



Collaboration Between the Ethics Function and HR

When embedding ethical values into organisational culture, the roles of the company Ethics and HR functions can frequently overlap. It is important therefore that they work together effectively to ensure this happens. This Briefing identifies the areas where HR and the Ethics department can work together and looks at ways in which effective partnerships can be formed.

Box 1:

"I believe HR is the 'keeper' of strong ethical culture, and nothing is more important to ethics than culture".
Donna Davis, Director, Ethics & Compliance, Northrop Grumman¹.

"HR provides the vital link between the organisation and the individual by virtue of being the custodian of many of the processes that create an ethical culture.
Robert Potter, Chairman, City HR Association.

"Forward thinking companies have (HR and Ethics) working in concert. Most have teams that understand the key relationship between HR and the ethics functions. It's necessary that the personnel in these two functions work well together".
Paula Desio, Ethics Resource Centre (ERC)².

Collaborative areas

Both HR and the Ethics function have a very powerful role to play in the embedding of ethical values into an organisation and collaboration operates in two directions. The departments mutually support each other in a number of areas:

The Code of Ethics: As a code draws on existing company policies and processes, employee concerns and employment law, HR has a role in assisting the Ethics function with developing or updating content. They can also help with internal dissemination, communication and awareness of the code and the monitoring of employee readership and acceptance.

Recruitment and exit interviews³: (See Box 2) Job applicants are increasingly concerned about the ethical conduct and reputation of an organisation. HR are often the first interaction that a potential employee has with the company and where they get their initial impression of the organisational culture. The Ethics function can inform HR about how the company approaches its corporate responsibility and ethical commitments so they are able to effectively answer interviewee's questions. This, as well as including ethics issues, questions and dilemmas at the interview stages of recruitment can help HR ensure new employees are aware of, and accept, the behaviours expected of them by an organisation.

Including questions around the company values, expected behaviours and organisational culture in exit interviews can also provide useful information for monitoring the effectiveness of the ethics programme. HR and the Ethics function can work together to identify what to ask to assess whether ethical concerns were a reason for an employee leaving.

Induction: (See Box 3) Often overseen by HR, induction is an opportunity to provide new employees with an objective view of the company, organisational culture, work ethic and expected behaviours. Therefore, to support this process effectively and assist employees with their integration into the workforce, the Ethics function can provide HR with relevant materials.

1. From IBE research 2011.

2. **HR Management Review (2008)** *Are ethics officers and HR professionals kindred spirits?* Available <http://www.ethics.org/ethics-today/0109/HRMarticle.pdf>. Last accessed 02/04/2014.

3. **See IBE Business Ethics Briefing 17 (2010)** *Ethical Due Diligence in Recruitment*. Available http://www.ibe.org.uk/userassets/briefings/ibe_briefing_17_ethical_due_diligence_in_recruitment.pdf

Box 2:

Some organisations are now using on-line ethical or psychometric tests as part of the selection process for new employees. This helps ensure that the candidate and company will be compatible in terms of their ethical standards and will screen out those who are mis-aligned in this respect.

At one defence company, assessing whether a potential employee's personal values are in line with that of the organisation is increasingly an element of the recruitment process. Since this has been done more thoroughly in recent years there has been a marked improvement in the number of the employees completing the apprenticeship scheme.

Their Ethics function and HR also work together to design exit interview questions which explore why someone is leaving, how content they were whilst in employment and any issues they may have had with managers/ colleagues etc. Anything relevant from these interviews is picked up by HR and fed back to the Ethics team.

Training: Ensuring *all* training sessions include a focus on expected behaviours is a key way to ensure that ethical values are understood and applied by employees and ethical conduct is not viewed as an 'add on'. Learning and Development experts are often positioned in HR and can deliver training together with the Ethics team where possible, thus allowing the functions to utilise shared knowledge and expertise. HR can also use employee records to help monitor which employees have or have not completed training or 'refresher' training.

Speak Up: Ownership of the Speak Up process can vary company to company but HR and the Ethics function commonly both play a role. There are many issues that stakeholders may speak up about including bullying, harassment, discrimination, violence etc. that are relevant to both functions. Although typically the domain of HR, consequent investigations to resolve issues might include the involvement of the Ethics team too.

Rather than come through other official Speak Up channels, employee concerns may also be handed directly to either HR or the Ethics department. Both teams can then liaise about the logging and

management of these cases as well as any training or awareness actions that may be required.

Box 3:

At one defence company with a strong security culture, there are certain rules and expected behaviours which apply: for example, restrictions as to the use of mobile phones and iPads etc. whilst on work premises. Due to the need for high levels of security and health and safety issues, new entrants to the company often experience a culture shock. Consequently, the Ethics team and HR work closely together on an induction which focuses heavily on how employees should behave when at work and what is expected of them. The induction is interactive and involves case studies based on real situations that have occurred.

Performance management and appraisals:

Assessing employees' application of ethical values through appraisals can encourage them to behave ethically. Developing a rewards system for ethical behaviour, such as remuneration, promotion or ethics 'awards', are ways of encouraging and reinforcing the expected ethical behaviour of employees. HR and the Ethics function can work together to develop an employee incentive system for their organisation to reward employees who demonstrate ethical behaviours. HR could provide the Ethics function with (anonymous) results from staff appraisals. These would help towards monitoring the effectiveness of the ethics programme or help to see where further training should be focused.

In disciplinary matters there is often an ethical element. The Ethics function could be consulted by HR on whether a particular behaviour is acceptable and HR can then implement corrective action when it is not.

Staff survey⁴: (See Box 4) One way of taking the 'ethical temperature' of a business is to survey employees about their experiences, perceptions and awareness of the organisation's ethical values and business practices. HR may oversee the surveying but the Ethics function can provide insight regarding ethical challenges the company is facing and input into the questions that are asked. Findings can then inform future training needs.

4. See IBE (2008) *Surveying Staff on Ethical Matters*. Available to order from <http://www.ibe.org.uk/list-of-publications/67/47>

Box 4: KPMG 'People surveys'.

"These are sponsored by the firm's leadership on a global basis across all of KPMG's member firms and provide a mechanism for gauging the attitude of personnel to a variety of issues. They range from perceptions of leadership and strategic vision through views on career development, and reward to ethical issues such as integrity, diversity and respect for the individual. These surveys are undertaken by external agencies who compile the results on behalf of the firm. By requesting selected information about the individual (area of work, age, ethnicity, gender, length of service etc.) the results can then be sliced and diced at will while preserving anonymity. Areas for action are identified from the trends which are thereby revealed. **The surveys therefore go a long way to informing the debate on ethical issues.**"

Julian Walker, Head of Compliance, KPMG, IBE research 2011.

Ethics Ambassadors⁵: The Ethics function might approach HR to help identify employees to act as 'ethics ambassadors' (EAs, also sometimes called 'ethics champions'). HR may be well positioned to do this because of the information they hold on employees including job descriptions, appraisal results and accountabilities. HR can also help the Ethics function to communicate what and who EAs are within the organisation.

Reporting to the Board: (See Box 5) Most Boards are interested in whether a company is operating ethically and in line with corporate values or not. A 2014 report from the US based Society of Corporate Compliance and Ethics (SCCE) reviewed the relationship between the Board and ethics officers and 53% of respondents from publicly traded companies said they reported directly to the board.

Box 5:

At one company, the Ethics function and HR do joint presentations to their audit committee demonstrating how they work together to get ethical behaviour into the DNA of the organisation. Typical information presented is around training statistics, disciplinary proceedings, employee survey findings and Speak Up data.

Internal Communications: HR are often the owner or champion of the internal communications process in which multiple channels of information that can directly reinforce the messages around ethical culture and expected behaviours exist. These include newsletters, intranet, social media etc. and provide opportunities for ethics messages to be cascaded internally.

HR can be invaluable to the Ethics team in terms of communications when new programs are being implemented locally. They can provide expertise on labour relations issues as well as reviewing translations so that they fit with the local culture but at the same time still mean the same in legal terms.

Achieving effective partnerships

Despite the potential and necessity for areas of collaboration between the Ethics function and HR it is not uncommon for tensions and perceived lack of co-operation to exist between the two teams.

In a 2008 survey of global companies by ERC and Society for Human Resource Management (SHRM), 30% of respondents cited different approaches to problem analysis as the key obstacle towards successful collaboration between the two departments. 18% cited potentially disruptive areas such as lack of mutual professional respect⁶ and a 'sizeable number of HR professionals feel that they are not truly part of the ethics infrastructure in their organisations, yet they are often called upon to remedy or assist with the situations caused by ethics violations⁷'.

Paula Desio (ERC) puts problems down to communication failure and a perception of competition:

"These two groups are sharing many of the same responsibilities and there's an overlap that should be harmonised. They certainly shouldn't be competing. It should be more a question of emphasis, and less a matter of a turf battle between the two groups"⁸.

Despite such possible challenges, many companies have good relations between the Ethics team and HR which helps them to embed a values-led culture across the organisation. Industrial flow management services company Flowserve Corporation find that recruiting people with HR backgrounds as members of the Ethics

5. IBE (2010) *Ethics Ambassadors*. Available to order from <http://www.ibe.org.uk/list-of-publications/67/47>

6. Society for Human Resource Management and Ethics Resource Centre (2008) *The Ethics Landscape in American Business*. Available https://www.shrm.org/Research/SurveyFindings/Documents/08-0449_Ethics_Landscape.pdf Last accessed 02/04/2014

7. Ibid fn 6.

8. Ibid fn 2.

function can mean both teams work well together as there is greater understanding of each other's role. This can help facilitate strong personal working relationships which Flowserve views as key to successful working between the two teams. However, an HR background for Ethics team members is by no means essential to good working relations. An ability and preparedness of both teams to work together is what is critical.

Effective partnerships necessitate open communication between the two departments. At Flowserve there are monthly conference calls and regular meetings to update HR about work the Ethics function is doing. The company also recommends that the two teams involve each other from the start of any project or event. If at some point either function will require the assistance of the other, it works better for them to have previously communicated about the project.

During IBE research in 2011 one multinational, FMCG company also highlighted the importance of both departments communicating openly so that strategies can be aligned and they are working towards common goals. This has more impact than isolated approaches. How feasible this is for companies can be dependent on how well ethics is integrated into existing systems and processes. For example, the FMCG company emphasise *"it is key that ethics... is embedded in our existing practices, and not just a 'bolt on', or additional task. This makes it easier to implement and easier for employees to engage with and understand that it is an integral part of the way we do business, and not an optional extra"*. This means the whole company, HR and the Ethics function included, are working to the same agenda.

Employee perception of how the Ethics department and HR work together is also an important aspect of embedding an ethical culture within an organisation. At one defence company, care is taken to keep the two teams distinct and independent to avoid any perceived (or actual) conflicts of interest. It is important that employees know that an area of ethical concern will be handled independently from the department dealing with disciplinary issues, promotions etc. For example, the two departments have different reporting lines and are physically very separate within the site.

Willingness to succeed

Research suggests the two functions recognise the importance of working effectively together. In a Conference Board survey of ethics and compliance and human resource professionals from 214 global companies, 77% of respondents said they *"would like to see a more collaborative approach between the two functions than their company is currently taking"*⁹. Additionally, ERC surveys have indicated that there is willingness by both functions to learn more from each other and cross fertilise their knowledge. They suggest, for values to be truly communicated throughout a company *"the message to management has to be to encourage this effort"*¹⁰.

About the IBE

The IBE was established in 1986 to encourage high standards of business behaviour based on ethical values.

Our vision is to lead the dissemination of knowledge and good practice in business ethics.

We raise public awareness of the importance of doing business ethically, and collaborate with other UK and international organisations with interests and expertise in business ethics.

We help organisations to strengthen their ethics culture through effective and relevant ethics programmes.

The IBE is a registered charity, supported by subscriptions from businesses and other organisations, as well as individuals.



9. **The Conference Board (2009)** *Working at the Intersection of Human Resources, Ethics, and Compliance-the Need for Collaboration*. Available <https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=1699>. Last accessed 02/04/2014

10. Ibid fn 2.

This and other Business Ethics Briefings are available to download free of charge from the IBE website:

<http://www.ibe.org.uk/list-of-publications/67/47/>