

# **HRD and Business Ethics**

**Alexandre Ardichvili and Douglas Jondle**

## **Introduction and Learning Objectives**

When you have completed this chapter, you should be able to:

- Explain the concepts of business ethics and ethical business cultures
- Explain why promoting business ethics should be one of the central concerns for HRD
- Describe major systems and processes that contribute to the creation of an ethical business culture in an organization
- Explain the role of HRD in institutionalizing ethics in a business organization, and describe specific activities that HRD professionals can engage in to promote organizational ethics

Corporate scandals of 2000-2001; the global financial and economic crisis of 2008-2009 that was accompanied by revelations about major violations of ethical and moral codes at a range of large business institutions; mounting evidence that the negative impact of business activity on the global ecosystem is not only real, but also rapidly escalating; wars and armed confrontations in various regions of the world, most of which were triggered by conflicts over resources and had further devastating impact on the environment. These and numerous other recent events suggest that business and economic models, dominant in the Western developed societies, may not be sustainable in the long run and need to be updated. Likewise, HRD practitioners and academics are actively searching for new approaches that would help our organizations to remain sustainable in the new uncertain business and socio-economic conditions. One of the manifestations of this search is the call for a more aggressive and encompassing integration of

HRD and corporate social responsibility, sustainability, and business ethics (Garavan& McGuire, 2010).

Why are organizational initiatives, aimed at institutionalizing business ethics, becoming even more important today, and why is the role of HRD in promoting business ethics growing? When it became clear that the crisis of 2008-2009 was triggered, among other things, by serious ethical violations at a number of large financial institutions in the US and Western Europe, this came as an unpleasant surprise to many business executives and academics. It was hoped that measures like the Federal Sentencing Guidelines for Organizations, Sarbanes Oxley act of 2002 and Frank –Dodd Wall Street Reform and Consumer Protection Act, taken after the spectacular scandals of 1980s and the early 2000s, would prevent the re-occurrence of such excesses. Indeed, today most large business corporations have well-developed value statements and codes of ethics, procedures for monitoring and reporting ethics violations, and ethics training programs. Are these sufficient safeguards against repeating the mistakes of Enron, Arthur Andersen, and Worldcom?

According to Carroll and Buchholtz (2008), ethics “is the discipline that deals with what is good and bad and with moral duty and obligation” and can “be regarded as a set of moral principles or values” (p. 242). This definition includes two parts: an understanding of what is perceived as good and bad, and a focus on moral duty and obligation. Therefore, business ethics can be construed as a discipline that deals with what is perceived as good or bad behavior in organization’s interaction with its multiple stakeholders (including its internal stakeholders – employees), and what are the business’ obligations to its stakeholders, the society, and, ultimately, to the world and the environment.

When it comes to promoting ethical business practices, most business organizations focus on two main strategies: the creation of training programs, aimed at the creation and enforcement of procedural frameworks for regulating business behavior and increasing ethics and moral awareness among employees of the organization (Schminke et al., 2007). Undoubtedly, individual moral development is necessary to insure that individuals will do the right thing when faced with difficult ethical choices (MacIntyre, 1991). Therefore, supporting and promoting such individual development through training programs is a necessity.

Developing codes of conduct and procedures for reporting ethics violations is a necessary condition. However, these formal procedures cannot guarantee the success of ethics programs on their own. A recent review of studies of corporate ethics codes showed that these codes are a necessary instrument for promoting ethical behavior in organizations, but to be effective, they need to be combined with other factors and activities: “culture and effective communication are key components to a code’s success. If codes are embedded in the culture and embraced by the leaders, they are likely to be successful. Communicating the code’s precepts in an effective way is crucial to its success.” (Stevens, 2008, p. 601).

Even so, in discussing the factors that contributed to the Enron scandal, Gabler (2006) pointed out that Enron had all the required elements of an official ethics and compliance program in place, including a code of ethics, a reporting system, and a training program. However, it was “... **culture** of the company that brought out the worst in some top executives, and inaction and passivity on the part of many others... Culture is the leading risk factor for compromising integrity and compliance in companies today.” (Gabler, p. 337).

Establishing the right ethical culture is the lynchpin to creating an environment that creates a business with a conscience – where decisions are truly made taking into consideration all stakeholders that are impacted one way or another by the business. Ethical culture is an ethical social environment that creates fertile ground for individual moral development, and makes it possible to act according to one’s convictions (Feldman, 2007; Schminke et al., 2007).

This all suggests that in order to promote and sustain business ethics in an organization, HRD needs to engage in a range of activities, which include: the identification of organizational values, the creation of mission and vision statements and of compliance and ethics codes, provision of ethics training at all levels of the organizational hierarchy, and incorporation of ethical decision-making in all organizational change and leadership development initiatives. In addition, to be able to provide adequate support for organizational ethics initiatives, the HRD function needs to adhere to its own internal standards of ethics and integrity. In the following pages we will address these areas of focus and will discuss HRD’s evolving role in creating sustainable and ethical business organizations.

### **Ethical Business Cultures and Organization Change**

According to Schein (1985), organizational culture is a set of learned responses where “basic assumptions and beliefs that are shared by members of an organization...define in a basic “taken-for-granted” fashion an organization’s view of itself and its environment” (pp. 5–6).

Cohen (1993) viewed organizational cultures as systems, comprised of both formal and informal sub-systems, processes, and interactions.

The *formal part* includes mission and vision statements, codes of conduct, processes for socialization of new employees, decision-making processes, etc. An ethical business organization

has a socialization process which on a daily basis reinforces the practice of the values, communicated in a mission statement. Such organizations pay significant attention to the issues of health and safety of employees, customer and community responsiveness, and fairness. The decision-making processes in an ethical organization are designed to broaden its field of vision to consider the ethical ramifications of business decisions instead of cost-benefit analyses alone.

The *informal elements* of an ethical business culture are less tangible and are harder to observe and communicate explicitly. Trevino and Brown (2004) argued that such intangible aspects include norms for behavior that are consistent with the ethical standards or the codes of conduct, mission statements, and formalized decision-making processes. The core of the informal base of an ethical culture is constituted by organizational values. These values are "... basic determinants of human behavior and social attitudes," and are defining "what is desirable and acceptable to an individual (personal values) or a society (societal values)." (Dion, 1996, p. 333). On some level, values are shared by organizational members and serve as a source of collective identity and as guidelines for behavior. However, ethical dilemmas are likely to emerge, since it is hard to expect that all employees will always have the same values, and organizational values are likely to conflict with values of at least some of the individual members (Dion 1996).

Other elements of the informal ethical culture include heroes and role models; metaphors, used in discussions of organizational values; and myths and stories about ethical standards of the organization being upheld by its members (Schein, 2004). Having a powerful impact on the way individuals in organizations think and act, these modes of expression play a crucial role in shaping ethical cultures by inspiring members to behave ethically (Dion, 1996). Organizational

rituals also help to strengthen the informal culture by providing reinforcement and affirmation of the ethical values over time. Finally, the language and metaphors used by organizational members play an important role in shaping behavior in the informal ethical culture. Use of moral or ethics “talk” to address problem-solving and decision-making situations creates an awareness of the ethical dimension of such processes. Research shows that ethical cultures have leaders and members who engage in ethics talk regularly in pursuit of organizational activities (Trevino, 1990).

Based on a series of qualitative and quantitative studies, Ardichvili, Mitchell, and Jondle (2009; 2011), developed a model (CEBC Model – research supported by the Center for Ethical Business Cultures) of five characteristics of ethical business cultures. The five characteristics are: **Values-Driven, Stakeholder Balance, Leadership Effectiveness, Process Integrity and Long-term Perspective (Figure 1).**

Values provide the structural integrity that delimits ethical business culture. They represent the lifeblood of the organization. For an organization to both survive and thrive, its core values must be an integral component of the organization’s strategic focus. They must be aligned to foster a high performance culture and flow freely and systemically throughout the organization to become the foundation of operational norms (i.e., codes of conduct and ethics, human resource processes, and financial reporting) that drive desired behavior.

However, there are two languages of an ethical culture, that which takes its cue from espoused values and a language of values-in-action (Goodpaster, 2007; Schein, 2004). The benefits from an ethical corporate culture with a conscience are optimized when there is alignment between the stated, formal, espoused values and the values-in-action -- practiced,

informal values. Formal or stated values are those actively and openly promoted by the organization to affect desired behavior and organizational goals. Informal or practiced values, unwritten and nonspecific, are behavioral in nature and are actively practiced within the organization. They evolve through employee experiences and interactions with the organizational processes and possess the potential to harmfully or beneficially moderate behavior and affect goal achievement. The magnitude of tension between stated and practiced values impacts operational effectiveness: the greater the misalignment between stated and practiced values, the greater the dysfunction within the organization and the greater the chance organizational goals are not achievable. According to Goodpaster (2007), “when the two come into conflict, the second language inevitably prevails.” (p.153). Thus, an organization’s success hinges upon the dynamic interaction between the stated values that define desired behavior within the organization and the practiced values that moderate and reinforce the desired behavior within an organization’s core business functions and processes.

The *Leadership Effectiveness* is linked to *Values-Driven* dimension. Leadership establishes the tone for most companies through the organizations’ value statements that are incorporated into their mission and vision statements. As leaders “lead by example of personal integrity”, their values are translated through practice into “values in-use” that may or may not resemble the stated values or formal norms. These “practiced” values or informal norms take on a life of their own within the organization, influencing behavior that may not conform with the intended behavior envisioned through the stated values.

Founding leaders create organizations imaged by behavioral expectations and governed by specific stated values. Establishment and institutionalization of these stated values within the

organization will dominate behavior creating an environment that shapes an organization's culture and defines the evolving leadership behavior. Leadership drives the building and sustaining of an ethical culture through "tone at the top." Effective leaders exhibit exemplary ethical judgment and decision-making that employees notice and emulate. "The bottom line for leaders is that if they do not become conscious of the cultures in which they are imbedded, those cultures will manage them. Cultural understanding is desirable for all of us, but it is essential to leaders if they are to lead" (Schein, 2004, p. 15).

Leadership, most notably senior management, must embody the organization's values in their own behavior and must articulate those values in a way that is compelling for employees and all other stakeholders. Ethical organizational culture is a nonstarter if senior management refuses to function as role models for the rest of the organization. However, building and sustaining an ethical culture is also a two-way street. It depends on senior management demanding ethical conduct at every level of the organization. It must permeate throughout all aspects of the business from top management to the frontline employee and throughout all functional systems of the firm. If called upon to lead the organization during a time of crisis, leadership has the wherewithal to moderate behavior thereby changing the core cultural values.

According to Aronson (2001), "Ethical behavior on the part of the leader would appear to be a necessary condition for the establishment of an ethical organization... CEOs are obliged to set a moral example for organizational members." (p. 245). When leaders are serious about promoting ethics in their organizations, they make a concerted effort to understand the ethical dimensions of their organization's culture through culture surveys; support the implementation of ethics training programs, and make sure that all employees are included in this training;



introduce ethical considerations into organizational decision-making processes on a regular basis; and use ethical standards in all performance evaluation and disciplinary action decisions (Collier & Esteban, 2007; Trevino & Brown 2004). These leaders are also able to communicate and role model high ethical standards, and actively promote ethical ideas in their communication with employees and all other stakeholders (Brown, Trevino, & Harrison, 2005).

Brown et al. (2005) asserted that “Ethical leadership emerges out of a combination of characteristics and behaviors that include demonstrating integrity and high ethical standards, considerate and fair treatment of employees, and holding employees accountable for ethical conduct.” (p. 130). Thus, ethical leaders need to be able to use both transformational leadership approaches (especially role modeling and inspirational motivation), and transactional elements (rewards and punishments). However, we need to make a distinction between authentic and pseudo-transformational leadership. Authentic transformational leaders base their actions on the consideration of the interests of their followers and the society in general, while pseudo-transformational leaders are using the altruistic rhetoric and act based on their selfish motives. Authentic leaders are distinguished by heightened self-awareness and a moral perspective and high ethical standards that guide decision making and behavior (Avolio & Gardner, 2005). Leadership authenticity is developmental, and is a process of becoming, of uncovering and developing one’s hidden potential, and of forming one’s moral character through activities leaders choose to pursue (Liedka, 2008). Authentic behavior is closely connected to ethics mindfulness, defined as “enriched awareness among organizational members regarding the potential for catastrophe and resulting in an ever-present conscious engagement of personal responsibility to prevent its occurrence” (Thomas et al., 2004). Ethics mindfulness is part of an

individuals' moral self-identity, a form of self-regulation that results in consistent application of ethical standards and ethical decision-making in a variety of situations. The main factor in developing and sustaining such moral awareness in organizations is the presence of moral leadership, which serves as a role model and a source of continued inspiration and an example of ethical behavior and decision-making.

An ethical business culture espouses a holistic approach when identifying constituents in its sphere of influence. This includes employees, customers, suppliers, owners/investors, the community, competitors and the environment. Balancing the wants and needs of these stakeholders exposes a tension that is ongoing and challenging.

According to the stakeholder theory, business executives have a fiduciary responsibility to various stakeholder groups who, in themselves, have a vested interest in the success of the organization. The countervailing theory espoused by Milton Friedman is stockholder centric, where the only responsibility of businesses and corporate executives is to maximize profits(Friedman, 1970). The stockholders, or owners, are the risk takers. Therefore, they alone are entitled to benefit from the returns.

The CEBC Model supports the stakeholder theory. This is reflected in the dimension, called the *Stakeholder Balance*. The responsibility of an organization is to its numerous stakeholders and their interests. The term Stakeholder Balance suggests that a tension exists between multiple stakeholders. Focusing too long and too much on any one stakeholder has the potential to create an environment of distortion that can lead to ethical lapses. The model does not suggest that the tensions between stakeholders could completely disappear in the ethical organization. It does, however, create a forum for discussion and consideration of various

stakeholder groups of an organization to work toward maintaining a balance of all stakeholders (e.g., customers, employees, owners, and community) in all its decision-making. In addition, the model expands on the underlining theme that the purpose of business is not to just make money. Rather, it is to provide a balance between customer value and profit, and the giving back to the community in which the company does business.

The institutionalization of an organization's mission, vision and values is critical in fostering an ethical operational environment. Within this paradigm employees are motivated and compelled to do what is right, not what is easy. Decisions are focused on long-term perspectives encompassing sustainability, not on the potentiality of short-term loss. Effective ethical business culture evolves within the milieu of aligned stated and practiced values working symbiotically with internal processes to determine how an organization hires, fires, rewards, compensates, promotes, trains, and communicates with its employees. The characteristic *Process Integrity* describes the institutionalization of the company's mission throughout its business functions. Numerous challenges exist, including establishing desired behavior standards and aligning the systems to encourage behavior and monitoring behavior. Key to this theme is the importance of reinforcing company values within every-day operations. There is a need to focus attention on the necessity for alignment of processes and for transparent decision-making by the people closest to the issues.

Finally, the *Long-term Perspective* involves balancing between the short-term and the long-term. It means not doing things in the short-term that create harm in the long-term. Concern for the environment and long-term sustainability of the business and the community is another key feature of the Long-term Perspective. Organizations must be environmentally sustainable,

socially responsible, as well as profitable. Leadership's role is exhibited through its ability to establish a strategy focused on consistent long-term growth and not be distracted by short-term growth targets and gains.

### **HRD Activities in Support of Ethical Business Cultures**

What are specific actions that HRD professionals can take to develop and support ethical business cultures? In general, there are two types of ethics programs in organizations: formal rule-based and less formal values-based programs. While rule-based approaches emphasize prevention and corrective actions in response to detected violations, values-based approaches aim at defining organizational values and motivating employees to adhere to these values in their actions. According to Schminke et al. (2007), in organizations where values-based approaches are implemented, employees act ethically not because they are afraid of punishment, but because they share the ethical values of the organization and its leadership. On the other hand, rules-based approaches are less effective than values-based approaches. However, to be effective, values-based programs need to be supported by well-thought-through rules-based programs as well.

Paine (1994) described two orientations for corporate ethics programs: They either are compliance-based or anchored on a values-based approach. Ethics programs with a compliance bent are usually created by corporate legal officers, and focus on combating violations of the law through prevention, detection and correction/punishment. Value-based ethics programs nurture ethical culture through a more holistic, systemic approach that elevates and integrates ethical decision making into all functions of an organization. "Compliance programs are likely to elicit conformity; values programs are likely to elicit commitment." (Collier & Esteban, 2007, p.

25). These two types of programs do not have to be mutually exclusive, and there is a place for both types of programs in an organization. HRD can play an active role in developing and supporting both types of programs, but, given its roots in humanistic and value-oriented paradigms of organization development, HRD can make an especially strong contribution to the development of value-based programs.

A model for processes and systems, developed by the Ethics Resource Center, is comprised of six components: 1) development of formalized policies identifying ethical conduct and creation of codes of ethics; 2) ethics-related training; 3) ensuring the availability and access to advice or information on ethically challenging situations; 4) mechanisms for and encouragement to report misconduct; 5) processes to investigate and discipline employees for wrongdoing; and 6) inclusion of ethics considerations in the employee performance review processes (ERC, 2005). HRD has a role in each of these components, but to a different degree. Steps 1 and 2-6 are usually managed by the general HR, and/or legal and compliance departments of the organization. However, HRD should have an input at the stage of the development of relevant documents and processes, and should later be actively involved in disseminating the information about the codes, processes, and principles, through training and corporate communication channels. The second component, ethics-related training is, obviously, the area where HRD's leading role is largely unchallenged. Here the HRD professionals, in their turn, need to be mindful of the need for inclusive and systems view of the training, and involve as much as possible not only the compliance officers, but also line management and C-suite executives in the delivery of ethics training. As demonstrated earlier, leaders play a central role in creating ethical cultures, and they can exercise this influence through communicating their

ethical vision and values. Therefore, ethics training, delivered by executives, will be much more powerful and impactful, than an online self-paced program or a training session, conducted by an outside consultant (of course, the latter delivery modes also have their place in the line-up of ethics training programs).

Last, but not least, ethical considerations should play a central role in any organization change (or culture change) interventions, developed by HRD professionals. Are these interventions likely to result in layoffs, and thus lead to the loss of valuable talent, and cause distress in local communities? What are the consequences for various stakeholders, including communities in other parts of the country or in other countries, where the organization is sourcing its supplies? Is the change initiative strengthening organization's determination to conduct its business with a long-term sustainability and stakeholder balance in mind, or is it just mindlessly serving the dictates of short-term profit maximization? These and other questions need to inform all decisions, made in conjunction with new change initiatives.

## **Conclusions**

In summary, in an ethical business organization there is an alignment between formal structures, processes, policies, related training and development programs, consistent value-based ethical behavior of top leadership, informal recognition of heroes, stories, and the use of rituals, metaphors and language that inspire organizational members to behave in a manner consistent with high ethical standards. Personal moral development and authenticity of leaders is an important contributor to the overall ethical climate and culture of the organization. Finally, when developing ethical culture programs, business organizations need to address not only formal compliance requirements, but should also focus on identification of a set of corporate

values and the alignment of those values with all other elements of the culture, including day-to-day operations of the organization.

Ethical perceptions in organizations are highly interpretive in nature and depend on social construction and joint interpretation of values. They are, thus, constantly evolving. Ethical thinking and behavior can be learned and internalized by individuals as a result of these interpretive interactions among organizational members and outside stakeholders. Ethical mindset and values can be internalized by the organization through formalization of processes and codes of conduct, and through the tacit emergence of informal routines, rituals, and symbols.

Applying principles of the cultural-historical theory of development (Cole & Engeström, 1993) we argue that the emergence of ethical business cultures is inseparable from the development of individual moral identities of organizational participants. This development occurs in the process of participation in work and learning activities, and is mediated by the interaction between organizational members, environmental factors, and organizational tools and artifacts (including codes of conduct, training programs and materials, value statements, etc.). Therefore, to be able to build and sustain ethical business cultures, HRD needs to understand the evolution of key organizational activities and systems, related tools, and relationships between individual organizational players and various groups of stakeholders, both within and outside the organization.

The above argument suggests that ethical business culture emerges as a result of the interaction between individual moral development, situational factors (including those shaping current and historical development of the system), tools and various stakeholders. To play a leading role in establishing ethical business cultures, HRD will need to effectively and efficiently

engage in a system of interrelated and well-coordinated activities. The most important of these activities should focus on culture change efforts aimed at the creation of organizational culture, conducive to desirable ethical behavior. To achieve sustainable results, this effort needs to be supported by the creation of a dynamic and constantly evolving program of ethical education and training for employees on all levels of the organization. This includes the incorporation of ethical leadership development programs, creation of mentoring and career development programs that foster ethical culture, development and strengthening of ethical decision-making skills, the creation and review of codes of ethics or codes of conduct, and succession planning focused on sustaining the ethical culture.

A lasting impact on the organization can only be achieved if the organizational values are fully integrated into all HRD interventions and day-to-day operations. Since values develop and strengthen in interactions and through personal example, HRD practitioners, being among the most visible carriers and promoters of organizational values, must act as role models of ethical behavior within the organization. Furthermore, since the tools have a decisive impact on our ability to achieve desired outcomes, to serve as the catalyst of ethical culture transformation, HRD needs to re-examine currently used models and frameworks. Hatcher (2002) pointed out that the majority of current applied HRD models are not based on considerations of social responsibility and ethics and, thus, limit HRD's ability to create ethical business organizations. These models are "noticeably silent on the impact at both the societal and environmental levels" (Hatcher, 2000, p. 18). Therefore, as suggested by Hatcher (2002), new models for HRD work should incorporate not only considerations of economic outcomes and individual, group, or



organizational performance and efficiency, but also outcomes, related to business organizations' impact on society, community, and the environment.

## **Bibliography**

- Ardichvili, A., Jondle, D., & Mitchell, J. (2009). Characteristics of ethical business cultures. *Journal of Business Ethics, 85*, 445-451.
- Avolio, B., & Gardner, W. L. (2005). Authentic leadership development: Getting to the root of positive forms of leadership. *Leadership Quarterly, 16*, 315-338.
- Brown, M., Trevino, L., & Harrison, D. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes, 97*, 117-134.
- Carroll, A. B. & Buchholtz, A. K. (2008) *Business & Society: Ethics and Stakeholder Management 7e*. Mason, Ohio: South-Western Cengage Learning.
- Cohen, D. (1993). Creating and maintaining ethical work climates: Anomie in the workplace and implications for managing change. *Business Ethics Quarterly, 3*(4), 343-358.
- Cole, M., & Engeström, Y. (1993). A cultural-historical approach to distributed cognition. In G. Solomon (Ed.), *Distributed cognitions: Psychological and educational considerations*. Cambridge: Cambridge University Press.
- Collier, J., & Esteban, R. (2007). Corporate social responsibility and employee commitment. *Business Ethics: A European Review, 16*(1), 19-33.

- Dion, M. (1996). Organizational culture as matrix of corporate ethics. *International Journal of Organizational Analysis*, 4(4), 329-351.
- Feldman, S. (2007). Moral business cultures: The keys to creating and maintaining them. *Organizational Dynamics*, 36(2), 156–170.
- Friedman, M. (1970). The social responsibility of business is to increase its profit. *The New York Times Magazine*, September 13.
- Gabler, D. (2006). Is your culture a risk factor? *Business and Society Review*, 111(3), 337–362.
- Garavan, T., & McGuire, D. (2010). Human resource development and society: HRD's role in embedding corporate social responsibility, sustainability, and ethics in organizations. *Advances in Developing Human Resources*, 12, 487-507.
- Goodpaster, K. E. (2007). *Conscience and corporate culture*. Malden, MA: Blackwell Publishing.
- Jondle, D., Ardichvili, A., & Mitchell, J. (2011). Modeling ethical business culture: Development and validation of the ethical business culture construct. An unpublished manuscript.
- Liedka, J. (2008). Strategy making and the search for authenticity. *Journal of Business Ethics*, 80, 237–248.
- Maignan, I., & Ralston, D. A. (2002). Corporate social responsibility in Europe and the U.S.: Insights from businesses self-presentations. *Journal of International Business Studies*, 33, 497-514.
- MacIntyre, A. (1991). *After virtue*. London: Duckworth.
- Schein, E. H. (1985). *Organizational culture and leadership*. San Francisco: Jossey-Bass.
- Schein, E. H. (2004). *Organizational culture and leadership* (3<sup>rd</sup> Ed.). San Francisco: Jossey-Bass.

- Schminke, M, Arnaud, A., &Kuenzi, M. (2007).The power of ethical work climates.*Organizational Dynamics*, 36, 171-183.
- Stevens, B. (2008). Corporate ethical codes: Effective instruments for influencing behavior. *Journal of Business Ethics*, 78, 601–609.
- Thomas, T., Schermerhorn Jr., J., &Dienhart, J. W (2004).*Academy of Management Executive*, 18(2), 56-66.
- Trevino, L. (1990). A cultural perspective on changing organizational ethics. In R. Woodman & W. Passmore (Eds.), *Research in Organizational Change and Development* (pp. 195-230). Greenwich, CT: Jai Press.
- Trevino, L., & Weaver, G. R. (2001). The role of human resources in ethics/compliance management: A fairness perspective. *HRM Review*, 11, 113-134.
- Trevino, L., Weaver, G. R, Gibson, D., & Toffler, B. (1999). Managing ethics and legal compliance: What works and what hurts. *California Management Review*, 41(2), 131-150.
- Weaver, G., Trevino, L.K., & Cochran, P.L. (1999). Integrated and decoupled corporate social performance: Management commitments, external pressures and corporate ethics practices. *Academy of Management Journal*, 42(5), 539–552.

## Cases

### **AHRD Standards on Ethics and Integrity**

“Values are a critical part of HRD research and practice” (Hatcher, 2002, p. 34). Realizing that, to be able to promote ethical culture and behavior in organizations, HRD professionals themselves need to adhere to a strong set of ethical standards for their profession, the Academy of Human Resource Development has created the *AHRD Standards on Ethics and Integrity in 1999* (you can access the full text of the Standards at the AHRD website at: [http://ahrd.org/associations/10425/files/ethics\\_standards.pdf](http://ahrd.org/associations/10425/files/ethics_standards.pdf)).

The General Principles, articulated in the AHRD Standards, include Competence, Integrity, Professional Responsibility, Respect for People’s Life and Dignity, Concern for Other’s Welfare, and Social Responsibility. More specifically, the *Competence* principle acknowledges that HRD professionals need to recognize boundaries of their expertise and provide only services that they are qualified to provide. At the same time, HRD professionals should constantly strive to advance their professional knowledge and acquire new skills and knowledge to be able to better serve their customers.

The *Integrity* principle assumes that HRD professionals are “honest, fair, and respectful of others. In describing or reporting their qualifications, services, products, fees, research, or teaching, they do not make statements that are false, misleading, or deceptive.” (Standards, p. 2). Integrity also means that they are aware of “their own belief systems, values, needs, and limitations” and avoid conflicts of interest (p. 2).

*Respect for People's Rights and Dignity* means to “respect the rights of individuals to privacy, confidentiality, self-determination, and autonomy”, and being “aware of cultural, individual, and role differences, including those due to age, gender, race, ethnicity, national origin, religion, sexual orientation, disability, language, and socioeconomic status.” (p. 2).

Following the next principle, *Concern for Other's Welfare*, HRD professionals would take into consideration the rights and welfare of their clients and all other stakeholders, which whom they interact professionally (p. 3).

Finally, the *Social Responsibility* principle presupposes that “HRD professionals are aware of their professional responsibilities to the community, the society, in which they work and live, and the planet... work to minimize adverse effects on individuals, groups, organizations, societies, and the environment... and understand that a healthy economy, healthy organizations, and a healthy ecosystem are intricately interconnected”. (p. 3).

Questions:

1. Reflect on the General Principles of the AHRD Standards. Do you agree with the inclusion of these five principles in the Standards?
2. Do you agree with the interpretation of the concepts of Competence, Integrity, and Social Responsibility as articulated in Principles?
3. What other Principles would you include?

### **Case Study: To Report or Not?**

Imagine that you, an independent OD consultant from a Western European country, were hired by a major Western hotel chain to develop and implement an organization development

intervention at one of their hotels, located in a capital of one of the countries that used to be part of the former USSR. The company owns more than 500 hotels around the world; in countries of the former USSR, the chain owns several upscale hotels for business travelers. The need for the intervention, as described to you by the management, arises from the fact that the work ethic of local employees is very low: There are numerous instances of embezzlement of company funds by waiters at the hotel restaurant and by other employees. The company managers from the headquarters in Western Europe think that you may need to conduct ethics training, and also develop some new policies and procedures for reporting ethics violations.

After arriving at the hotel, you conduct preliminary interviews with local employees and Western managers, working here. But, being an experienced international consultant, you know that to get honest feedback, formal interviews are not enough. You also need to establish good social rapport with the key people. This works: at a private party one of the employees opens up to you and reveals a real cause for the disappearance of money from the company funds. It turns out that local mafia is extorting money from the hotel employees (who are perceived as “rich” by local standards). Considering the bribes, that they have to pay to the mafia a “business expense,” the employees do not think twice about taking this money from the company funds. In addition, local government officials regularly dine at the hotel restaurant and never pay the bill. Now you face two major dilemmas. First, should you report what you have found or not? Second, you need to decide how to proceed with your project: The interventions, requested by the headquarters, may not be needed at all.

**Questions:**

1. Should you tell the management about your discoveries? You hesitate to do this, because you have promised your new friend to keep everything he was sharing with you confidential.
2. If you decide to report, with whom should you have this conversation? Local managers? Headquarters?
3. If you will share this information with the management, what possible course of action would you suggest?
4. How will you proceed with your project and how will your role change as a result of your discovery?

Figure 1: The Model of Ethical Business Culture

