

BE HONEST AND DEPENDABLE; TAKE RESPONSIBILITY

Reward Honest Behavior

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Do you push employees to act honestly and ethically? Or do you hope they show those traits on their own?

How your employees act and perceive your firm's ethic can depend on how you lead in that area.

Nearly 70% of employees at public companies give their firms an A or a B for encouraging ethical conduct, according to an Ethics Resource Center survey.

The center wanted to show how public company employees view ethical behavior five years after the Sarbanes-Oxley Act took effect.

"We're seeing hopeful news that employees say their companies are making an effort to do business with integrity," Patricia Harned, president of the Washington, D.C.-based nonprofit ethics group, told IBD.

But 22% still say their firms reward results even if unethical practices lead to those results.

That figure is 37% at small companies.

Stephen Loeb, an accounting and business ethics professor at the University of Maryland's Smith School of Business, sees it as more than big vs. small firms.

"So much plays into it," Loeb told IBD. "The tone upper management sets is often a much more important factor."

Part of the problem stems from taking a short-term view to getting results at all costs, Harned says.

"One of the major reasons employees feel pressure to compromise standards is they feel pressure to perform," Harned said.

Companies, from the top to the bottom, also sometimes simply view breaking the rules as an easier way to success, Loeb says. And some people don't consider the implications of falsifying financial results or lying to a client to get more sales.

Another issue, Harned says, is bosses tend to view themselves as ethical -- and workers don't view them that way, leaving a void in perception.

How to fix that gap, get results and stay honest? Culture is key. That's where owners and top managers come in.

They need to:

- * **Set the tone.** Upper management needs to feel strongly about the importance of integrity and act that way.

Honesty filters down through the ranks. "Employees will pick up on that," Loeb said.

- * **Add an ethics officer.** "That person can reinforce the tone," Loeb said.

- * **Create a reward system.** That shows the firm believes strongly in doing things the right way. And you get what you reward.

- * **Help leaders understand ethics.** "Every decision is impacted," Harned said. "Ethics does matter in how you do business."

- * **Build a culture.** It's not enough to set up internal controls so you can check things off a list, Harned says.

"You have to demonstrate that you get ahead (in the company) by not just making targets, but by doing it ethically," she said.

- * **Hold people accountable.** It's important to measure progress toward creating an ethical culture, Harned says.

As you gauge that, make workers accountable to holding up their end of the bargain.