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Culture Leadership

An HR leader's guide to nurturing an ethics-first culture

By Dr Zivit Inbar FCPHR

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HR practitioners can help to diagnose ethical problems and develop strategies to overcome them, but they cannot build an ethics-first culture on their own.

In an era where corporate scandals and public scrutiny are ever-present, and the economy is fragile due to geopolitical pressures, cultivating an ethics-first culture is a necessity.

It's a responsibility that extends far beyond compliance and policies; it's about fostering an environment where ethical decision-making is ingrained in every aspect of the organisation.

An ethics-first culture is simply one that emphasises the question, 'What is the right thing to do?' in every decision (big and small). Doing the right thing refers to our stakeholders, employees and their families, customers, the community, society and the environment.

So, what does an ethics-first culture look like? The table below offers a brief summary:

Ethics-first-culture	A culture that's not focused on ethics
Trust	Perceived unfairness and distrust
Ethical leadership	Disrespectful relationships
Encouragement to speak out	Fear of retaliation
Zero tolerance for unethical behaviours	Bullying and harassment across the organisation
Ethics-based systems, values, and relationships (individuals, teams, cross-teams)	Silos, lack of collaboration and information sharing

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Many leaders mistakenly believe that ethics is solely the responsibility of HR. This mindset fails to recognise the role of every leader in the organisation. Ethical conduct cannot be siloed to one department or outsourced. It must be woven into every business decision, process and interaction and be part of the <u>organisational culture</u>.

Ethics, like all elements of organisational culture, start from the top with the board and the executive team. As HR practitioners, we are uniquely positioned to champion culture and ethical practices across the employee lifecycle. But we cannot do it on our own.

We can diagnose the problem, develop the strategy and plans, implement and review. But if the organisation's leaders do not demonstrate ethical decision-making, HR's efforts will not result in positive outcomes.

Common ethical dilemmas faced by HR

As HR practitioners, we sometimes find ourselves caught in complex situations under immense pressure and conflicting directions. 'What is the right thing to do and by whom?' is often a difficult question to answer. You feel you cannot be all you want to be and satisfy all your stakeholders at the same time.

We encounter complex ethical dilemmas that challenge our <u>decision-making</u>. These dilemmas occur across all HR activities, from navigating conflicts of interest, maintaining <u>confidentiality</u>, addressing workplace discrimination and harassment, and many more.

To demonstrate Moral Leadership, we need to surface the moral complexity that often comes with HR dilemmas. Sometimes, there is never an agreement about the right/wrong course of action. Every decision we make includes compromises and trade-offs. Hence, leaders need to develop comfort in surfacing and integrating ethical issues as part of solving complex problems.

Three ethical decision-making models

To navigate these complex situations, HR practitioners must be equipped with practical tools and frameworks for ethical decision-making.

One such tool is the "Ethical Decision-Making Model" (based on the work of Dr Michael Davis), which is widely used across sectors. The model is as follows:

- 1. Identify the ethical issue or dilemma.
- 2. Gather relevant information and perspectives.
- 3. Evaluate the potential consequences and stakeholder impacts.
- 4. **Explore options** of action and apply ethical principles to assess these options.
- 5. Make an ethical decision and implement it.
- 6. **Reflect** on the decision and learn from the experience.

When evaluating the ethical issue and the perspectives of the different stakeholders, it's helpful to reflect on ethical approaches and frameworks. Three of the many approaches you could consider are:

1. The Utilitarian approach

Utilitarianism is an ethical theory that focuses on maximising overall happiness or wellbeing for the greatest number of people. It emphasises the consequences of actions, assuming the right thing to do is always what brings the most overall good (the greatest good for the greatest number of employees and stakeholders).

In a workplace context, this is often seen in HR decision-making processes and policies that aim to maximise overall wellbeing and minimise harm to the workforce. For example:

- Office relocation: considering different options to ensure the new office will be in an area convenient to most employees. While some individuals might be unhappy, the decision prioritises the greater good.
- Response to economic downturn: moving the entire workforce to work nine days per fortnight or removing bonuses to avoid redundancies (as some Australian companies did during the Global Financial Crisis (GFC) in 2007-2008).

Consideration: It's important to note that this approach may risk overlooking minority interests if outweighed by the majority.

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2. The Deontology approach

Deontology emphasises following universal moral principles such as honesty and respect for autonomy.

Actions are judged as being right or wrong, regardless of their consequences. Deontology emphasises treating employees as ends rather than as a means to an end.

In a workplace context, this could look like:

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- HR policies and practices are guided by principles of respect for persons rather than solely focused on outcomes, profit or productivity.
- HR hiring, firing, promotions and compensation decisions should follow justice, fairness and equal opportunity principles. Avoiding showing <u>favouritism</u> or making exceptions to policies based on personal factors.

Consideration: It's important to note that deontology can be rigid and sometimes fails to account for contextual factors that may justify exceptions in certain circumstances.

3. The Virtue Ethics approach

Virtue ethics is an ethical theory that focuses on character and virtues rather than solely on actions or consequences. It concentrates on cultivating virtues such as integrity, honesty and compassion.

In a workplace context, a virtue ethics approach might be reflected in fostering an ethics-first culture that also promotes personal growth. For example:

- <u>Leaders model behaviours such as empathy</u> and integrity, creating a supportive environment where employees are inspired to act ethically and continuously develop.
- Leadership development programs focused on ethical decision-making, mentorship programs and recognition programs that celebrate employees who exemplify company values.
- Hiring for virtues, not just for technical knowledge and experience.

Consideration: This approach relies heavily on personal judgment, which can lead to inconsistencies and conflicts in determining the best course of action.

What constitutes a 'good' character trait can vary across cultures and individuals. This variation can create difficulties in decision-making when there are disagreements over which virtues are most important and given evaluations are subjective.

Making the right decision requires a multi-faceted approach, including assessing situations, identifying potential consequences and determining the course of action most aligned with the organisation's ethical values.

Embedding ethical principles into HR practices

Beyond decision-making tools, HR practitioners should actively embed ethical principles into all people and culture practices, including:

- 1. Leading by example and fostering an open, transparent and accountable culture.
- 2. Ensuring ethical decision-making is at the core of every decision.
- 3. Adding ethics to the agenda of project reviews.
- 4. Developing and communicating a clear code of ethical conduct.
- 5. Integrating ethical decision-making frameworks into leadership development programs.
- 6. Developing HR processes that focus on eliminating bias.
- 7. Integrating ethical training and discussions into onboarding, performance reviews and learning and development programs.
- 8. Establishing robust complaint and grievance mechanisms.
- 9. Conducting regular ethical audits and risk assessments.
- 10. Recognising and rewarding ethical behaviour.

HR leaders have the unique opportunity and responsibility to shape the ethical landscape of their organisations. By prioritising ethical practices and decision-making, we protect our organisations from reputational and legal risks, and contribute to a more just and sustainable society.

It's a journey that requires building relationships, commitment, courage and unwavering dedication.

Dr Zivit Inbar FCPHR is the Founder & CEO DifferenThinking.

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