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Ethical practice and the role of people professionals

Explore the role people professionals play in applying ethical values to organisational practice

Introduction

Scandals involving workplace harassment and poor treatment of workers have highlighted what can happen when ethics aren't integral to the way organisations operate. With unique access to staff throughout their careers, as well as opportunities to influence an organisation's strategy and the way it manages its workforce, people professionals are uniquely placed to support embedding principled decision-making into daily practice. Ethics are at the heart of professionalism. To create cultures of transparency and trust, practitioners should demonstrate strong standards of integrity when advising business leaders.

This factsheet explores what ethical practice means and why it matters in an organisational context. It outlines the trade-offs involved in upholding ethical values and the challenges faced by people professionals. Finally, it looks at the profession's role in creating ethical organisational cultures.

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What is ethical practice in organisations?

Ethical practice is the application of ethical values in organisational behaviour. It applies in all aspects of organisational conduct, including corporate governance, employment practices, sales techniques, stakeholder relations, accounting practices, and issues of

product and corporate responsibility. It's about the discretionary decisions that organisations and the people who work for them make, and transparency with all stakeholders about those decisions. Are colleagues treated with dignity and respect? Are customers treated fairly? Does the organisation acknowledge its responsibilities to wider society?

People management decisions often involve trade-offs between different needs or priorities. Being aware of and understanding the outcomes of alternative courses of action will enable people managers to make sound judgements. Transparency means being open with employees and stakeholders about decisions and the rationale behind them. Such communication with builds trust.

Our Ethical-decision making research discusses eight different perspectives or 'lenses' to consider when making workplace ethical decisions. These expand on 'right' or 'wrong' judgements giving alternative ways of seeing a situation. For example, the 'fairness' lens considers that everyone should be able to agree to a decision regardless of their place in an organisation, and the 'handing down' lens considers responsibilities to conserve and maintain. The research informed our principles for the profession, reflected in our Profession Map which has ethical practice as a core behaviour.

Ethical practice in the time of coronavirus

The COVID-19 pandemic has forced many organisations to make rapid changes to their business model. It's also bringing unique people management challenges as employees adapt to workplace changes or personal challenges such as juggling caring responsibilities or self-isolating.

In this unparalleled situation, having a principle-based approach to decision-making is essential to make sure organisations behave ethically. There are many factors to be considered; from employee wellbeing and safety, business finances and long-term sustainability. A principle-based approach can help guide decisions as the situation evolves.

People professionals need to champion ethical practice and work with the wider business throughout the crisis to ensure the best possible outcomes for all. Find out more about the role that people professionals should play in Coronavirus and the workforce: doing the right thing in a crisis and how senior leaders have navigated decision making through the pandemic in our report Responsible business through crisis.

There's more on what employers should be doing in our Responding to the coronavirus hub.

Why is ethical practice important?

Organisations should 'do the right thing' because it is the right thing to do. [The Institute of Business Ethics' research](#) supports this view, and demonstrates the benefits to organisations when they take their ethical values seriously:

- An open culture improves morale.
- Good relations with customers lead to an enhanced reputation.
- Ethical companies outperform their peers financially in the long term.

Reputations are based not only on an organisation's delivery of its products and services, but on how it values its relationships with its staff and stakeholders, and how it establishes responsibility and accountability towards them. Demonstrable ethical practice is not only an effective insurance policy, mitigating risk; it gives organisations competitive advantage. An organisation's success depends on trustful relationships with employees, customers, suppliers and the community.

Serious risks can occur when an organisation's culture is at odds with its stated ethical values. The 'say/do gap' – where leaders say one thing but do another – is harmful to their credibility and leaves workers cynical and disengaged. As a result, the organisation is susceptible to ethical lapses and damage to its reputation. Leaders should be clear on what the organisation's ethical values, demonstrate them day-to-day, and set expectations that employees reflect these values in their own behaviours. In our Purposeful leadership report, we investigate what business ethics means for leaders at various levels of the organisational hierarchy, and the extent to which these leaders can help organisations articulate and embed ethical values. Listen to a round-table discussion in our podcast Ethics: a leadership imperative.

Establishing an ethical culture

The term 'ethical culture' is about how ethical values are brought to life in the day-to-day running of the organisation. A company may have 'excellence' as a value, but how is excellence defined in that organisation? How is it achieved? Is it with integrity, or is it at the expense, for example, of child labour or poor working conditions?

An organisation's ethical climate also matters. It's about the social norms and values that outline what 'the right behaviour' is and how ethics should guide behaviour. Ethical climate is influenced by policies and practices, meaning businesses need to pay attention to management practices and how they shape the ethical environment. Find out more

about [organisational culture and climate](#).

To operate ethically, an organisation needs an ethics programme to support and bring its values to life. This may be a formal or informal programme depending on the size of the organisation, but it should include a code of ethics as the key element. If values are a compass to guide behaviour at work, then a code of ethics is the map that helps people navigate ethical dilemmas in the workplace. When done well, a code articulates expected behaviours and brings the organisation's values to life – and isn't seen just as a compliance-driven initiative. To understand expectations and ensure they are achievable, staff need guidance from their leaders. And once a code of ethics is launched, organisations shouldn't stop ethics activities as valuable insights can be fed back from staff, customers and stakeholders.

Listen to our [Creating ethical workplaces](#) podcast which explores how organisations can support ethical behaviour through their people management practices.

Embedding ethics

Core values exist in most organisations, whether they've been consciously created practice or left to chance, and whether or not they are formally articulated. An organisation's values provide a framework for the company's culture and decision-making.

In the rapidly changing world of work, there is not always a 'golden rule' or 'best practice' to help practitioners navigate workplace dilemmas. The ability to exercise situational judgement is critical to making the best possible decisions, by drawing on both knowledge and sensitivity to the ethical choices.

Ethical dilemmas can arise in many situations and at all levels within organisations, from those related to strategy and policy in the boardroom to those faced by managers or individuals in their daily work. While the boundaries of right and wrong as defined in law are clear, behaving ethically is discretionary. Dilemmas arise when the best choice is not clear; for example, when someone is faced with a choice between the least wrong options, or when the needs of different stakeholders are in conflict.

To operate ethically, an organisation needs an ethics programme to support and bring its values to life. This may be a formal or informal depending on the size of the organisation, but it should include a code of ethics. If values are a compass to guide behaviour at work, then a code of ethics is the map that helps people navigate workplace ethical dilemmas. Done well, a code articulates expected behaviours and isn't seen just as a compliance-driven initiative. To support embedding a code, organisations should facilitate continued

activities and communications with staff, using valuable insights from staff, customers and stakeholders.

Some organisations provide individuals with 'ethical tests' to help them make decisions and navigate ethical values and principles. These might involve a series of questions, such as:

- Is it consistent with the organisation's code of ethics?
- How would I feel about it being on the front page of tomorrow's newspapers?

Organisations should articulate what ethical principles mean in day-to-day practice and support employees in embracing them, as well as working with individuals to recognise when an ethical dilemma arises and how to deal with it. Our [Ethics at work employer's guide](#) includes a 'Transparent decision making' flowchart that can be shared with the workforce.

The role of people professionals

People professionals can often be blamed for organisational decisions or outcomes that are less favourable, such as redundancy programmes or having to carry out dismissals. CIPD members are required to adhere to our [Code of Professional Conduct](#) but it's important to understand that in executing a policy or process on behalf of an organisation, a member would not usually breach the Code. We advise practitioners to ensure transparency in decisions and be clear about their role and scope in employment matters.

In 2015, our Best to good practice HR research found that while HR professionals want to make ethical decisions, there's often a gap between that ambition and actual practice. Practitioners sometimes feel they have to compromise on their principles because they feel under pressure from the business. Since the remit and identity of HR has been closely tied to organisational goals, the ability of people professionals to operate independently, with the power to challenge organisational decisions when they violate ethical values, has been questioned.

Our 2021 People profession survey found that most people professionals said they would not compromise their professional principles in their work. However, meeting business needs and pressure from senior stakeholders are areas where they are more likely to compromise. Developing a strong sense of purpose and identification with their people profession can equip practitioners with the courage to challenge unethical practice.

CIPD members facing challenges can use our discussion forum [Workplace dilemmas in](#)

[confidence](#) to post anonymously and seek valuable guidance and peer support from the member community.

There's a checklist on addressing the ethical climate of your organisation in our [Ethics at work employer's guide](#).

Communicating ethics

Communicating the organisation's values indicates a long-term strategic commitment to building and maintaining an ethical culture. Regular internal communications should regularly refer to the values and ethical expectations. Where there has been an ethical lapse or scandal, communications can help rebuild internal trust by revitalising the commitment to behaving ethically. But it needs care to avoid the impression that 'everyone is doing it' or suggesting unethical behaviour is the norm in the organisation.

Where different cultures have merged (for example, in an acquisition), internal communications of ethical values can help develop cohesion, consistency in behaviours, and common purpose. Global companies will find this approach helpful as it supports the task of uniting different cultures in the corporation behind one set of values. A useful way to do this is to nominate ethics ambassadors and obtain case studies from each business area.

If an organisation has an ethical code, it should be regularly reviewed and interactively discussed with employees. It shouldn't just be covered during induction. Talking internally about ethical values will also enhance the [employer brand](#).

Key systems

The people profession is responsible for key systems and processes underpinning the effective delivery of an organisation's ethics messages. With its expertise in change management and internal communications, and by working in partnership with those responsible for ethical performance within their organisation, the profession can help to integrate ethics into the following organisational processes:

- Recruitment and induction.
- Inclusion and diversity.
- Learning and development.
- Performance management.
- Reward, including bonuses and incentives.

Our [Ethics at work employer's guide](#) has sections on job design, and targets and reward.

People professionals can also introduce specific activities to familiarise staff with ethical issues, for example anti-bribery, modern slavery and data protection training.

Finally, people professionals should ensure they understand the governance structure of the organisation and enable full transparency by implementing confidential ways for employees to raise concerns. There's a '[Speaking Up](#)' checklist in our [Ethics at work employer's guide](#) and more on [employee voice](#) in our factsheet.

Assessing and reinforcing ethical behaviours

Our research reviewing unethical workplace behaviour highlights the key risk factors. By understanding better what influences people's decision-making and behaviour, businesses can take evidence-based action to tackle it. These include people management practices like reward and job design. There's practical guidance on how to promote ethical behaviours in our [Ethics at work employer's guide](#).

As well as establishing and communicating ethical values, organisations should assess and reward ethical behaviours. [Performance management](#) requires commitment to organisational ethical values, and performance reviews should look for ways in which employees and their departments have supported these values. For example, how have difficult decisions been made? As with other performance measures, these can demonstrate how staff have contributed to the organisation's ethical performance and can be included in decisions regarding bonuses or promotions.

Developing a reward system which promotes ethical behaviours is another way to encourage and reinforce expectations. This could include ethics awards, or remuneration and promotion based on ethical behaviours.

Assessing employees' application of ethical values can encourage them to behave ethically, as well as monitor the effectiveness of the ethics programme to see where further training should be focused. People professionals and senior leaders should agree on the extent to which ethics are core expectations of employees and any organisation's representatives, and what consequences might arise if those ethics are not upheld.

Useful contacts and further reading

Contacts

[Institute of Business Ethics](#)

[Institute of Business Ethics - Speak Up Toolkit](#)

[Business in the Community](#)

[The B Team](#)

[The Jubilee Centre for Character and Virtues](#)

[Institute for Business in Society - 'Giving Voices to Values' Program](#)

[TED talk - The surprising ingredient that makes businesses work better by Marco Alverà](#)

Books and reports

EPSTEIN, M. and HANSON, K. (2021) *Rotten: why corporate misconduct continues and what to do about it*. Los Alton, CA: Lanark Press.

FRANCIS, R. and MURFEY, G. (2015) *Global business ethics*. 3rd ed. London: Kogan Page.

INSTITUTE OF BUSINESS ETHICS (2014) *The collaboration between the ethics function and HR*. Briefing 40. London: IBE.

LEIGH, A. (2013) *Ethical leadership*. London: Kogan Page

ROBINSON, S. and DOWSON, P. (2012) *Business ethics in practice*. London: Kogan Page.

THOMPSON, A., MAILE, A. with RUSSELL, T. (2020) *Bringing character to life: virtues in business and finance*. Birmingham: University of Birmingham, The Jubilee Centre for Character and Virtues.

Visit the [CIPD and Kogan Page Bookshop](#) to see all our priced publications currently in print.

Journal articles

BASHFORD, S. (2021) [Life isn't fair – but your workplace can be](#). *People Management* (online). 28 January

EPLEY, N. and KUMAR, A. (2019) How to design an ethical organization. *Harvard Business Review*. May-June. Reviewed in *In a Nutshell*.

GRAVE, K. (2018) [HR must speak up about ethics](#). *People Management* (online). 10 September.

KARLSSON, P-O., AGUIRRE, D. and RIVERA, K. (2017) Are CEOs less ethical than in the past? Why more chief executives are losing their jobs after scandals and corporate misconduct. *Strategy + Business*. Issue 87, Summer. Reviewed in *In a Nutshell*.

SHARP, R. (2019) Ethics and HR. *HR Magazine*. April. Reviewed in *In a Nutshell*.

CIPD members can use our [online journals](#) to find articles from over 300 journal titles relevant to HR.

Members and *People Management* subscribers can read articles on the [People Management](#) website.

This factsheet was originally written by Institute of Business Ethics and last revised by Mel Green and Tina Russell.