

# Encourage ethical behavior as economy recovers

by Patricia J. Harned

This recession seems to have an upside: Employees are behaving better. Don't get too excited; the uptick in ethical behavior is probably temporary.

But the sixth National Business Ethics Survey by the Ethics Resource Center (ERC) shows that the amount of misconduct observed, employees' willingness to report misdeeds, the strength of ethical cultures and the pressure to cut corners all have improved since 2007, even though the economy has been bad.

Something similar happened from 2000 to 2003, when the economy was rocked by the bursting of the dot-com bubble, the events of 9/11 and corporate scandals involving WorldCom, Tyco and Enron. ERC's ethics metrics all improved during that period, too—only to fall back once the economy bounced back.

Still, the news is good for now. It could be that during these extraordinary times, leaders are more naturally talking about the kinds of behaviors that employees perceive as a raising of the ethical bar at work. They're talking about the importance of ethics. They're valuing employees, even as they make the difficult decisions concerning layoffs or salary reductions.

And in light of all the public and government scrutiny of executives and their perks and compensation packages, we're seeing more executives being careful about the tone they're setting and the rewards they're getting. Employees see that as modeling good conduct.

At the same time, it's likely that the people who would ordinarily break the rules are lying low because they don't want to do anything to jeopardize their jobs during a time when it might be pretty hard to find a new one.

Cutting corners, engaging in conflicts of interest, displaying aggressive and intimidating behavior or abusing company resources might not be worth it if it means you'll lose your job over it.

Because we've seen this pattern of good ethics during a bad economy before, though, we fully expect this positive finding to be temporary.

Still, HR pros and organizational leaders can try to keep the upswing going. The best way to do that is to make creating an ethical culture a business priority. Here are a few recommendations:

- 1. Offer financial rewards to managers** who continue their recession-driven ethical behavior once the economy improves. Set performance goals related to ethics, make them part of the annual review and tie them to pay raises.

- 2. Encourage managers to model ethical behavior** and report unethical behavior. Employees who see

managers doing this are more likely to do it themselves. It's critical for employees and job candidates to see the company as ethical.

**3. Engage employees in discussions** about your organization's ethics. Talk about your firm's high standards for business conduct. Encourage supervisors to talk with their staffs about what the company's high standards mean to their jobs.

**4. Make it easy for employees to report** any ethics violations they witness. Encourage employees to report abuses to their managers, and train managers so they know how to handle the complaints.

**5. Respond to employees who report unethical incidents**—and then investigate the allegations. If the organization doesn't follow up, employees won't report the problems.

**6. Hire employees who take your organization's ethics standards seriously** and will maintain that standard once they're on the job. Let employees know that their ethical standards were a factor in the hiring decisions.

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## **By the numbers: Economy down, ethics up**

- In late 2009, just about half of employees said they witnessed misconduct on the job, down from 56% in 2007.
- Sixty-three percent said they reported misconduct when they observed it, up from 58%.
- Perceived pressure to commit an ethics violation, like cutting corners (or worse) declined from 10% to 8%.

*Source: 2009 National Business Ethics Survey.*