An Annual Ethics Checkup:
Conducting an Ethics Audit of Your Organization

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An Annual Ethics Checkup: Goals

From this presentation the audience should have an:

1. **Appreciation of the importance** of an annual organizational ethics audit

2. **Understanding the basic components** of the audit – culture, policies, training, enforcement mechanisms

3. **Awareness of the rubrics or metrics** embedded in each component of the audit

4. **Ability to assess the ethical health** of the organization
An Annual Ethics Checkup: WHY?????

Like each individual, an organization is best served by undergoing an annual checkup:

• To assess the “ethical and compliance health” of the organization,

• To identify potential “ethical or compliance illnesses,” and

• To monitor for “ongoing ethical or compliance infections or disorders.”
The ethics checkup consists of assessing the “health” of the organization's:

- Ethics or compliance culture / work climate,
- Ethics or compliance policies,
- Ethics or compliance training, and
- Ethics or compliance enforcement mechanisms:
  - Ethics or compliance officer / office,
  - Sanctions for ethical or compliance violations,
  - Rewards for ethical or compliance adherence,
  - Reporting mechanisms,
  - Performance appraisal systems.
An Annual Ethics Checkup: HOW ??????

How information is collected and analyzed is a critical element of any assessment. As appropriate for an annual medical checkup, the following elements are critical to ensure good results:

• Qualified professional – ethics or compliance expert
• Reliable assessment tools
• Proper use of the tools and time to acquire information
• Absence of intervening factors that compromise the results
• Adequate benchmarking or standards for comparison
• Willingness of the patient (organization, employees, other stakeholders) to undergo evaluation
An Annual Ethics Checkup: OUTCOME ASSESSMENT

Essential for an annual checkup is the development of goals, objectives or outcomes to benchmark or measure the results of the checkup.

A 55-year-old man would not expect to be in the same shape as he was when he was 30 years old.

Or, a woman who has experienced significant trauma or illnesses in the past should adjust her expectations at the time of the current annual checkup.

So, too, should an organization understand its history, expectations, capabilities, etc. when conducting and assessing the results of an annual ethics checkup.
An Annual Ethics Checkup: OUTCOME ASSESSMENT

Questions to consider when assessing the results of an annual ethics checkup:

• What is the **history of the organization** – new startup, recently merged, 100-year-plus tradition?

• What is the **organization's ancestry** – strong leadership, clear value-based mission, integrity in its operations?

• What are the **conditions under which the organization “lives”** – highly competitive, market leader, volatility?

• What are the **organization's lifestyle practices** – high-risk employees, products/services, locations, operations?
An Annual Ethics Checkup: Culture / Work Climate

Borrowing a tool from Bart Victor and John Cullen (ASQ, 1988), an organization's or work group’s ethical work climate can be assessed.

There are generally five ethical work climate types identified:

- **instrumental** (a self-interest emphasis with an individual or organization focus of analysis),
- **caring** (a concern for others emphasis with an organization or societal focus of analysis),
- **independence** (a principled emphasis with an individual focus of analysis),
- **rules and procedures** (a principled emphasis with an organization focus of analysis), and
- **law and professional codes** (a principled emphasis with a societal focus of analysis).
An Annual Ethics Checkup: Culture / Work Climate

Ethical work climate can be assessed:

• At the organization-wide or work group level
• Through surveys (accepting “social desirability” bias)
• Triangulated through focus groups or during employee ethics training sessions

Ethical work climate has been associated with:

• Employee decision making
• Work performed by employees
• Stakeholders served by employees
• Ethical behavior by employees
• Environmental or industry influences
An Annual Ethics Checkup: Policies

Ethics or compliance policies can be assessed by:

- **Type of policy:**
  - Code of conduct
  - Code of ethics
  - Hybrid code
  - Multiple codes

- **Control approach:**
  - Rules
  - Seek advice
  - Act, then disclose
  - Use guiding principles
An Annual Ethics Checkup: Policies

Assessment of policies should emphasize:

- **Currency** – recently reviewed / revised
- **Understandability** by employees
- **Relevancy to work performed** by employees
- **Awareness** by employees of the code and its content
- **Level of buy-in / contribution** by employees
- **Frequency and method of communication** to stakeholders
- **Translatability** – if cross-national
Communication of the policy may occur via:

- Orientation
- A one-time mailing
- Routine annual sign-off procedure
- Periodic distribution
- Meaningful sign-off procedure
- Employee input
- Multi-lingual printing and distribution
- Frequent distribution
- Aggressive review and revision practice
- Two-way communication
An Annual Ethics Checkup: Training

Ethics or compliance policies can be assessed by:

- **Types of training:**
  - Orientation Sessions
  - Seminars
  - Courses Offered By the Organization
  - Courses Offered By an Outsider
  - Courses Offered By an Institution
  - Personal Interviews

- **Training approach:**
  - Rules and Guidelines
  - Case Studies
  - Decision-making Frameworks
  - Cognitive Approaches
  - Exemplary Modeling
An Annual Ethics Checkup: Training

Assessment of training should emphasize:

- **Frequency** of training being offered
- **Length** of training program
- **Inclusion of all employees**, including senior management
- **Understandability** by trainees
- **Relevancy to work performed** by employees – train by function
- **Participation / contribution** by employees
- **Translatability** – if cross-national
An Annual Ethics Checkup: Enforcement Officer

The “tone at the top,” organizational culture, policies and training require that there is someone to coordinate, oversee and enforce the ethics or compliance program: compliance officer, ethics officer, ombudsperson.

Evaluated by:
- Job title
- Work background
- Educational background
- Years in industry, organization, at position
- Primary responsibilities
- Direct Reports (Board of Directors, CEO, General Counsel, et al.)
- Number of employees reporting to officer
- Size of budget
Sanctions are often understood as necessary for compliance and typically are manifested through:

- Termination
- Suspension
- Demotion
- Probation
- Appraisal comments

However, the greatest motivator of employee behavior has been proven to be rewards, which may be exhibited through:

- Recognition
- Appreciation
- Commendation
- Appraisal comments
- Monetary rewards
An Annual Ethics Checkup: Reporting Mechanisms

Since the pronouncement of the Federal Sentencing Guidelines in 1991 and the passage of Sarbanes-Oxley in 2002, organizations have created, expanded or generally reinforced their reporting mechanisms through an assist line, ethics line, helpline, hotline, or 800-number.

The reporting mechanism should be evaluated through an in-depth analysis of:

- The number of calls,
- The type of calls,
- When the calls were made – e.g., after downsizing, crisis,
- What divisions or departments were the focus for the calls

Reporting information should be shared with the Board or senior management, as well as with all organizational employees.
An Annual Ethics Checkup: Reporting Mechanisms

Since some calls to the 800-number require follow-up investigations, it is critical to track and analyze investigations in terms of:

- **Number** of investigations,
- **Type** of investigations – audit, personnel, et al.,
- **Who is involved** in the investigations,
- **Cooperation** during the investigation,
- **Length needed to complete** investigation,
- **Feedback to caller:**
  - Time between call and feedback,
  - Resolution of complaint,
  - Assurance of non-retaliation,
- **Internal communication** of investigations and resolutions to Board or senior management, as well as to all organizational employees
Emerging as an effective technique to further institutionalize the ethics or compliance program among many organizations is the inclusion of ethics or compliance dimensions in all or some employee appraisal evaluations.

- “Ethics” (or compliance) can be measured,
- Ethical leadership or ethical behavior should be acknowledged and rewarded,
- Ethical leadership or ethical behavior should be used as a criteria for promotion or annual performance assessment.

Creating “metrics” or standards for performance appraisal of ethical behavior is possible, yet requires carefully development.
An Annual Ethics Checkup: Summary

Take-aways:

• **Conducting an annual ethics checkup is essential** for the longevity and overall health of your organization’s ethics program.

• **An integrated understanding of the basic “body parts” of your organization’s ethics program is critical** – outcome assessment/expectations, culture, policy, training, and enforcement mechanisms.

• **Evaluation of the organization's ethics program requires solid metrics or benchmarking of results.**
Post-conference follow-up

I would welcome any post-conference or post-session follow-up questions, comments or suggestions.

Please feel free to email me at weberj@duq.edu.

Thank you!