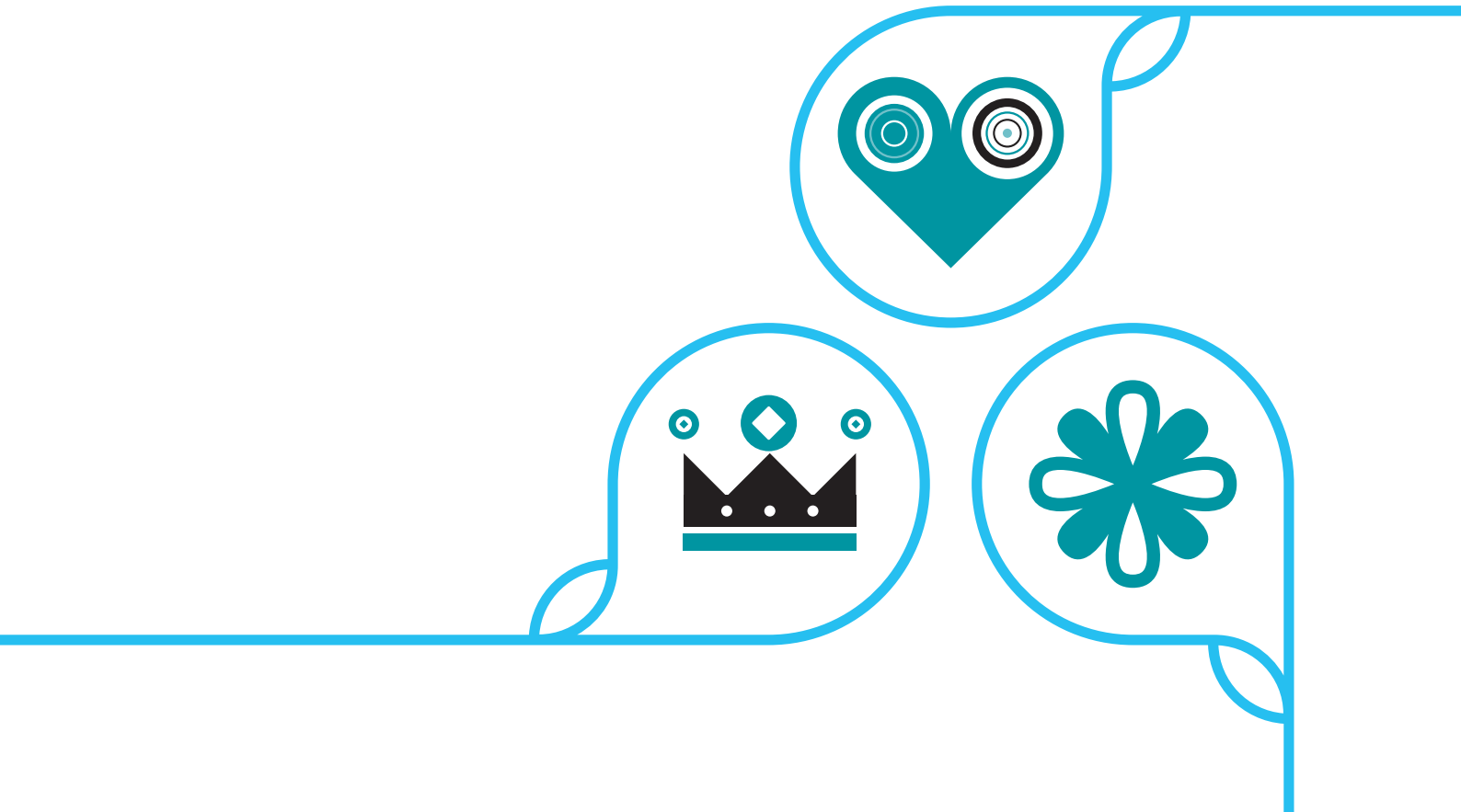
BUSINESS IN THE COMMUNITY

ilm

Added values
The importance of ethical leadership



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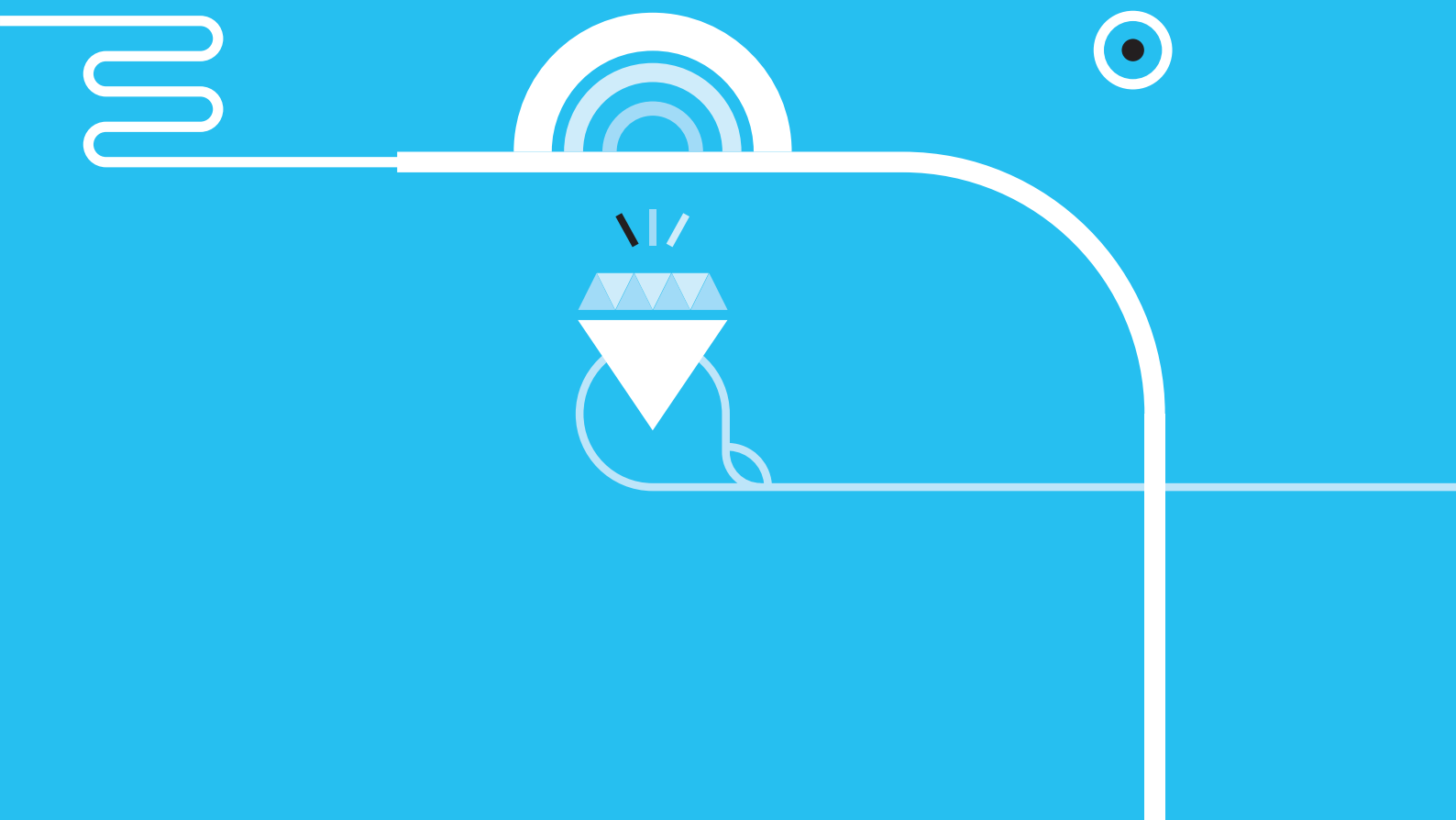


Introduction

Several high profile ethical breaches in recent years have placed values and ethics firmly in the public eye. Company decisions and actions are now increasingly subject to heightened attention from shareholders, stakeholders and customers alike. The public desire for transparency shows no signs of abating, and whether it's negative press around companies' tax arrangements, phone hacking in the UK media, patient neglect in the NHS or the LIBOR rate-rigging scandal, news of unethical behaviour spreads faster and louder now than ever before.

As organisations come under increasing scrutiny, having a robust set of organisational values and clear ethical guidelines is more important than ever. These values are declarations of the attributes and behaviours that really matter to an organisation and its staff, and it's important that they are effectively established and communicated. To be engaging and significant to employees, customers and stakeholders, values must truly embody the practices that are prized by an organisation and reflect the behaviours that they recruit on, reward and encourage.

During this research ILM and Business in the Community (BITC) asked business leaders and managers about their own values, the values of the organisations they work for and any ethical dilemmas they have faced in the workplace. Leaders and managers shared their own experiences of facing ethical issues at work, and you will find their own comments throughout this report. We also held roundtable discussions with senior business leaders to share our initial findings and their reflections and ideas inform this report and our recommendations for moving forward.

This research explores the most effective ways to build, embed and display values in organisations across the UK. At a time when many managers and organisations are under relentless economic pressure, there is a genuine need for open discussion with employees about values, plus a strong requirement for a robust set of values that help inform decisions and behaviours at all levels.

Charles Elvin
CEO, Institute of Leadership & Management

Stephen Howard
Chief Executive of Business in the Community

Executive summary

While there is a high level of public focus on ethics, managers are still frequently faced with ethical dilemmas at work, placing them under increased pressure. 63% of the managers we surveyed say that they have been asked to do something contrary to their own ethical code at some point in their career, while 43% of managers have been told to behave in direct violation of their organisation's own values statements, and 9% had been asked to break the law.

Ethical issues at work

While 83% of managers say their organisations have a statement of values, it's clear from our results that employee behaviour often does not fully reflect them. In fact, one in eight (12%) managers say that the way people behave in their organisations is not that close (9%) or not close 'at all' (3%) to their organisational values. This disregard for values has a negative impact on employee wellbeing, and one in ten managers (10%) say they have left their jobs as a result of being asked to do something at work that made them feel uncomfortable. With so many organisations unable to adhere to even their own stated values, the impact on retention and recruitment of talent could be only the tip of the iceberg in terms of damage to UK business and its reputation.

The management disconnect

Just 38% of all managers surveyed feel that behaviour and company values in their organisation are 'very closely' aligned, compared to 66% of directors. First line managers are the most pessimistic about the effect of organisational values on behaviour, with 17% saying alignment of behaviour and values where they work is 'not that close' or 'not close at all' compared to 7% of senior managers, 10% of directors and 0% of CEOs. First line managers are also the least likely to refer to their organisation's values statement when making decisions (65% of all managers compared to 84% of directors). This management disconnect between those at the top and bottom of an organisation reflects how difficult it is to engage lower level managers with values, and also how hard it is for managers to translate their organisation's values across their teams.

Concern over whistleblowing

When ethical breaches do occur at work, there is a distinct lack of confidence in how effectively organisations will deal with them. One quarter of respondents (28%) are either certain or concerned that they would be negatively affected if they were to report an ethical breach at their workplace. Managers were most fearful of experiencing negative consequences (17%) compared to directors (9%), who were least likely to expect any problems in reporting breaches of ethical behaviour. This disparity suggests a real discrepancy in the perceptions (or experience) of staff depending on their level of power or influence in the organisation.

Managers don't always follow the rules

Over half of managers (53%) rate their own ethical standards as higher than their organisation's, suggesting that managers trust their own judgement over imposed values statements. Given a choice of three statements the majority of respondents (54%) say they prioritise 'doing the right thing', over 'achieving the right outcome' (20%), with 'following the rules' the least popular choice (19%). This highlights how important it is for organisations to ensure their values statements are not just seen as a list of regulations to comply with, but a framework or baseline within which managers are trusted and encouraged to use their own ethical judgement. Managers and leaders that are aligned to their organisation's values will make decisions that reflect those values.

Changing values

83% of respondents said that their organisation had an explicitly stated set of values and, of these, over half (54%) said that this statement had been changed since 2008. The most common driver for change was the shifting external economic, social and political context (54% of managers said their organisations had changed their values statement because of this). However, over a quarter (29%) of organisations had changed their values due to the arrival of a new CEO or senior figure, which raises questions over the ease and regularity

with which what an organisation stands for can be influenced by one individual.

Consultation counts

Having an explicit values statement helps to align company and employee behaviour more effectively than assuming there is a set of shared values. Managers working in the 83% of organisations with an explicit values statement are more likely to say they have never experienced serious conflicts (41%) between their personal and organisational values than those working somewhere without a values statement (28%).

63%

of managers have been asked to do something against their personal ethical code

10%

of managers have resigned as a result

But not all values statements are equally effective. Managers who were consulted in the creation of a values statement were significantly more likely to refer to those values when making decisions (78%) than if they had not been consulted (60%), showing managers are most engaged with values that are created and reviewed in consultation with staff, shareholders and stakeholders.

Recommendations

Link values to strategy

Tying values into the strategic objectives of an organisation means that the way people are expected to behave and the goals they are required to achieve are in harmony. Values should not be formulated in isolation, but built as part of the organisation's overall strategy. Values should drive the behaviour that organisations need to help them achieve their goals.

Target your middle managers

Middle managers hold the key to eliminating the management disconnect between senior leadership and front line staff. They require targeted support to ensure staff who are under increasing pressure to make key decisions do so in an ethical and sustainable way. Provide this support by using workshops to discuss ethical issues, linking values to performance and engaging them in setting and reviewing the values.

Tackle breaches openly

When ethical breaches do occur, organisations should be more willing to discuss them throughout their organisations (in confidence if necessary), discerning the reasons these breaches occurred and what could be done to avoid them in the future.

Develop leaders at all levels

Leadership is the driver of cultural change in organisations, so develop your leaders to show that they understand the organisation's ethical statements, embody these values, and in turn embed them across the organisation. A values-based leadership approach determines what behaviours are encouraged from leaders and is closely linked to inclusive leadership[1], which facilitates innovation, makes the most of talent and enhances organisational performance.

Be aware it's not all black and white

Not all ethical decisions will be black and white, and managers will often need to use their own judgement to make hard choices. Here, organisational values should serve as a framework, not a rulebook. Ensure that employees know, understand and can explain clearly what the organisation's values look like in practice – the behaviours that are encouraged and those that are unacceptable. Then allow them to apply their own judgement, using the values as a core structure.

Bring your values to life

Senior leaders should model the way for other employees by showing how they display the company values in their choices and behaviours. When strategic decisions are made, show how they reflect the organisation's values and communicate this to staff. Link values to performance reviews, by rewarding behaviour that embodies these values, and be explicit when communicating why these values are important.

Build values in consultation

Values developed in consultation with staff are more effective, so develop your values statement by involving employees from all levels in focus groups, surveys, one to one communication with managers and group discussion.

1 Inclusive Leadership: From Pioneer to Mainstream – Maximising the Potential of Your People http://opportunitynow.bitc.org.uk/research-insight/research-articles/pioneer-mainstream-inclusive-leadership

Report findings

Since the financial crisis in 2008 and the start of the UK recession, public awareness of ethical standards has been on the rise. Over three quarters (77%) of managers surveyed 'agree' or 'strongly agree' that the public has higher expectations of UK organisations' ethical behaviour than prior to 2008, and there is even greater certainty (86% 'agree' or 'strongly agree') that people have become more aware of the ethical behaviour of organisations in all sectors.

The majority of managers questioned admit they have been asked to do things they consider to be unethical or contrary to their own or their organisation's values at some point in their career. Just under two thirds (63%) said they had been directly asked to do something against their own personal values, 43% had been directly requested to do something they believe is contrary to the values of their organisations, and 9% had been asked to break the law.

These ethical conflicts are common in today's workplace. In the aftermath of the financial crisis of 2008 it is clear that there is a continuing need for a dialogue about ethical standards and values in workplaces and the expectations of wider society.

> "I might not always live up to my company's values, and I can live with that, but doing something unethical is very different."
> Roundtable participant

Over half (51%) of managers say they have been expected to behave at work in a way that made them feel morally uncomfortable at some point in their career. These ethical issues have a significant impact on staff engagement, recruitment and retention. One in 10 (10%) managers in our survey say they have resigned from their roles as a result of being asked to do something that made them feel uncomfortable and a further 16% have seriously considering resigning.

> "My manager lied about his part in a failed project in order to protect himself. When I confronted him with the facts, he said that that was what you did if you wanted to get on. I subsequently left the organisation as I could no longer work with him."
> Survey respondent

A total of 83% of managers surveyed said their organisations have a statement of values, a set of 'guiding principles' to inform both customers and employees about what the organisation stands for. However, employee behaviour does not always closely echo these values, particularly as viewed by more junior managers. In total, just under half the respondents (45%) said employees' behaviour matched their organisation's stated values 'extremely' or 'very' closely, while another 40% felt it was 'quite' close. But a significant proportion of one in eight (12%) respondents said that the correlation between employee behaviour and company values wasn't that close or wasn't close 'at all' where they work.

Whistleblowing

When ethical breaches occur, many employees we asked feel that if they report them they might be faced with negative repercussions. Over one quarter of employees (28%) are concerned that they would be negatively affected if they were to report an ethical breach in their workplace, with almost one in six managers (15%) absolutely certain they would suffer negatively if they reported unethical conduct.

Whistleblowing fears were highest among more junior managerial staff (17% were certain of experiencing negative consequences when reporting ethical breaches) and lowest amongst directors (9%).

> "Ethics are difficult, and that is an important thing to state. There are tensions between one person's ethics and another person's."
> Roundtable participant

"In my organisation, stated values and actual values practised are worlds apart, especially since the last reform (2008). We are probably the most corrupt organisation in the country."

Survey respondent

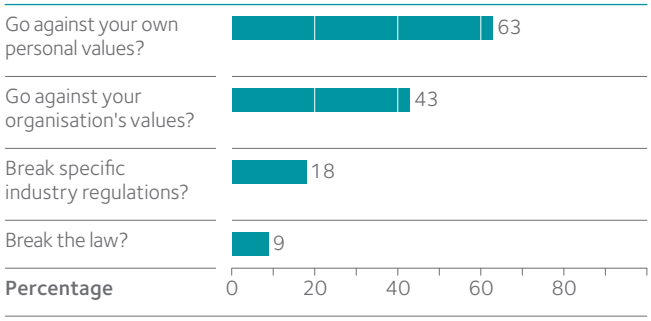
"Something must be wrong with people's understanding of their organisations' values. The best [explanation I can give] is that since the 2008 crisis there has been a lack of confidence in the system."

Roundtable participant

"Some lines have been redrawn in the work that we do. There's been a lot of scrutiny of corporate behaviour and lots of behaviour that was normal five years ago is now on the other side of the line."

Roundtable participant

Figure 1: Have you ever been asked to...



9% of respondents have been asked to break the law in the course of their careers

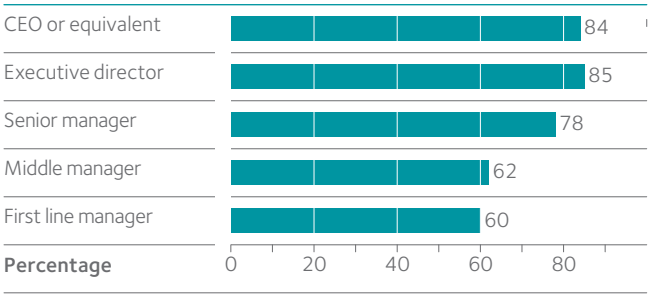
Figure 2: How aligned are employee behaviours and organisational values where you work?

The majority of respondents (77%) say behaviour and values match quite or very closely, but still sometimes experience decisions or behaviour not in line with the values

What is ethical conduct?

The definition of ethical conduct is a variable factor in this research. The respondents' definition of ethics varied considerably, as demonstrated by their responses to the open question. What is considered ethical to one person may be unethical to someone else, and organisational culture can play a large part in the way that people interpret ethics in the workplace. The 2008 crisis occurred despite the majority of managers not breaking any explicit rules, but the public took a broader, more values-based perspective when asking 'was it right?' Where hacking is illegal, tax avoidance is not, yet they are both generally seen as ethically wrong.

Figure 3: Do you refer to your statement of values when making decisions?



Senior leaders were more likely refer to their organisation's statement of values when making decisions that middle and first line managers

The management disconnect

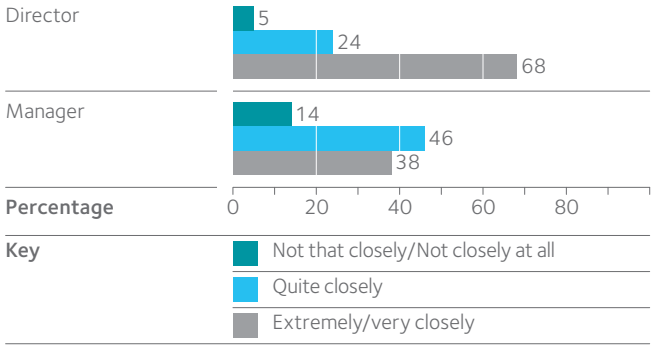
> "You're further away from the coalface the higher up you are. [Senior leaders] have to realise the catastrophic consequences of not following an ethical line. It wasn't that the guys at the top of Enron were deliberately trying to screw the system, but they weren't in the minds of their managers who had to do their jobs."
>
> Roundtable participant

In many organisations we saw a clear disconnect between directors/CEOs and other managers in the organisation in terms of engagement with their organisations' values statements. Those at Board level are significantly more likely to consciously refer to their organisation's statement of values and ethics when making decisions (84%) than all managers (66%). Within this managerial group, those higher up the organisation were also more aligned with the company values, with senior managers (78%) more likely to refer to their statement of values in decision making than middle (62%) or first line managers (60%).

It is positive that senior leaders are largely highly engaged with their organisation's values, but this finding highlights the increasing challenge employers face in raising the awareness of and reference to stated values at lower levels in the organisation. This 'management disconnect', where those lower down in the organisation are less aligned with corporate values and less concerned that personal and organisational values are in line, indicates that while directors and CEOs are more likely to engage with corporate values in terms of strategy, junior managers feel values are less relevant in their work as they make more practical and operational decisions. Applying the often vague organisational values to day-to-day decisions proves difficult for managers when more obvious and sometimes conflicting targets, such as sales figures and project deadlines, must also be met.

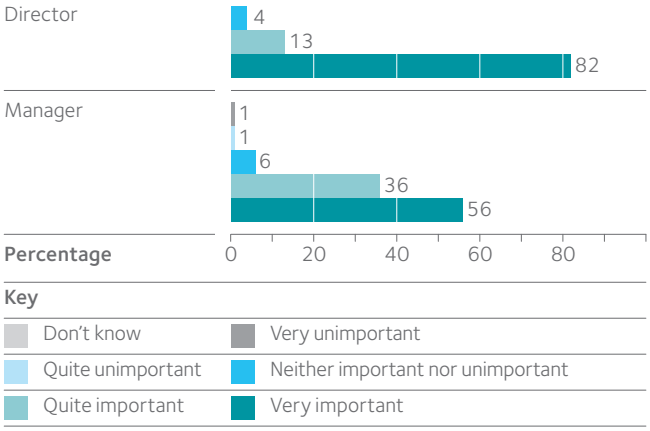
The management disconnect is also apparent when asking respondents about the behaviour of their colleagues. Directors are the most confident that their organisation's values shape employee's behaviour, with two thirds (66%) saying the behaviour of their employees follows the organisation's stated values 'very' or 'extremely' closely. This falls to just 38% among managers, highlighting a growing disengagement with organisational values at lower levels within an organisation. Those closest to the majority of the workforce, the managers at first line and middle management levels, are least likely to say that employee behaviour matches the organisational values, with some 21% saying the alignment of behaviour and values is not close or not close at all.

Figure 4: Do your colleagues follow the organisation's values?



Managers are less likely to say that employee behaviour matches the organiation's values 'very' or 'extremely' closely

Figure 5: How important is it that your personal and organisational values are aligned?



Directors were more likely to say it was very important for their personal and organisational values to align (82%) than managers (56%)

> "There is a gap between the director level and the employees. There is a mezzanine floor of managers who do what they like [and share] no common values."
>
> Roundtable participant

Managers are also significantly more likely to say that they have experienced conflict between their own personal values and those of their organisation than directors. 48% of managers at first line and middle management level said they had 'occasional, but not serious' conflicts compared to 36% of directors, while 7% said they had 'occasional, sometimes serious' conflicts compared to 6% of directors.

Directors, despite their generally greater career experience, are more likely to say they have never experienced conflicted personal and organisational values (53%) compared to managers (38%), indicating a higher level of alignment between their own values and those of their organisation.

In fact, most directors expected their organisation's stated values (which they were likely to have been involved in setting) to match their own – 82% stated it was 'very important' that their values aligned. By contrast, this is far less important for first line (52%) and middle managers (50%), which is consistent with their lower level of engagement with organisational values.

Senior leaders enjoy a greater level of power and influence, and also a greater sense of accountability. They expect greater alignment between their personal and organisational values and are in a position to ensure that organisational values match their own, while middle and first line managers have less influence over and less engagement with organisational values.

As managers progress upwards through an organisation they potentially become more exposed to ethical conflict. Directors and CEOs see values as the heart of their business and its strategy, but this sentiment is not so widespread at more junior management levels. As a result, more junior managers are less likely to be concerned about the alignment of their values with those of the organisation.

> "When you go one stage down the corporate ladder, then your focus changes. You have to deliver in a different way. What the chief executive wants to do, like being involved in the community, can sometimes be very fluffy. There's scepticism [from managers] rather than cynicism about lots of this."
>
> Roundtable participant

53%

of respondents think their own standards are higher than those of their organisations

54%

favour 'trying to do the right thing' over following the rules

Throwing out the rulebook

"There is an underinvestment in business on understanding how people behave and why they do what they do. It feels the only way to bring this to life is to understand people more."
Roundtable participant

"[I've seen] a number of situations where profit is put before living by our values – not in a way that would be in any sense contrary to the law, health and/or safety, but shoddy all the same."
Survey respondent

Rather than following set organisational guidelines, many managers say that they use their own judgement when it comes to deciding on ethical issues. 53% of managers rate their own standards as higher than those of their organisation. Respondents were asked to choose between pairings of three statements; 'I always try to do the right thing', 'I always try to achieve the right outcome', and 'I will always follow the rules governing what I should do'. These three statements reflect the three principal ethical stances[2] open to people. The majority of respondents (54%) prioritise 'doing the right thing' over 'achieving the right outcome' (20%) or 'following the rules' (19%). This indicates that the majority of managers regard behaving ethically as paramount, even if it leads to the 'wrong' outcome.

Two-fifths (42%) of managers say their ethical standards are equal to those of their organisation, and two-thirds feel their organisation's values, in turn, are higher than those in most of society. This alludes to cognitive bias – that managers will usually adopt a much more positive view of their own ethics (and it turn, the ethics of associated organisations, like their own workplace) compared to their view of other people's.

An organisation's written values will be either designed by the few or a composite of the ideas of many. They act as a baseline that individuals then build on, with most people having a higher opinion of their own values, which they have total control over, than those of any other person or organisation.

These findings highlight the challenge organisations face in defining and embedding their values. However comprehensive and explicit a values statement may be, organisations cannot build a set of values to be used by employees as rules and regulations for every eventuality. There are significant grey areas in the running of a business and managers need to feel empowered and entrusted to make their own judgements – but, crucially, within the framework of the organisation's underlying ethical code of practice.

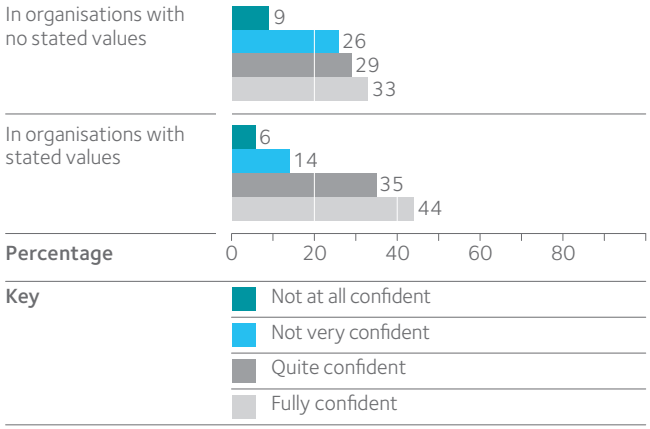
Building values

"A lot of the time, if you've not got it completely instilled in your culture, you often need some infrastructure for that. You need to enable conversations about values. You can't just do this by publishing a big list of values on the intranet."
Roundtable participant

Values are valuable for organisations. The 83% of respondents whose organisations had explicit values statements were shown to be significantly more effective at dealing with unethical behaviour, with staff having a greater confidence in reporting ethical breaches and less fear of negative consequences for doing so. Managers in organisations with values statements are significantly more confident in reporting ethical breaches at work (79% are 'fully' or 'quite' confident) than in those organisations without an explicit statement of values (62% fully or quite confident).

2 Source: Roger Steare, Cass Business School, https://www.cassknowledge.com/research/article/cass-ethics-roger-steare-ethicability%C2%AE

Figure 6: How confident would you feel in reporting an ethical breach at work?



Respondents were significantly more confident about reporting any breaches of standards in organisations with a values statement

Figure 7: Do you feel any conflict between your organisation's values and your own?

	Conflict between personal values and organisational values	
	Organisational statement of values/ethics	Implicit values only
No, never	41.1%	27.6%
Occasionally, but not any serious conflict	45.1%	47.0%
Occasionally, sometimes serious conflict	6.9%	14.9%
Frequently, but not any serious conflict	3.0%	4.5%
Frequently, often serious conflict	2.8%	6.0%
Don't know/ prefer not to say	1.1%	0.0%

Respondents were significantly less likely to feel their personal values conflicted with the organisation's values when there was an explicit statement of values

Having a concrete statement of organisational values also has a clear impact on the ethical alignment of employees. Managers working in organisations with an explicit values statement were more likely to say they have never experienced serious conflicts (41%) between their personal and organisational values than those working somewhere without a values statement (28%).

In the course of this research, we had many conversations with managers and we were surprised by how much they wanted to talk about ethics but lacked the familiarity with the topic to do so. Having a tangible and concrete statement of what an organisation stands for is important in itself, no matter what the statement says. This signals to staff, shareholders and stakeholders that values, whatever they may be, are important to the organisation.

Not all values statements have an equal impact in influencing employee behaviour. The way in which values are built and arrived at in organisations has a major bearing on their effectiveness. Consultation with staff and stakeholders is shown to have a positive impact on employees' engagement with organisational values, with managers in organisations who consulted staff in the creation of a values statement significantly more likely to refer to them when making decisions (78%) than if they had not been consulted (60%).

However, we found that only half of organisations in total consulted with staff when agreeing their value statements. Over half (54%) said that their values statements were developed by the senior management and/or the board of directors, while one in five companies used cross-organisational teams to develop their values, and 16% of respondents didn't know how the values where they worked were developed.

> "We did involve staff in redesigning our values. We went through a process of determining those values using our staff and not our senior management. It has to feel like it is being done by them and not to them."
>
> Roundtable participant

The further you are from the value-setting process, the less likely you are to feel a connection to those values. Middle and first line managers were less likely than senior managers, directors and CEOs to have been consulted in building values, and are therefore less engaged with them and less likely to refer to them during the course of a working day.

54%

of organisations had changed their values since 2008

29%

had changed their values as a result of a new CEO joining the company

Chop and change

Over half (54%) of managers working in organisations with an explicit statement of values said that this statement had been changed since 2008. Most commonly, this change was in response to the changing external economic, social and political context (54%), with a third (33%) in response to market pressure or expectations. However, over a quarter (28%) have changed to meet regulatory conditions, or as a result of a new CEO, chair or similar key figure (29%), showing how important leaders can be in setting – and changing – the values of the organisation.

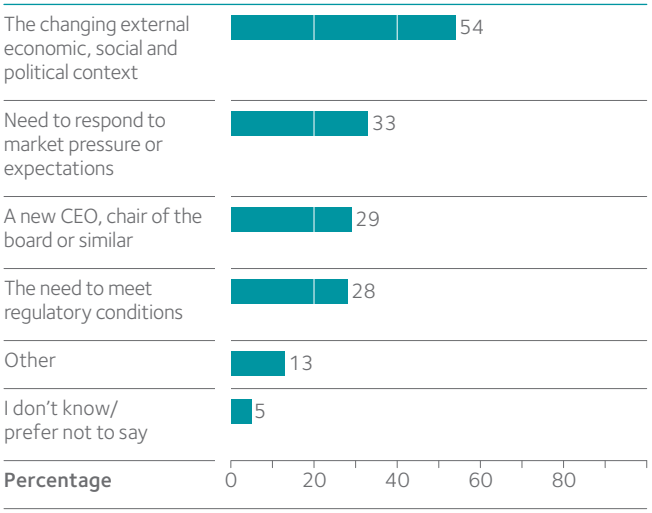
When values change frequently, organisations face a tougher challenge in embedding them. Managers may feel reluctant to align themselves with values if they feel they will change at the whim of a new CEO or regulation, and employees need to feel confidence in the consistency and relevance of the values and ethics of their organisation.

A key component of trust is consistency of behaviour, especially in the area of values. Inconsistent behaviour and values portrays the message to more junior staff that you don't really mean what you say.

> "[If] you have a plan and values [then] those are things you should measure and reward. I know very few companies that do this really well."
> Roundtable participant

Values statements might be revised when the context a business is operating in changes significantly, but this needs to be clearly communicated. If values statements change every time there is a new CEO or chair of the board, this can reinforce the view that values statements are written by the chosen few at the top of an organisation, and will change on the whim of a few people. This may reinforce more junior managers' distrust of values statements as not meaning a lot when tested.

Figure 8: Why did your organisation change its values?



Values have been most frequently changed to reflect external economic and social shifts

Recommendations

Despite the majority of managers saying their organisations have a statement of values, it's clear from our results that they aren't effective enough at influencing behaviour. However, the research highlights several areas that organisations can address to raise the levels of engagement and alignment with values across their organisations.

Link values to strategy

Building a set of values that do not link with targets is an ineffective way to influence behaviour. If values are contrary or irrelevant to the business goals, managers find themselves pulled in different directions trying to achieve both. But when values tie into the strategic objectives of an organisation, the way people are expected to behave and the goals they are required to achieve work in tandem.

Values should not be formulated in isolation, but built as part of the organisation's overall strategy. Values should drive the behaviour that organisations need to help them achieve their goals.

> "[The] solution lies in having a good strategic plan, the justification of why you are going there [and] giving them a big picture. Values [should be] linked to the direction the business wants to go in. Clarity and a good strategic plan is so important [and means] you get people's buy in."
>
> Roundtable participant

Mid Essex Hospital Services: NHS Trust

The high level values at Mid Essex Hospital Services NHS Trust are to always CARE about the wellbeing of everyone connected to the hospital, to seek to EXCEL in everything they do, constantly striving to deliver the highest standards and to listen, learn and INNOVATE with their patients and colleagues, and respond promptly and constructively. Each value and their supporting behaviours have been developed with staff. This collaborative approach enables the organisation to deliver its vision – which has been encapsulated in the strap line "Care, Excel, Innovate … Always" – and ensures patient care is at the centre of everything it does. These values tie into the four key strategic priorities set out for 2011–2016, supported by clear and measurable objectives and activities.

Target your middle managers

Middle managers hold the key to closing the disconnect we see between directors and those managing frontline staff. They provide not just a bridging role between the frontline and senior staff, but are also likely to be major influencers in the organisation. Persuade them that values are part of, not opposed to, the business case, and they will persuade the rest of the organisation.

All managers have a crucial role to play in explaining and aligning organisational values with the goals and objectives of their individual team members. In order to achieve this they require targeted support to ensure staff under increasing pressure to make key decisions, while watching the bottom line, do so in an ethical and sustainable way.

Consult with them using focus groups and one to one feedback to find out what sort of targeted support they need, engage them in setting the values, and have conversations about how they are relevant to their job roles.

> "[The key is] to have the right people in those [middle management] roles, train and educate them [about values]."
>
> Roundtable participant

State Street

State Street's[3] global inclusivity training programme launched in 2011 with a focus firmly on middle managers. The training aimed to build inclusivity across the company and comprised two learning modules, an interactive webinar and an e-learning programme managers could complete at their own pace. The decision to target middle managers was born from a belief that 'leadership and culture are two sides of the same coin, and that manager behaviour is vital to fostering engagement.' State Street's employee surveys supported this, with employees saying they wanted managers who supported their development and created inclusive team cultures.

3 Source: http://opportunitynow.bitc.org.uk/tools-case-studies/case-studies/awards-2013-inclusive-culture-award-state-street

"We have professional services town halls, professional services day, Chatham House rules. It allows managers to talk about situations they find themselves in and they're pretty frank."

Roundtable participant

Tackle breaches openly

We see from our survey that managers are often concerned about reporting ethical breaches and fear negative consequences for doing so. A clear, concise and supportive whistleblowing policy is essential if organisations wish to remain aware of the real behaviours occurring every day in their workforce. But beyond an open and clear whistleblowing policy, organisations need to tackle ethical breaches and learn from them. Where breaches do occur, they need to be discussed openly in the organisation to discover what behaviours drove them – for example, if targets conflict with values.

An open and honest culture in which ethical issues and behaviour can be freely discussed is the first step to establishing an organisation where values truly matter.

Often, ethical and moral boundaries are only pushed by extreme events occurring within organisations. Leaders should be more proactive in shaping what an organisation will and will not do, always in consultation with the wider business, but be able to learn from ethical breaches that do occur and react responsibly.

PwC

PwC UK encourages a consultative culture. This is supported by a whistleblowing helpline that is available to any partner or member of staff who observes bad business conduct or unethical behaviour that cannot be resolved locally, or where the normal consultation processes are not appropriate. Third parties may also call the whistleblowing helpline. They are committed to dealing responsibly, openly and professionally with any genuine concerns raised about possible malpractice.

"An organisation is really tied up in targets. There are lots of targets. This potentially leads organisations away from ethical behaviour. Can you make sure that people can take a broader view of targets, or can you set them using more ethical metrics?"

Roundtable participant

Develop leaders at all levels

Organisational leaders at every level have a crucial role to play in overtly and proactively communicating and showcasing their organisation's values. The quality and focus of leadership is fundamental to ethical organisational behaviour, and leaders should be recruited and developed to embed and embody the values of that organisation. All leadership training and development has a crucial role to play in aligning leadership practice to organisational values, to ensure leaders are educated and empowered to enable cultural change. A values-based leadership approach determines what behaviours are encouraged from leaders and is closely linked to inclusive leadership. It is essential that organisational values are embedded into the following four key areas of manager development: recruitment; organisational policies; leadership development; and performance management, promotion and reward. This approach is outlined in Opportunity Now at BITC's research on Inclusive Leadership.[4]

Deutsche Bank[5]

As CEO of Deutsche Bank, Colin Grassie has led from the front in seeking to increase female promotion rates and position diversity in a broad, commercial context, linked firmly to business strategy. Colin has ensured diversity is on the agenda of Deutsche Bank's UK steering groups, holding those committees to account to take action on female promotion rates, increasing the proportion of women on interview and promotion panels and challenging the promotion committees to understand unconscious bias. "In our team I need to act consistently with how I want other people to," he says. He charged the UK with recruiting more senior women, sponsoring an initiative to increase senior female hires, personally influencing other leaders and meeting candidates.

4 Source: http://opportunitynow.bitc.org.uk/research-insight/research-articles/pioneer-mainstream-inclusive-leadership
5 Source: Change Agents, Opportunity Now http://opportunitynow.bitc.org.uk/

"It's sometimes very hard to say what you are and aren't going to do as an organisation. It's never just about right and wrong."

Roundtable participant

Be aware it's not all black and white

A set of company values can guide and influence behaviour if built in consultation with staff, but there are always situations where managers will feel unable to or unsure about applying these values easily. Instead, emphasise that everyone is responsible for living their organisational and personal values. Motivate people to be the best they can be and act on the basis of what they believe to be right, based on their complete values, and make sure they feel able to discuss it with their manager if there is a serious conflict between personal and organisational values.

The aim is to ensure that employees know, understand and can explain clearly what the organisation's values look like in practice – the behaviours that are encouraged and those that are unacceptable. For best results, the organisation's values should serve as a framework, not a rule book, which enable managers to confidently use their own ethical judgement.

Credit Suisse UK[5]

James Leigh-Pemberton, MD and CEO of Credit Suisse UK, knows that when it comes to embedding values across an organisation communication from senior leadership is key. Diversity is a business priority for Credit Suisse UK and the tone is always set from the top and permeated downwards. He believes these organisational values serve as a baseline to set a certain culture and frame of mind for managers to use when making decisions. "Goals and objectives need to be supported by a framework of processes which promote a certain frame of mind and promote action," he says. "Changing organisational cultures often requires trying interventions, initiatives with a clear outcome in mind. Any activity starts with a conviction and if the evidence or outcome doesn't support the desired result, you need to be willing to change course, try something else."

"National Grid do this great charter where they say what employees can expect from them, but also what they expect from employees. There's a contract around the whole thing. You are the business."

Roundtable participant

Bring your values to life

While communication is key, embedding values within an organisation is about much more than dissemination. In order to engage employees and ensure their commitment to core values, these values should be inextricably linked to how employee performance is measured and managed, embedded within teams and organisational KPIs, and discussed and referenced on a daily basis by managers and staff when taking decisions.

The difference between having a values statement and living your values as an organisation is vast. Real company values are displayed by actions, not words – who is rewarded, promoted, let go, and what values did they display in their role?

Organisations must reference their values in their behaviour and actions, from strategic choices down to day-to-day decisions. Employees displaying these core values should be celebrated with recognition or reward, and when values are breached, the organisation should share the blame and discuss why the action breached their values, and what the right course of action should be. Making values relevant to managers in their objectives and targets is key to getting employees to embrace them.

Netflix[6]

Netflix hires and promotes only people who display their nine valued behaviours. For example, one such value is communication, so those who listen well, who are concise and articulate, who treat people with respect irrespective of their status, and who maintain calm in stressful situations are rewarded and promoted within Netflix. This value is linked to their performance assessments at recruitment stage and throughout their careers there – if a person doesn't align with their values, Netflix 'probably isn't the right place for them'.

6 Source: Slideshare presentation Netflix culture: Freedom and responsibility http://www.slideshare.net/reed2001/culture-1798664?ref=http://gigaom.com/2013/01/29/netflix-company-culture/

"Values generally need to be timeless, they need to be true to you and not just products of external factors."

Roundtable participant

Build values in consultation

We see that those organisations with an explicit and established statement of values benefit from a more ethical operating environment, with greater openness and confidence in dealing with ethical breaches or discretions. Crucially, ownership and engagement with organisational values is highest among the organisations who have consulted staff, shareholders and stakeholders when establishing their values, a process which signals to employees that senior managers consider building a values statement a very important part of their role.

It's essential that values statements are not seen by staff as something created in isolation by the senior team and communicated to employees from on high. In order to be successful, a values statement must be seen as more than a piece of paper or poster in the lift, but as a powerful embodiment of what the organisation stands for, influenced and endorsed by the majority and of which employees are shared owners.

Currie and Brown[7]

Asset management and construction consultancy Currie and Brown believe their values are 'a road map to competitive advantage', so for them it was important that employees were engaged in these values from the outset. Their values were established through an organisation-wide staff consultation and a series of face-to-face values workshops, which involved members of staff at all levels. Currie and Brown are justifiably proud of this unique bottom up approach, which they say has ensured their values reflect both the business and their staff.

7 Source: http://www.curriebrown.com/standard.php?page=vision

"Ethics, integrity and learning to redeliver something, whatever the product is, brings all sorts of challenges. We won't set ourselves new standards, we'll just set ourselves the highest standards. That now seems to be the buzz word. Not new ethics, just the highest ethics."

Roundtable participant

Review regularly and communicate publicly

We have observed that many managers just don't have the language or familiarity with ethics to talk about the topic of values with fluency. Senior leaders become more comfortable with the notion of values as they progress through their career and as they become more accountable for the ethical decisions and moral stances they take in business.

Honesty about organisational values is extremely important. No one, whether external or internal to the organisation, should be surprised by your ethical views. Each organisation needs to make a declaration of what the public can expect of them and then state how this links with its own values, making them clear and visible both internally and externally. In addition, the process of how those values were reached also needs to be communicated well to all staff so they can see just how democratic and involved employees were in the process. Organisations need to work with their communications team when promoting these values internally and externally to ensure that middle managers don't view values as irrelevant to their day-to-day roles and so ignored.

Barclays[8]

In 2013 Barclays relaunched their organisational values in a very public fashion. Their new values were driven in part by a new CEO, but largely by perceived ethical breaches occurring in the financial sector in general. Their new values and behaviours include respect, integrity, service, excellence and stewardship. They say: "We'll measure and reward our people, not just on commercial results, but on how they live our values and bring them to life every day. And we'll judge our 'Go-To' success on a balanced scorecard of impact."

8 Source: Slideshare presentation Netflix culture: Freedom and responsibility http://www.slideshare.net/reed2001/culture-1798664?ref=http://gigaom.com/2013/01/29/netflix-company-culture/ Source: http://group.barclays.com/transform/values

Methodology

We wanted to investigate values and ethics in management and leadership. We were curious to see what might have changed since the banking crisis in 2008 – do tougher economic conditions lead to less ethical behaviour?

For the purposes of this research we defined ethics or ethical standards as the set of moral principles that govern a person's behaviour or the conduct of an activity. Values were treated as another way of describing those specific moral principles or standards of behaviour. We deliberately took a broad definition to avoid changing the preconceptions of those that took part in the research.

The aims of the research were to find out:

- The prevalence of explicitly stated values at work and how they are developed
- The use of stated values at work and their effect on employee behaviour
- If this varies by management level, gender or sector
- If perceptions of values and uses of stated values has changed since 2008

The research started in December 2012 with a handful of semi-structured telephone interviews to indicate if this topic was worth researching (it was) and inform the scope of the research. The main data collection was conducted through an online survey of practising managers and business leaders drawn from BITC and ILM membership. The survey was run during January and February 2013 and consisted of multiple choice and open response questions, with routing dependent on answers to previous questions; respondents were not presented every question. In total there were 1174 completed responses from male (57%) and female (43%) managers across public (36% of respondents), private (49%) and third (15%) sector organisations. The sample consisted of managers and leaders across all levels from first line managers (38%) to CEOs and directors (9%).

To encourage participation, respondents were offered the opportunity to enter a prize draw to win one of five one hundred pound donations to the charity of their choice. The research was conducted in line with the Market Research Society (MRS) Code of Conduct. Respondents were also asked if they would be happy to provide any specific examples regarding their experience of the use or abuse of ethics and values at work.

Most of the questions were closed, offering a choice of options, but where open questions were used, respondents' replies were reviewed and grouped into different categories for analysis. Where differences between respondents and their responses are described as being 'significant', these are statistically significant – there is only a one in 20 chance of them occurring by chance.[9] There were no significant differences by sector or by gender.

To validate the findings and further inform the analysis, headline results were presented at a roundtable discussion in March. The participants were directors from multinational organisations, across a number of sectors including law, finance, construction and mining. They were invited to respond to the findings and make recommendations based on their experience.

9 Most of the variables analysed were categorical. Therefore descriptive statistical analysis, predominantly through chi-squared tests, was used to identify significant differences in the responses to individual questions, between groups. A qualitative coding approach was used to analyse the responses given to the open questions.

About ILM

The Institute of Leadership & Management (ILM) is the UK's largest management development organisation. We are passionate about good leadership and management, and its power to drive organisational performance and wider economic prosperity.

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We are a unique business movement – the largest business-led charity of its kind – committed to building resilient communities, diverse workplaces and a more sustainable future. We work locally, nationally and internationally with members to transform businesses and transform communities. We believe that responsible leadership is the ability to balance doing both.

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