesty and trustworthiness. Annual profit-sharing bonuses should be based on how well an employee contributes to the success of their coworkers.

This is an example of what one [medium sized company in Omaha uses for their employee evaluation.](#)

STEP SEVEN: Hiring and promoting

Hiring and Promoting

Most companies conduct some type of background screening as part of the hiring process. Screening job candidates can help you identify conduct that is inconsistent with your organization's values and standards of conduct. A comprehensive screening process can help you discover everything from prior criminal acts to lies on the applicant's resume.

Screening not only helps you weed out bad actors and protect your business, in certain situations it is required. The U.S. Sentencing Guidelines require organizations to take reasonable steps to ensure that employees who are hired for or promoted to positions of "substantial authority" have not previously engaged in behavior that is inconsistent with the organization's ethics standards. Determining what types of behavior is considered inconsistent with your ethics standards is one of the questions you must ask when developing a comprehensive screening process. Other questions include:

- What types of information should I check?
- Should I outsource screening to a professional background checking organization?
- Should I use the same screening process for every employee?
- What positions are those with "substantial authority"?
- How often should I screen?

NEXT: Information check

Information Check

The information you check will depend on the type and level of position. However, many employers verify the following information as part of a general screening process:

- Criminal history
- Prior employment verification
- Education
- Military service
- Drug testing
- Reference checking
- Financial history
- Department of Motor Vehicles records

Although less common, some employers also check financial history for certain positions. In addition, some employers have started to include social networking sites such as Facebook, MySpace and LinkedIn as part of the screening process. **You may need to obtain the applicant's consent in order to obtain certain records as part of the screening process. Consult with an attorney to ensure your screening process complies with all applicable laws.**

NEXT: Outsourced screening

Outsourced Screening

The decision of whether to outsource part or all of your screening process will depend on many factors, such as your size of organization, level of recruitment activity, human resources department staffing levels, the types of employees you recruit and the types of information you regularly check. Some organizations take a hybrid approach with hiring managers checking references and human resources staff or a vendor checking more technical reports, such as criminal records and credit reports.

If you decide to use a third party vendor for screening, be sure to scrutinize your partner carefully. The National Association of Professional Background Screeners recommends several steps to take during your due diligence process, including:

- Check to see if the vendor is certified.
- Review the vendor's audited financial statements.
- Have legal counsel review the vendor's contract for appropriate confidentiality provisions.
- Obtain the vendor's error and resolution rates.
- Check references and service record.

Mistakes in the screening process do happen, so it is important to choose your screening partner wisely. In addition, you must ensure that your screening policy and practices comply with all legal requirements such as the Fair Credit Reporting Act and the Americans with Disabilities Act. Lastly you will need a process for resolving negative reports found through the screening process.

NEXT: Consistent screening

Consistent Screening

The Federal Sentencing Guidelines require screening for job candidates with "substantial authority." However, there are many good reasons to apply your screening process, or some portion of it, to all potential employees. Surveys and interviews with human resource professionals indicate falsification of information on resumes and applications may be as high as 50%. Studies suggest resume falsification data spikes during times of economic downturns and weak labor markets. Therefore, many employers screen all potential employees to some degree.

You may consider an in-depth screening process for individuals who are being considered for positions with "substantial authority." Some employers utilize pre-employment behavioral interviews, psychological testing and skills assessments for certain executive and management positions. Additional screening steps may include driver's license records, bankruptcy filings, civil legal and regulatory filings, financial records, credit histories, and university transcripts (Source: The Ethics Handbook, ECOA). Please consult with an attorney to ensure your screening process complies with all applicable laws.

NEXT: Substantial authority

Substantial Authority

The Federal Sentencing Guidelines describe individuals with "substantial authority" as those individuals who, within the scope of their authority, exercise a substantial measure of discretion in acting on behalf of an organization, including individuals with substantial:

- Supervisory authority
- Discretion to act on behalf of an organization
- Control over the organization
- Authority to make corporate policy

There is no specific test for determining which roles are ones with substantial authority; however, factors to consider may include:

- Scope of responsibility
- Influence within the organization
- Span of control
- Signing authority
- Ability to commit the organization to legal or financial decisions
- Authority to negotiate or set prices
- Ability to approve contracts
- Source: The Ethics Handbook, ECOA

NEXT: Screening frequency

Screening Frequency

It is common practice to screen employees at the time of hire. However, post-hire screening is a growing trend due to federal, state, insurance and/or organizational guidelines and regulations. For example, the Department of Transportation requires annual driving record audits of drivers who hold a commercial driver's license. Therefore, employers who require a commercial driver's license as part of a position's requirements must perform this ongoing screening process to ensure compliance with Department of Transportation requirements. The frequency and depth of an ongoing screening process will depend on your industry, regulatory requirements, type of position, etc.

In addition, you may want to consider screening employees when they are considered for a promotion, especially in situations when the promotion involves a position with "substantial authority" as described by the Federal Sentencing Guidelines. In an internal promotion situation, you may want to review internal sources of information in addition to external screening sources. Internal sources of information may include:

- Personnel files
- Performance appraisals
- 360-degree assessments
- Disciplinary action records
- Drug testing
- Psychological and other testing
- Periodic conflict of interest disclosure statements

Source: The Ethics Handbook, ECOA

If you choose to periodically screen employees post-hire, your policy and procedure should be clearly defined and communicated to employees. Please consult with an attorney to ensure your post-hire screening process complies with all applicable laws.

STEP EIGHT: Consistent enforcement

Consistent Enforcement

Ethics standards should be developed to provide employees with guidance on acceptable behavior. The standards should be based on principles contained in the organization's code of ethics. Ethics standards must be enforced to be effective.

When employees see their organization taking action when ethics standards are violated, a commitment to ethical conduct is fostered. Enforcement can also act as a deterrent to wrongdoing. Finally, agencies with regulatory oversight over the organization may review violations to see that appropriate corrective action has been taken. Evidence of organizational enforcement can lessen sanctions imposed by government regulators.

An organization's ethics policies and procedures should contain information on how to report violations, and provide examples of corrective action that may be taken when violations occur. For example, a policy might contain the following statement: "employees who violate this policy will be subject to corrective action up to and including termination of employment."

Make sure employees receive education on ethics policies so they understand acceptable standards of conduct, examples of violations, and their obligation to report suspected violations. Coordinate with the Human Resources Department and/or Ethics Committee to create standardized corrective action plans for similar types of violations to promote fairness and equity in the ethics program. Anytime there is discipline, it should be reviewed by appropriate personnel, such as the ethics officer, Human Resources, Ethics Committee.

STEP NINE: Avoiding future violations

Avoiding Future Violations

When ethical violations are identified, it's crucial to conduct an immediate, confidential investigation. Protect the rights of any whistleblowers and any employees under investigation. Identify areas of potential weakness in the ethics program and implement improvements to reduce the risk of further misconduct.

Since ethical violations may result in lawsuits against the organization, government investigation and/or media inquiries, it is important for the organization to take the lead to determine what happened, identify why it may have happened, and to implement immediate corrective action to prevent recurrence. Ethical violations can be very costly, and an immediate response can limit the amount of damage the organization sustains as a result.

1. Interview employees and review relevant evidence to identify the nature and extent of the ethics violation.
2. Coordinate with the Human Resources Department if it is necessary to place employees on administrative leave while the investigation is being conducted.
3. If the organization's resources have been compromised, or have continued risk of being compromised, it may be necessary to restrict suspected wrongdoers' access to computer systems, financial accounts, and other sensitive proprietary information.

If a whistleblower has reported the misconduct, take action to ensure that no retaliation occurs. Modify the organization's policies and procedures in response to any identified shortfalls during the investigation. Develop monitors in identified risk areas so that future wrongdoing is less likely to occur, and if it does occur, it is quickly identified and corrected.

STEP TEN: Monitoring and auditing

Monitoring and Auditing

Developing a monitoring system helps you assess how well your ethics program is operating and identifies weaknesses so improvements can be made. Monitoring provides feedback to leadership about which program components are working well and which areas need improvement.

Such feedback signals leadership about whether the program has been widely accepted and incorporated throughout the organization. And because an effective ethics program reduces fraud and prevents embarrassing publicity, monitoring program effectiveness is very cost-effective.

Several tools may be utilized to monitor ethics program effectiveness, including:

- Employee surveys
- An ethics hotline
- Auditing and monitoring operations in risk areas

Employee surveys

Develop questionnaires that employees can complete anonymously to evaluate employees' knowledge of the ethics program. Do employees know about the organization's code of ethics? Do they know about the multiple channels that exist to report ethics concerns? Do employees feel comfortable reporting issues without fear of retaliation? Do employees believe organization leaders exhibit ethical conduct? Ask employees for suggestions on improving the ethics program. Asking for feedback demonstrates the organization's commitment to ethical conduct.

Ethics reports

Whether you call it a hotline, helpline or something else, a beneficial tool would be regular summaries of reports. The trends of ethics reports provides important information regarding ethics issues.

Monitoring and auditing high-risk areas

Develop monitors and actively audit areas in the organization that are at high risk for ethical violations. Areas can be identified based on number of past violations, costs associated with violations, areas of government oversight and enforcement, and high-profile violations occurring in similar industries. When a monitored or audited area shows a high level of compliance for a sustained period, the area can be monitored less frequently.

Feedback from employee surveys, ethics hotline calls, and monitoring and auditing activities should be communicated to organization leadership, including the board of directors. Governing boards have a duty of care towards their shareholders (for profit) or to the community (non-profit), which includes making sure the organization is operating ethically and legally.

See [ConAgra's Ethics Hotline Poster](#)

NEXT: Contact the Greater Omaha Alliance for Business Ethics at Creighton University

Contact

The Omaha Business Ethics Alliance is here to help you develop an ethics program for your organization. Contact the Omaha Business Ethics Alliance with any questions or for a list of other helpful references.

Greater Omaha Alliance for Business Ethics at Creighton University
2500 California Plaza
Omaha, NE 68178
Phone: 402.280.2235
Fax: 402.280.2922

Resources

- Baxter International's Handbook (Gretchen Winter)
- Ethics and Compliance Officer Association (ECOA)
- Ethics Resource Center (ERC)
- Federal sentencing guidelines
- Sarbanes Oxley

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