Corporate Integrity has a major payoff in Engaging Employees

> **"Values and behaviours are the bedrock upon which we build our future."**
>
> Jack Welsh CEO. General Electric
> Letter to Shareholders, 2000 Annual Report.

Increasingly CEO's are seeing the link between corporate integrity and values,

Employees and reputation are vital to competitiveness and profitability.

"Real wealth creation comes from increasing an organisation's:

- ✓ Profit per employee (without offsetting reductions in the number of employees or offsetting increases in capital intensity), and/or
- ✓ The number or employees who can earn that level of profit."

In this statement the McKinsey Company (2007) succinctly defines the crucial relationship of people to profits.

Reputation has become even more important in distinguishing organisations and brands. Reputation is ultimately determined by employee behaviour. In turn, reputational excellence is sustained by effective integrity management.

Integrity programs have substantial pay-offs including:

- ✓ Long-term investors are more attracted to integrity based business operations
- ✓ Reputation can command a premium in a 'commodity' based competition
- ✓ Functional cultures facilitate leaner and flatter management structures
- ✓ Suppliers and alliance partners are seeking long term relationships with organisation who are reliable and who can enhance public reputation
- ✓ Talent attraction, engagement and retention

Australian research conducted by the Independent Commission against Corruption found that the ethical tone of an organisation impacts on:

- ➔ Efficiency and effectiveness

➔ Decision making processes

➔ Staff commitment and job satisfaction

➔ Staff stress and staff turnover

This research also determined that strong, clearly stated values could guide people through choices, so that making ethical decisions was the path of least resistance. The bottom line from this research was that ethical practices can optimise the efficient functioning of an organisation, i.e. ethics are good business.

Despite the evidence of these findings the 2007 ERC National Business Ethics Survey found that:

- 25% of organizations had well implemented programs
- 45% had poorly implemented programs, and
- 30% had little or no programs implemented.

The survey reported that "the percentage of companies with weak and weak-leaning cultures has returned to pre-Enron levels …. The number of companies with strong ethical cultures has fallen to an historic low". Perhaps evidence of this is becoming apparent in the fall-out of sub-prime lending.

The survey results were:

9%	Strong culture
43%	Strong-leaning culture
36%	Weak-leaning culture
11%	Weak culture

The survey found that four elements were required when shaping ethical culture:

1. Ethical leadership
2. Supervisor reinforcement
3. Peer commitment to ethics and,
4. Embedded ethical values

Benefits of a strong enterprise-wide culture included:

- Dramatically decreased misconduct (24% compared to 98% in weak cultures),

- Increased likelihood of reporting misconduct, and

- Reduced retaliation (3% compared to 39% in weak cultures).

The relationship between profits, efficiency and employee engagement has been well established. The 2005-'06 APS Commission *State of the Service Report* found the following 10 factors (in priority order) as being the most important to generating employee engagement in the APS:

A. Senior Leaders/Culture

B. Diversity—Recruitment and Retention

C. Immediate Supervisor

D. Governance

E. Diversity—Barriers

F. Merit

G. Current Job

H. Work Group

I. Understanding Current Role

J. Work-Life Balance/Learning and Development

Integrity (in senior leaders and the culture) and Governance were in the top four factors impacting on employee engagement.

To be successful, managers, supervisors and leaders of all kinds, need to focus on making their organisations truly great places to work and on developing future generations of 'work happy' employees – individuals who are genuinely challenged, committed and engaged. For many organisations the resultant employee engagement could be the Holy Grail solution to both talent retention and profits.

The **College for Adult Learning** provides a suite of Human Resource Management and Leadership courses as well as individual coaching models that can help Managers and Supervisors enhance their people management skills.

About **Michael Meere**

Michael is a professional & academic in the field of human resources management (HRM). He is the CEO and founder of *Human Resources Business Partners HRBP* a worldwide business and HRM consultancy focusing on global human resources challenges and solutions. Michael is also a part-time prac-ademic (as he likes to refer to think of himself) supporting post graduate HR Masters students in their studies and research projects. He is known in the field as a speaker and writer on global HR trends and issues and more recently has developed a comprehensive set of HR metrics and measures designed for ease of use by busy HR practitioners. He is the author of over 50 articles and columns and has developed a large range of tools for HR professionals.

Michael is working in partnership with the College for Adult Learning to provide a range of consultancy services and specialised training development options for HRM Practitioners.

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