Objectives

1. Investigate the nature and central challenges of business ethics.
2. Explore the critical role of HR professionals and the HRPA Code of Ethics in the responsible conduct of business.
3. Examine common challenges faced by HR professionals in practicing ethical HR management.
4. Introduce important ways to support responsible HR management practices.
What is Business Ethics?

Business ethics and responsibility involve acting in accordance with generally accepted principles, norms, and standards of ethics and responsibility for business conduct.

We shall use “ethics” and “responsibility” interchangeably.

Business Ethics & Responsibility

Economic character – the rules, norms, and standards specific to business activities, such as; the conduct of lenders & borrowers, buyers & sellers, employers & employees.

Organizational character – these business activities take place within complex organizational contexts, which impose special obligations, such as; reporting and fiduciary responsibilities.

Two Fundamental Questions

1. To whom should corporations be accountable?
   - What is the scope of responsibility?

2. For what should corporations be accountable?
   - What is the content of responsibility?
Corporate Responsibility Debate

Shareholder Primacy

- **Scope**: Business should be operated for the interest of the shareholders - managers must strive to maximize shareholder value.
- **Content**: Comply with laws and regulations set by society.
- **Norms**: Managers should do “responsible” things - to the extent they have net benefits for shareholders.

The Fundamental Problem

*The interest of [businessmen] is always in some respects different from, and even opposite to, that of the public ... any new law or regulation of commerce... ought never to be adopted, till after having been long and carefully examined ... with the most suspicious attention. It comes from an order of men ... who have generally an interest to deceive and even oppress the public.*

- Adam Smith: (1776) *In Inquiry Into The Nature and Causes of the Wealth of Nations, Volume 1*

The Prescription

*If free-markets are to work effectively, corporate and individual interests must serve broader stakeholder interests. [Business ethics]...involves the essential commitments that enable and enhance free-market exchanges and reduce their harmful effects.*

**Corporate Responsibility Debate**

**Stakeholder Primacy**
- **Scope**: Businesses exist within societies and ecologies, and have duties to not harm, and to contribute to their well-being.
- **Content**: Comply with laws and regulations as well as economic, social and environmental standards of responsibility.
- **Norms**: Managers should do “responsible” things that serve multiple stakeholders – people, planet & prosperity.

**Ethics is Essential**

Societies and environments degraded by irresponsible business practices cannot support collective well-being.

Businesses cannot survive & thrive within toxic societies and environments.

Integrating economic success with social and environmental responsibility is essential to our survival and collective well-being.

**Broad Scope of Responsibility**

- Individual – “Me”
- Collective – “We”
- Natural Environment
- Responsible Person
  - Responsible Employee
    - Consultant
    - Manager
    - Professional
- Responsible Manager
  - Executive
  - Department
  - Business
  - Institution
- Responsible Leader
  - Industry / Sector
  - Community
  - Nation
  - World
Full Range of Responsibility

Tough Responsibility Questions

Personal: How should I conduct myself?
Professional: What should I, as a professional, do?
Organizational: What should we as an organization do?
Societal / Environmental: What should we collectively do?

What are my/our relevant responsibilities:
- Economic?
- Legal?
- Ethical?
- Good Citizenship?
Domain of Business Ethics

- Corporate responsibility
- Environment
- Customers
- Suppliers
- Employees
- Society

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What is "Professionalism"?

- Integrity
  - Sound values, public good
  - Honesty, integrity, self-control, respect

- Honour
  - Noble purpose, ethical stewardship

- Scholarship
  - Knowledge, understanding, professional

- Spirit & Enthusiasm
  - Commitment, dedication, perseverance, enthusiasm

- Independence
  - Responsibility, accountability, honesty, integrity
What is “Professionalism”? 

- Competencies count – they determine what a person can do!
- Commitment is critical – it determines what a person wants to do!
- Character matters – it determines what a person will do!

Competencies, Commitment & Character

- Competencies count – they determine what a person can do!
- Commitment is critical – it determines what a person wants to do!
- Character matters – it determines what a person will do!
What is “Competency”? 

What if we were to define competency not as “the quality of being adequately or well-qualified physically or intellectually” but instead as “demonstration that you are firing on all pistons, giving it your all?”

- Austin. 2015. Competency Drift – What’s the Link Between Competency and Disengagement?

What is “Professionalism”? 

Commitment
Values
Engagement
Sacrifice

Why Commitment? 

Even the strongest supervision cannot guarantee good conduct...
Essential will be the rediscovery of core values, and ultimately this is a question of personal responsibility...
...living the right values will be the most important challenge.

- Mark Carney
Legal Commitment

HR professionals operate in an environment that is already heavily regulated, for example:

- Ontario Labour Relations Act (1995)
- Occupational Health and Safety Act (1990)
- Accessibility for Ontarians with Disabilities Act (2005)

HR professionals must commit to practicing in compliance with these laws.
Legal Commitment

Prior to November 2013, HR professionals were also regulated by The Human Resources Professionals Association of Ontario Act (1990). This was a private act proposed by the HRPAO and acquiesced to by the Ontario Legislature.

Legal Commitment

On November 6, 2013, the Ontario Legislature passed by Royal Assent: Bill 32 - An Act respecting the Human Resources Professionals Association. This was a public act which replaces the previous private act, and it now represents the will of the Ontario Legislature. The Ontario Legislature’s rationale for regulating HR professionals by a public act is important...

Legal Commitment

1. there is residual risk, mostly to employees, that current legislation cannot entirely control;
2. this residual risk results in a potential for harm to individuals who do not have the means to protect themselves;
3. HR professionals have a specific and identifiable role in managing employment relationships and the workplace, such that, there are specific and identifiable harms that may result from the practice of the HR profession.

Legal Commitment

The reasons for passing the Human Resources Professionals Association Act (2013) can be summarized in 6 themes:

1. Greater employer compliance with existing and future employment and workplace legislation.
2. A robust professional regulatory body for HR professionals.
3. HR management to be guided by better employer-employee relations.
4. Greater independence, integrity, trustworthiness and public confidence in HR professionals.
5. Public choice between regulated and unregulated HR practitioners.
6. Checks and balances to ensure the HRPA acts in the public interest.


The Law and Ethics
Do Ethics and Law Coincide?

Not all legally permissible or mandated behavior is moral.

Not all moral behavior is enshrined in or mandated by the law.

Consider the system of “vulnerable workers and precarious work” that has evolved in Ontario and across Canada over the past few decades.

Vulnerable Workers & Precarious Work

"Gaps in the ESA have enabled employers to... evade core labour standards and... have pushed workers beyond the protection of the ESA. Non-standard forms of work are growing... Employers are able to deprive workers of employment rights, benefits, and protections because work arrangements do not conform to the standard employment model underlying employment standards, policies, and practices."

- Workers’ Action Centre. 2015. Still Working On The Edge
"The number of part-time jobs has risen much faster than that of full-time jobs. Many people...are trapped in part-time work...many of the full-time, better-paid jobs have been permanently lost...In 2014, 33 percent of workers had low wages compared to only 22 percent a decade earlier. Ontario is developing a low-wage economy."

- Workers' Action Centre. 2015. Still Working On The Edge

"...It's not just low-wage workers who are being affected...it's creeping into middle-income occupations too, with insecure work growing in the arts, education, health care and information technology sectors, in both the private and public sectors."


http://www.lco-cdo.org
http://www.workersactioncentre.org
Ethical Commitment

The overarching objective of HRPA's regulatory function is to protect the public by ensuring that human resources professionals in Ontario are competent, act in an ethical manner, and are of good character.

Ivey Ring Pledge

Ivey is the only business school in Canada that requires its graduates to commit to personal integrity & ethics. Since 2004, 8000 graduates have taken the Ivey Ring Pledge.
Ethical Commitment

The HRPA’s Rules of Professional Conduct provides:
1. a code of ethics (IV)
2. rules of professional conduct, (V)
3. standards of practice (VI – IX)

The code of ethics is fairly broad, the rules of professional conduct are more specific, and the standards of practice are quite specific.
The United Nations Global Compact was launched in 1999 to encourage businesses to align their strategies and operations with ten universally accepted principles from:

- The Universal Declaration of Human Rights
- The International Labor Organization’s Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption
- The United Nations Global Compact
Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour;
6. The elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

Anti-Corruption

http://www.unglobalcompact.org
Ivey was the first business school in Canada to sign on to the UN Global Compact and to the UN Principles For Responsible Management Education.
How you can find press releases and further information: [http://www.globalgoals.org/media-centre/](http://www.globalgoals.org/media-centre/)

How you can help spread the world about the goals: [http://www.globalgoals.org/tell-everyone/](http://www.globalgoals.org/tell-everyone/)

How you can join a group and take action: [http://www.globalgoals.org/take-action/](http://www.globalgoals.org/take-action/)

Ivey’s Network For Business Sustainability provides world-class resources to help business leaders create and manage responsible & sustainable enterprises.

[http://nbs.net](http://nbs.net)

What is “Professionalism”?

Character
- Traits
- Strengths
- Virtues
Why Character?

Somebody once said that in looking for people to hire, you look for three qualities:

1. **integrity** [character],
2. **intelligence** [competence], and
3. **energy** [commitment].

And if you don’t have the first, the other two will kill you.

- Warren Buffet

What Caused the 2008 Meltdown?

“We seem to lack a moral compass that helps us to make the right decision.” - NEW YORK, USA

“Greed is too soft a word. There is an addiction to money.” - VANCOUVER, CANADA

“The one thing every professional school should offer - and business schools need additional focus on - is how to build character and integrity.” - TORONTO, CANADA

Leadership on Trial - Key Factors
Ivey’s Character Research

• What is "good character" in business leadership?
• What elements and dimensions of character are relevant within management contexts?
• How are the elements of character expressed, and how do they interact?
• How can leader character be assessed and developed?

Nature of Character

Virtue Ethics

*Good character is*

1. a kind of integration of many strengths,
2. aimed at achieving an intended good,
3. as directed by practical wisdom

- MacIntyre, (2007) *After Virtue*

Nature of Character

Positive Psychology

...character strengths and virtues are ubiquitous, and appear to be grounded in evolutionary biology as aspects of human excellence that are means of solving challenges important to the survival of the species.

Character
1. Complex mindset: values, perceptions, beliefs, reasoning, decision-making, conduct
2. Wholehearted acceptance of certain ethical commitments as decisive reasons for conduct
3. Not simply instrumental to avoid punishment or gain reward
4. Not merely conventional because “it’s what people do around here”
5. Being responsible because that is who I am

Ivey’s Leader Character Model


Ivey’s Leader Character Instrument
Ivey’s Ian O. Ihnatowycz Institute for Leadership is conducting world-leading research, publishing award-winning papers, and delivering workshops on good character, ethics & responsibility in organizational leadership.

http://www.ivey.uwo.ca/leadership/

Director, 147, 15 – 21.
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The Professional Challenge

“...the prevailing business ethic...does not include a significant moral or public service element unless a significant moral or public service element helps to maximize profits”

“The term ‘client capture’...[is] ‘the propensity for a professional to...render advice which has less to do with professional standards...[than] the commercial interest of both the client and the professional’...The concept...can be easily extended to a situation where the professional becomes an employee.”


“HR professionals could be considered an ‘at risk’ group...The coercion of HR professionals is a widespread issue...78.1% of HR professionals...felt coerced into doing something they were not comfortable with professionally, and 61.4% reported being put in a difficult professional situation at least occasionally.”

The Professional Challenge

Compromise

“These situations often have consequences for the HR professional and...these consequences can be dramatic...more often than not, such situations do not bode well for the employment relationship.”


The Professional Challenge

“This is a challenge that all embedded professionals share...HR professionals need to work out how to make public service coexist with the profit motive”

- Balthazard. 2014. What Does ‘Professionalism’ Mean for HR Professionals?

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### Develop Your HR Professionalism

- Competencies
  - Functional Enabling
- Character
  - Traits
  - Strengths
  - Virtues
- Commitment
  - Values
  - Engagement
  - Sacrifice

### The Development Imperative

- Broad Scope Full Range

### HR Professionals in Action

- Take responsibility
- Hold sound principles of ethics and responsibility
- Are transparent in value commitments and character
- Are consistent in their words and deeds - especially through adversity
- Are exemplary role models
HR Professionals in Action

- **Clear understanding** of their positions for desirable conduct
- **Guidelines** for values, norms, and decisions
- **Training & Development** in organizational values and codes of conduct
- **Support** for those who refuse to engage in undesirable conduct

- **Role Models**
- **Credos & Codes of Conduct**
- **Policies & Procedures**
- **Evaluation & Rewards**

**Credos & Codes of Conduct**

**Role Models**

**Policies & Procedures**

**Evaluation & Rewards**

**Specific policies and concrete procedures to guide members**

**Reinforce** policies and procedures through:

- **Sound governance**
- **Effective communication**
- **Application training & development**
- **Vigilant monitoring**
- **Prompt enforcement**

**Motivate and reward** individuals at all levels to act responsibly

**Impose penalties** that are higher than any gains that can be obtained through undesirable conduct

**Role Models**

**Credos & Codes of Conduct**

**Policies & Procedures**

**Evaluation & Rewards**
Responsible leaders use all of these methods:

- Authentically
- Consistently
- Competently

How can you, as HR Professionals, become architects of a better world?

Thank You!

“To educate a man in mind but not in morals is to educate a menace to society.”

- Theodore Roosevelt