The role of human resources in ethics/compliance management
A fairness perspective

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Abstract

Many large corporations now have formal programs for managing ethical behavior and legal compliance. But the often minor role of human resources (HR) in companies’ ethics management efforts is problematic. This is because ethics management efforts are likely to raise questions of fairness, and trigger a fairness heuristic among employees that can generate important outcomes for the ethics program specifically and the organization generally. Relying on research on fairness in organizations and corporate ethics practices, we explain why the extensive involvement of HR in corporate ethics programs is important to the perceived fairness, and thus the likely outcomes (e.g., employee commitment), of those programs. © 2001 Elsevier Science Inc. All rights reserved.

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During the 1990s, many large corporations created formal programs and offices dedicated to managing ethics and legal compliance. Most American corporations now have a formal ethics policy in place (Berenbeim, 1992; Center for Business Ethics, 1992), and close to a third of large companies have created formal ethics offices (Weaver, Treviño, & Cochran, 1999a). Meanwhile, the role of “ethics officer” has become sufficiently widespread that a professional society, the Ethics Officer Association, has been established.

Research suggests that a human resource (HR) orientation often is absent from corporate ethics programs. Our aim is to explain why this may be problematic and to recommend how...
HR managers can be more involved in corporate ethics initiatives, so that those initiatives achieve their goals of encouraging ethical behavior in organizations. We propose that employees’ evaluations of fairness, or justice, in the organization are important to achieving valuable ethics management outcomes, and that the HR function plays a key role in fostering fairness in the organization generally and in the specific context of ethics programs. Although issues of ethics in organization encompass much more than questions of fairness or justice, failure to foster justice in the organization can undermine organizational efforts to encourage ethical behavior generally. Ethics management, in short, though not the same as fairness management, depends on careful handling of fairness issues within an organization. Consequently, the HR function should play a crucial role in organizations’ efforts to deal with ethical issues, because HR’s role is central to the management of fairness in contemporary organizations.

1. Status of HR in organizational ethics/compliance programs

Corporate ethics programs typically involve many components and initiatives, and research has cataloged these elements (Berenbeim, 1992; Center for Business Ethics, 1992; Weaver et al., 1999a). Expectations for ethical behavior typically are communicated to employees via codes and policy documents, formal training programs, and messages from senior management. Ethics programs also often provide means for employees to communicate with management, sometimes anonymously through telephone “hotlines.” These communication devices are used for reporting real or perceived ethical or legal problems, to solicit advice and counseling, or both. Also common are procedures for monitoring behavior so as to reward ethical behavior and/or discipline unethical behavior.

Empirical research suggests that HR staff are merely one among many categories of corporate staff who may be involved in managing ethics programs. One study of ethics programs in Fortune 500 service and industrial firms found that an HR officer ultimately was responsible for ethics/compliance management in 28 percent of responding firms (Weaver, Treviño, & Cochran, 1999b). But just as many firms (28%) vested responsibility for ethics in legal positions (e.g., general counsel), while 16 percent placed responsibility in distinct ethics or compliance departments, and 11 percent in audit and control functions, with the remaining firms selecting from among positions such as corporate secretary, public affairs, and corporate communications. This study also found that HR and legal departments were involved equally in ethics training, while legal and audit and control functions dominated investigations of ethical or legal violations. The labeling of many corporate ethics programs also suggests that legal concerns often are prominent. At many companies, the effort is referred to as a “compliance” program, or an “ethics and compliance program.” Similarly, the telephone query and reporting lines sometimes are labeled in terms of ethics and values, and other times in terms of compliance and control. Weaver et al. (1999a) report that the majority of telephone lines in their sample have names suggestive of a legal compliance approach.

The prominent role of legal and audit staff, and a focus on compliance and control, are not surprising given that much of the impetus for corporate ethics programs comes from outside of companies (Weaver et al., 1999a). Federal requirements imposed by the United States
Sentencing Commission’s guidelines for organizational defendants reward organizations that develop and enforce policies and procedures that encourage legal compliance, and that investigate and punish noncompliance. Given that organizations structure themselves in response to their external environment (Meyer & Rowan, 1977; Pfeffer & Salancik, 1978), one would expect legal staff to play a prominent role, insuring that company ethics/compliance initiatives satisfy government expectations. Developing rules and policies, and training employees on those policies, would seem to be an effective and efficient way to satisfy not only government expectations, but also to signal responsible intentions to other external observers and critics (e.g., media organizations). Some companies, in fact, simply buy “off-the-shelf” packages of policies, regulations, and monitoring procedures from external consultancies. In some organizations, for example, codes of ethics are written by outsiders, ethics training is provided by consultants, and ethics telephone line calls are answered off site by staff members of private companies that provide this service.

Does it matter that HR functions do not play a larger or more consistent role in corporate ethics programs? We propose that it does, because HR functions play a central role in issues of fairness which, if ignored, can result in unsatisfactory outcomes from expensive corporate ethics initiatives. Our position is based on prior research concerning the workings of ethics programs, and on the importance of fairness in organizations. Specifically, we focus on HR’s role in two key dimensions of ethics programs established by empirical research: (1) the control orientation embodied in ethics programs and (2) the extent to which ethics program policies and goals are integrated with other organizational functions. We also consider the role of HR in fostering a sense that ethics and compliance programs provide an unbiased representation of employee interests, and treat employees with appropriate respect.

2. Fairness and managing organizational ethics

Empirical research on ethics program effectiveness has found that employees’ evaluations of fairness are a key influence on ethics-related outcomes (Treviño, Weaver, Gibson, & Toffler, 1999). To the extent that survey respondents believed that employees were treated fairly, a number of outcomes were more positive. Respondents reported less unethical behavior in their organizations. They also reported that employees in their organizations were more aware of ethical issues, more likely to ask for ethical advice within the organization, more likely to think that it was all right to deliver “bad news” to management, more likely to report an ethical violation, and more likely to believe that decision making was better in the organization because of the ethics/compliance program. These research findings suggest that employees’ belief in a just organization may be necessary for ethics/compliance management effectiveness.

Why do we find this connection between perceived fairness and reactions to ethics programs? First, in social cognition terms, people store information in memory in categories rather than in disparate, unorganized fashion. These categories then are used to interpret incoming information and to retrieve information from memory (Fiske & Taylor, 1991). In our example, the ethics category held in memory is likely to include information about justice, fairness, and rights. Therefore, when employees hear that the company is focusing its
attention on ethics, this is likely to cue a cognitive connection with the ethical issues that are salient to employees, such as fairness in hiring, promotion, performance appraisal, pay, restructuring, etc. In fact, this connection explains why many calls to ethics telephone “hotlines” relate to just such issues. Therefore, any effort to bring attention to organizational ethics is likely to heighten awareness of fair treatment of employees in general.

Further, attention to ethics in the organization may raise employees’ expectations of fair treatment higher than they would have been otherwise. This is particularly true in difficult times, such as during a restructuring that requires layoffs. As one ethics officer observed, “If you have had the courage to stand up and say out loud that treating people with dignity and respect is an important part of your organization and culture—that your organization is committed to fair play and to treating people honestly—then when you get into a downsizing or layoff mode, a great deal of pressure is created. Employees judge your commitment to all of those values .... At the moment they receive their layoff notice, employees will personalize it. They’ll look to the company and say, ‘Well what about those fairness issues?’” (Treviño & Nelson, 1995, p. 304). Fairness issues that were important before may become even more salient as employees ask—“You want to talk about ethics? Okay, let’s begin by talking about how this organization treats its employees.”

This concern for fairness is reinforced by the presence of a fairness heuristic at work in persons’ cognitions regarding their relationships to organizations. People must make decisions concerning the extent to which they will constrain their own interests and identity in light of the interests and welfare of the organization or other collective to which they belong. Exhaustive consideration of all relevant information is impossible in the context of real world relationships between individuals and organizations. Thus, people inevitably rely on judgmental heuristics to determine whether to entrust their interests and identity to the organization and align their goals and behavior with the organization. Among the factors affecting this decision, fairness concerns appear to function preeminently. The “fairness heuristic” is sufficiently powerful as to constitute a “pivotal” cognition affecting persons’ attitude and behavior toward organizations or other collectives (Lind, 1995; van den Bos, Lind, & Wilke, 2001). Fairness suggests to people that their membership in the organization is valued and that the organization respects them, thereby making commitment to the organization a viable way of maintaining one’s identity and fulfilling one’s interests. Borrowing the language of much moral theory, fair treatment indicates to people that they are being respected as ends in themselves, and not merely as means for achieving the ends set by others. Moreover, fairness judgments display primacy; once established, they are altered only with great difficulty (Lind, 1995; van den Bos, Vermunt, & Wilke, 1997). Fairness judgments, in short, are formed quickly, easily become entrenched, and constitute a key heuristic basis on which decisions are made concerning an individual’s cooperation with and support for an organization, a basis more powerful, for example, than economic concerns (van den Bos et al., 2001).

Because employees will make cognitive connections between ethics programs and fairness, and in general will rely on a fairness heuristic in guiding their attitudes and behavior at work, it seems particularly important for organizational ethics to be managed in tandem with other fairness issues that usually fall within the purview of the HR function. A sense of fair or just treatment by an organization will leave employees open to the
organization’s ethics initiatives, while a sense of injustice is likely to trigger a skeptical reaction to any mention of ethics. But before we explore the specifics of ethics/compliance management, it is important to review the basic dimensions and outcomes of fair or just treatment in organizations.

2.1. Organizational justice: dimensions and outcomes

Most research on fairness in organizations has been done under the rubric of organizational justice. Organizational justice is a multidimensional construct with important relationships to a broad range of organizational phenomena (Greenberg, 1996), including compensation systems (Cowherd & Levine, 1992), organizational restructuring (Konovsky & Brockner, 1993), punishment (Ball, Treviño, & Sims, 1994; Treviño, 1992), and grievance systems (Fryxell & Gordon, 1989), and to organizational outcomes such as citizenship and commitment (Organ, 1988), conflict (Kabanoff, 1991), negative affect (Bies, 1987), job satisfaction (Dailey & Kirk, 1992), trust (Alexander & Ruderman, 1987), and employee theft (Greenberg, 1993). Some of these outcomes—e.g., employee theft—are directly relevant to the explicit goals of corporate ethics programs, while others—e.g., commitment—may be considered desirable outcomes of ethics/compliance management.

2.1.1. Procedural justice

Organizational justice research identifies two key dimensions that distinguish between questions of fair processes and fair outcomes (i.e., procedural vs. distributive justice). Procedural justice focuses on the perceived fairness of the processes used to determine outcomes in organizations. Perceptions of fairness in procedures are fostered by offering persons’ voice or control in the decision processes that influence them (Thibaut & Walker, 1975). Procedural justice perceptions also can arise from formal characteristics of decisions: consistency across different people and times, consideration of persons’ interests, and the use of unbiased, accurate information, and error correction processes (Leventhal, 1980). People may value fair procedures simply due to a belief that fair procedures protect their self-interests or because fair procedures are thought to contribute to ultimately fair outcomes. But people also may value procedural justice because it indicates the viability of continuing a relationship with a group or organization (Lind & Tyler, 1988; Tyler, 1989). People value reciprocal long-term relationships to groups and view procedurally just treatment by group leaders as indications that the leader views the person as a full member of the group (Tyler & Lind, 1992). Thus, procedural fairness in a specific decision process may be valued for reasons apart from concerns for that particular decision itself; rather, procedures say something about one’s status in a group, and the overall ethical orientation of that group.

The perception of fairness in procedures has several important organizational consequences, including enhanced individual commitment to a group (Tyler & Lind, 1992), which in turn can affect group cohesiveness and group task performance. Acceptance of goals and tasks is increased (Early & Lind, 1987; Lind, Kanfer, & Early, 1990). Procedural justice perceptions also encourage organizational citizenship behaviors (Moorman, 1991), trust (Alexander & Ruderman, 1987), organizational commitment (Folger & Konovsky, 1989), and satisfaction with institutions, jobs, and leaders (Alexander & Ruderman, 1987; Fryxell &

2.1.2. Distributive justice

Questions of distributive justice focus on the fairness of resource allocations in organizations—pay, discipline, etc. (Deutsch, 1985; Greenberg & Cohen, 1982; Leventhal, 1976, 1980; Sheppard & Lewicki, 1987). Perceptions of distributive fairness have been linked to satisfaction with compensation and other organizational outcomes (Folger & Konovsky, 1989). Distributive justice also is related to behavior such as trust in management and intentions to quit, but in general the relationship of distributive justice to these kinds of outcomes is not as strong as in the case of procedural justice (Alexander & Ruderman, 1987; Dailey & Kirk, 1992). This may be because in most organizational settings questions of fair procedures arise prior to questions of fair outcomes, and, according to the fairness heuristic, the initial impressions of fairness generated by interaction with organizational procedures take precedence over any later encounters with the outcomes of the process. Fair procedures are likely to decrease the dissatisfaction felt with unfavorable or inequitable outcomes (Campion, Folger, 1989; Folger, 1987; Leung & Li, 1990).

2.1.3. Social aspects of organizational justice

Justice perceptions also can result from the informal, social aspects of human interaction in organizations. For example, regardless of whether or not a particular formal decision is procedurally or distributively just, it may be communicated in a respectful or disrespectful fashion (e.g., kind vs. dismissive tones of voice). Bies and Moag (1986) referred to the “quality of interpersonal treatment” people receive in the course of organizational processes as “interactional justice,” while other studies have referred to the social aspect of justice as “interpersonal justice” (Greenberg, 1996; Mikula, Petrik, & Tanzer, 1990; Tyler & Bies, 1990).

One important type of socially rooted justice involves the provision of explanatory accounts for decisions, policies, structures, and their outcomes. People expect that events affecting them will be explained (Bies, 1987), and perceptions of fairness in organizational procedures have been shown to be improved when accounts are provided (Bies, 1987; Bies & Shapiro, 1987; Tyler & Bies, 1990). When a person receives explanations about formal organizational processes, an expectation of fair procedures is met: “What affects me is explained and justified to me, and so I have been treated in accord with a socially rooted expectation for fair processes in human interaction.”

Respect and concern constitute informal social goods, and failing to receive them is seen as a violation of justice expectations. Empirical studies have shown reactions to organizational processes to be influenced by the kind of informal sensitivity and respect shown to persons, regardless of the formal process itself and its outcomes (Tedeschi & Norman, 1985; Tyler, 1989). When a person receives indications of concern and respect, such as apologies or expressions of sympathy or remorse, an informal, socially rooted expectation of fair distribution is met: “I have been treated with the kind of respect and concern that is customarily due someone in my circumstances.” Informal social resources, in effect, have been justly distributed.
3. Ethics/compliance program dimensions and employee evaluations of fairness

Previous research has identified important dimensions of organizational ethics programs. We propose that each of these dimensions potentially impacts employees’ perceptions of fairness in organizations.

3.1. Ethics program control orientation

Case-based and survey research on ethics programs have characterized them in terms of their control orientation (Paine, 1994; Weaver et al., 1999a). Ethics programs can be developed as a form of organizational control based on the propagation of rules and the use of behavioral monitoring and discipline, affecting behavior through rewards for rule compliance and punishment for noncompliance (Adler & Borys, 1997; Etzioni, 1961; Gouldner, 1954; Weaver et al., 1999a). Alternatively, ethical behavior can be achieved in more encouraging and noncoercive ways (Adler & Borys, 1997; Etzioni, 1961; Gouldner, 1954), appealing to employees’ sense of obligation and their aspirations to act ethically (Weaver et al., 1999a). Following previous writers, we refer to these alternative approaches as compliance and values orientations, respectively. These approaches are not mutually exclusive. Research has found that many companies combine these approaches in some way. However, in most companies, an emphasis on a compliance orientation predominates (Weaver et al., 1999a).

Paine (1994) argued that compliance-oriented ethics programs risk negative outcomes because they focus employee attention on avoiding punishment, thereby creating an atmosphere of mediocrity in which people may avoid violations but not aspire to improve ethically. Rather than thinking of themselves as ethically competent people who can put that competence into action, employees are encouraged to see themselves as potential miscreants who must act cautiously to avoid punishment. Although exclusive and strong compliance orientations might have this impact, empirical research suggests that compliance orientations generally can help to reduce unethical behavior, but not to the same degree that values orientations do (Treviño et al., 1999). Clear policies and discipline for violation of those policies are important for satisfying employees’ expectations of fairness in the organization (Lerner, 1977; Treviño, 1992); without at least some supporting compliance activities, talk of values and aspirations may be seen as a charade. Therefore, compliance oriented activities can play an important role in support of a values-oriented approach. In general, then, an effective ethics program will display a balance, focusing on developing values but acknowledging that values and aspirations sometimes need to be supported by appropriate compliance activities.

Despite the need for a balance of values and compliance activities, many companies strongly emphasize compliance orientations in their ethics programs (Weaver et al., 1999a). We propose that a strong compliance emphasis, especially in the absence of a values orientation, is likely to create concerns about fairness in the organization. A compliance program imposes behavioral expectations and burdens on employees. For example, employees are expected to report rule violators. But a compliance program, by itself, is not likely to provide assurance that employees who contribute in this way will be supported...
in such situations. In such situations, the terms of social exchange (Blau, 1964; Rousseau & Parks, 1993) between employee and organization are tipped toward the organization; the additional risks and burdens of the compliance program can be seen as an unfair imposition on employees.

Further, a strongly compliance-oriented program is more likely to risk being inconsistent with aspects of the organizational culture. For example, additional expectations for ethical behavior may be imposed, but inconsistent organizational expectations that can make ethical behavior difficult (e.g., emphasis on quarterly profit goals) may remain. Thus, employees may judge compliance program goals to be unrealistic and unfair. If so, employees also may believe that the program has been implemented for the sole purpose of protecting top management from blame should the organization find itself in court for employee misconduct. Lower level employees will “take the fall” for an organization that pressured employees to be unethical (with “bottom line” goals) while paying lip service to ethical conduct expectations.

Finally, a strongly compliance oriented program may be interpreted as reflecting distrust, and a suspicion that employees are ethically incompetent, rather than support for employees. If a compliance program is interpreted in this way and if employees believe there are no legitimate grounds for distrusting or suspecting employees, the result can be a sense of procedural injustice: implied accusations in the absence of evidence and voice.

By contrast, when a values orientation is primary in an ethics program that also includes compliance elements, employee perceptions of organizational support are more likely. The main task of the program is not to discipline, but to encourage the development of meaningful, shared ethical values within the organization. In a values-oriented program, emphasis is on activities that aid employees in decision making, provide ethical advice and counseling, and support the development of consensus about what constitutes appropriate business conduct. Moreover, the focus on shared values in such programs suggests that every organization member has the same status vis-à-vis ethics. Also, a strong values orientation suggests that the organization embodies a collective commitment that applies equally to all persons. Employees perceive that their organization “values their contributions and cares for their well-being” (Eisenberger, Fasolo, & Davis-LaMastro, 1990; Eisenberg, Huntington, Hutchison, & Sowa, 1986, p. 501), creating a sense of obligation by an employee to support the organization’s goals in return. In the context of organizational support created by a values-oriented program, necessary compliance features, such as rules, monitoring, and discipline, can be perceived as part of a broader package in place to guide and protect everyone. Moreover, a values orientation—with its visible emphasis on shared organizational values and goals—implicitly allows for questioning of other goals (e.g., meeting quarterly profit expectations) that might conflict with ethical expectations. It also avoids the appearance of procedural injustice by not implicitly accusing employees of ethical incompetence.

3.2. Ethics program integration

Empirical research has identified another important dimension over which ethics programs vary: degree of integration with routine organizational activities (Weaver,
Treviño, & Cochran, in press). Organizational structures such as ethics programs, that are introduced at least in part to satisfy key institutional actors like government or the media, sometimes are kept isolated from everyday organizational activities. The externally imposed structures are decoupled from routine activities so as to avoid interfering with those routine organizational processes (Meyer & Rowan, 1977). In other cases, however, these organizational structures may be tightly integrated into routine organizational functions like planning and performance appraisal (Greening & Gray, 1994). When integrated, a particular structure or program is supported by other organizational processes and structures, so that it is made salient to employees and employees are held accountable to it. Thus, an ethics program that emphasizes only a formal code of ethics and perfunctory ethics training is less integrated than one that influences the content of ongoing formal processes like strategic planning and employee performance appraisal, and informal phenomena such as leaders’ behavior and the kind of language used in the organization.

Research suggests that ethics programs are more effective when they are tightly integrated with other aspects of the ethical culture such as decision making processes, leader behavior, performance appraisal, and reward systems (Treviño, 1990; Treviño et al., 1999). Partly, this may reflect the increased salience and sense of accountability created by integrating ethics concerns into other organizational processes. But it also is likely to reflect the fact that failures of integration can create issues of fairness. An expression of concern for ethics that is not integrated widely throughout the organization is likely to create perceptions of a “double standard,” imposing expectations on employees that are not supported by other organizational policies and processes. Ethics program activities and goals, in effect, need to be consistent with other organizational practices. This is in keeping with other research showing the importance of internal and external consistency in HR programs (MacDuffie, 1995).

For example, if employees are held accountable to the standards of an ethics program, but those standards are not also integrated into performance appraisal standards and reward, compensation, and benefit systems, the result can be a sense of imbalance or unfairness because the terms of exchange with the organization have been altered. If integration is selective or uneven, so that some parts of the organization (e.g., executive leadership) are not held to the same standards as others (e.g., rank and file employees), perceptions of unfairness can develop. Integration of the ethics program, in short, influences ethics program effectiveness in part because it is an issue of fairness.

Integration with routine organizational practices also is important because, as suggested earlier, any effort to raise issues of ethics in organizations is likely to enhance the salience of ethical issues in the minds of employees. As a result, perceptions of unfair treatment—e.g., in benefits, compensation, promotion, etc.—become more serious because the organization is “preaching” ethics while practicing something else. In short, an ethics program raises the profile of fairness issues in general (whether or not those issues are explicitly addressed in the ethics program), and thus it becomes more important to see that the ethical ideals are integrated across all organizational functions. If they are not, those functions are more likely to be accused of unfairness, because of the increased sensitivity to fairness issues the ethics program creates.
3.3. Control orientation, integration, and fairness: the role of HR

The foregoing summary of research on ethics programs and their dimensions is summarized in Fig. 1. The control orientation of ethics programs can focus on values, compliance, or a balance of values and compliance. Ethics programs also can be integrated with or decoupled from routine organizational functions. Theory and research indicate, however, that the most effective ethics program is likely to be one that balances values and compliance and that is integrated with routine organizational functions (the cell in upper right of Fig. 1).

Earlier, we noted that HR staff and functions currently have at best a supporting role in corporate ethics initiatives. Yet attention to the control orientation and integration of ethics programs, and the fairness perceptions and other outcomes they generate, suggests that HR is uniquely well-suited to manage ethics initiatives. HR has an important role to play in both the control orientation and integration of an ethics program. Specifically, an integrated ethics program that stresses a values orientation while also incorporating appropriate compliance-based elements—i.e., a program fitting the upper right cell of Fig. 1—will involve a number of characteristic domains of HR management.

### 3.3.1. Selection

Employee selection becomes particularly important when ethics initiatives stress a values orientation and are integrated into routine organizational activities. Because the emphasis is on shared values (rather than on compliance with externally imposed rules) it is essential that the recruiting and hiring process focus on attracting and selecting employees who share the organization’s values. Embodiment of values includes both deeds and words; employees must be committed to ethics and be comfortable talking about ethics. The selection process should contribute to a workforce that values ethical behavior as something to aspire to in the workplace, rather than as a constraint on business practices. If the ethics program is to be integrated into the organization, the selection process also needs to attract people who want to see high ethical standards applied at work, and who are able and willing to do that in their own work contexts. They also will need to be comfortable with open dialogue about ethical issues in the workplace, and be committed to pursuing fairness in their dealings with others.

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Fig. 1. Alternative combinations of ethics program dimensions.
inside and outside the organization. The selection process is where potential employees form their first idea of the organization’s values and their own role identity within the organization. HR staff must see that those first impressions and resulting role identity incorporate recognition of the importance of ethics.

The fairness of the selection process itself can influence a new employee’s expectations about ethical behavior in the organization. If prospective employees perceive that the hiring process does not treat people fairly, they may assume that ethical behavior is not important in the company, and that “official” pronouncements about the importance of ethics can be discounted. Thus, HR staff also can play an important role by seeing that the employee selection process is fair; lack of fairness in the process sends an unwanted but influential message to new employees.

Although there are no surefire selection tests of applicant ethics, some progress has been made in integrity testing (Ones, Viswesvaran, & Schmidt, 1993) and in methods of assessing person/organization fit in terms of values. These approaches could be expanded to include ethical values. In addition, research has suggested that graduates of honor code colleges who go on to companies with codes of ethics report less unethical behavior (McCabe, Treviño, & Butterfield, 1996). This research finding suggests the importance of past experience and values formation for subsequent work behavior, and this information could be taken into account in the hiring process. Finally, HR departments often are responsible for developing the brochures and other materials used to attract job applicants. If an organization wishes to attract the kind of person who shares the company’s ethical values, these need to be represented in recruitment materials (Treviño & Nelson, 1995).

3.3.2. Training

Typical compliance programs require training of employees on rules, regulations, and reporting policies, and HR staff sometimes are involved in these efforts. But a values orientation, integrated across the organization, will require more extensive employee development and training activity with a different focus. Because a values orientation focuses on ethics across the organization, training needs to range broadly beyond knowing the rules, regulations, and policies. In particular, training needs to focus on the culture of the organization—its shared values and associated expectations. It also needs to focus on the behaviors managers can be tempted to which would undermine the status of ethics in the organization’s culture.

Training needs to be extensive in that it occurs frequently and is aimed at employees at all levels, including executives. Ethical leadership has been found to be important to ethics program effectiveness (Treviño et al., 1999). Therefore, leaders need to receive ethics training and they need to help convey the ethics message through their involvement in delivering training and through daily role modeling. Persons’ ability to recognize and act on ethical concerns also is influenced by the language they use to describe their situations (Butterfield, Treviño, & Weaver, 2000). Thus, managers need to learn to use ethical language themselves, so that it becomes acceptable for their subordinates to raise ethical questions, and so that people value open discussion of ethical issues, rather than muting such discussion as not appropriate in business (Bird & Waters, 1989). Managers also need to learn about the importance of employee fair treatment to ethics program effectiveness.
Finally, HR is most likely to take an employee development approach to ethics training. Cognitive moral development theory (Kohlberg, 1969) suggests that moral judgment can be increased with specific training procedures designed to challenge individuals’ thinking by creating cognitive conflict (Treviño, 1986). Employees who are most likely to find themselves needing to make independent decisions in ethically ambiguous situations (e.g., overseas assignments) likely could benefit from such training approaches. Again, the HR function is uniquely situated to insure that a values orientation is emphasized in training, that training occurs frequently and across levels, and that training related to ethics and fairness is incorporated into leadership and management development activities in appropriate ways.

3.3.3. Performance appraisal

If concern for ethical behavior is not incorporated into performance appraisal, an organization will be less able to articulate a values orientation that is integrated across the organization. If this happens, employees may suspect that some organizational processes and individuals are not accountable to the company’s ethical ideals, and they may be tempted to test the organization to see if they are among those who are excused from ethical behavior. Thus, to support a values-oriented, integrated ethics program, appraisal processes should incorporate concern for ethics and fairness, both in the evaluative criteria used and in the way appraisal is conducted. Obviously, the performance goals used in the appraisal process must be consistent with, and supportive of, overall ethical goals and ideals. For example, performance goals should focus on means as well as ends. How did the person with the most sales achieve those sales—by lying to customers or by building long-term honest relationships with them? Unless the performance appraisal system distinguishes between these very different means to the same end, employees are likely to remain cynical about the organization’s commitment to ethical values.

But fairness also is a major issue in performance appraisal (Folger, Konovsky, & Cropanzano, 1992; Greenberg, 1986). Most companies base rewards such as pay and promotion on the information contained in appraisals. Therefore, appraisals become a key vehicle for conveying information about distributive justice (fair outcomes) in the organization. Appraisal processes also are judged for their application of fair process criteria such as consistency and freedom from bias. Finally, to be judged as fair, performance appraisals should be communicated in a way that conveys informal, interpersonal justice. Employees should be given explanations, especially for negative outcomes, and they should be treated with dignity and respect.

HR staff generally are responsible for designing performance appraisal systems and for training supervisors in how to conduct appraisals. This makes HR the best function to insure that ethical goals and fair processes are incorporated into these systems and the training in how to use them.

3.3.4. Reward systems

Rewards and punishments also are evaluated in terms of fairness. HR’s role can be to see that employees are rewarded for ethical behavior, so that ethics expectations are not seen merely as an additional, uncompensated burden. Of course, rewards for ethical behavior can
be overdone; moral theorists, for example, often have argued that one’s sense of moral obligation is at least somewhat distinct from expectations of self-interested reward (Frankena, 1958). Employees may not expect specific rewards for routine ethical conduct of the sort simply expected as part of one’s daily work. In fact, rewards for normally expected ethical behavior may conflict with some employees’ beliefs that ethical behavior should be its own intrinsic reward, and that ethical behavior is diminished in stature if it is rewarded. Therefore, short of customizing rewards to the specific motivations of individual employees, rewards for ethical conduct might be best presented in the form of long-term rewards such as promotions, or as symbolic rewards (e.g., praise and recognition) rather than pecuniary rewards (e.g., bonuses), so as to not diminish the status of ethical behavior in the mind of the person who acts ethically. The organization can draw attention to rewards for ethical conduct by pointing out the importance of a promoted employee’s integrity, for example. In general, HR needs to see that there is visible, strong organizational support for employees who aspire to high ethical standards, so that the aspirational language of a values-oriented ethics program can be treated as sincere and meaningful. If the company says it wants employees to “be the best they can be,” it must reward those who go the extra mile to do so, though in the process it must be careful not to diminish the intrinsic worth of their behavior.

Similarly, unethical behavior needs to be disciplined so that there is no perception of unfairness or inconsistency in the ethics program’s implementation. Research suggests that employees expect the organization to dole out relatively harsh punishment for unethical conduct (Treviño & Ball, 1992). Such punishment provides important social learning to third parties who become aware of it, and serves to reinforce the organization’s standards and values (Treviño, 1992). If unethical behavior is not dealt with swiftly and relatively harshly, ethical employees are likely to perceive that they are the ones being punished. For example, unethical behavior often produces rewards for the unethical employee (e.g., commissions and other rewards for sales made with unethical tactics). If the unethical employee goes unpunished, he or she keeps the rewards while those employees who did the right thing gain nothing.

HR also must see that rewards and benefits are distributed fairly, otherwise employees will not see ethics goals integrated across the company. For example, some companies have linked the introduction of an ethics program to changes in benefits and compensation, linking executive pay more closely to employee pay, and eliminating executive perks such as exclusive dining rooms. The assumption in these cases is that if the company is serious about its ethical standards, it must be scrupulous in fairness, because attention to ethics will heighten employee sensitivity to issues of fairness.

4. Fairness and HR’s role in managing ethics/compliance programs

Thus far, we have considered how traditional HR functions are important in regard to the values and compliance orientations, and also the integration, of formal ethics programs. But HR also can play important roles in the daily administration of the ethics program itself.
Again, HR is most likely to be sensitive to the kinds of fairness issues that are important in ethics/compliance program administration.

4.1. Voice, bias, and representation of employee concerns

Much procedural justice research has focused on the role of participant voice or control in organizational processes (e.g., Thibaut & Walker, 1975) or on the satisfaction of procedural rules that encourage fairness (Leventhal, 1980). For example, decisions should be based upon accurate information (Leventhal, 1980) that is used in an expert manner and that takes into account the best interests of the organization rather than the self-interests of the decision-maker (Sheppard & Lewicki, 1987). Organization members also expect organizational processes to incorporate the concerns and circumstances of all potentially affected parties (Leventhal, 1980; Sheppard & Lewicki, 1987). Finally, not only must these criteria be met to enhance procedural fairness perceptions, but the fact that they are met must be apparent to organization members. The sources and uses of information must have face validity in the eyes of organization members (Anastasi, 1988). Even if information is accurate, representative, unbiased, and expertly used, procedural justice expectations are unlikely to be satisfied unless members recognize those qualities in organizational processes.

The foregoing elements of fairness in organizations have implications for the role of HR in corporate ethics programs. Perceptions of fairness should be greater when employees believe that their interests and perspectives are represented accurately, without bias or distortion, in the program. Among organizational functions, it is HR that most typically is associated with employee interests and perspectives, as HR focuses on the impact of policies and structures on employees. HR also is more likely to be perceived as having expertise in the kinds of issues that employees define as matters of ethics, such as questions of equitable compensation. These issues may be quite different from those ethics issues on which management focuses (e.g., conflicts of interest, employee theft). Thus, an ethics program is more likely to be perceived as fairly administered when HR clearly is associated with it. This contrasts with the emphasis on legal functions apparent in many corporate ethics programs, because legal staff easily may be perceived as representing and protecting company interests (e.g., management, shareholders) rather than employee interests. It also contrasts with the practice of contracting out ethics management tasks, or purchasing “off-the-shelf” ethics packages, that some companies pursue. In general, extensive HR involvement in an ethics program signals that the ethics program in part depends for its resources and expertise on a key organizational department that is well-informed about employee interests and concerns. This should contribute to satisfying employee expectations that their interests be considered in a fair manner.

This is not to say, however, that HR should carry out every function relevant to managing ethics programs. Monitoring of behavior provides a case in point. Given what we have noted above, it is clear that HR should have an important role in designing and evaluating any system that attempts to track employee behavior vis-à-vis a company’s ethics and legal policies. HR’s involvement can help insure that such monitoring or auditing activities are carried out in a way that gives employees appropriate voice and representation in the process and that limits monitoring to just those activities truly necessary to an ethics program (e.g., in
order to meet government expectations). In short, monitoring or auditing processes will be fairer, in employees eyes’ when they incorporate some degree of subservience to the insights and concerns typical of HR. But this does not necessarily mean that HR itself should carry out the monitoring. If HR becomes deeply involved in monitoring or auditing functions vis-à-vis ethics and compliance, employees may believe that HR’s ability to fairly represent employee concerns is compromised. Rather than functioning as employee advocate, an HR department that runs an extensive monitoring or auditing program may be seen as employee’s nemesis. In short, because of the important benefits HR involvement can bring to ethics and legal compliance programs, HR staff need to be careful that the form of their involvement does not compromise those benefits.

4.2. Interpersonal issues: implied respect and concern for employees

Perceptions of fair treatment require (a) explanations of procedures and (b) expressions of appropriate respect and concern, whether through respectful behavior generally or expressions of sympathy for specific negative outcomes (Greenberg, 1991). In general, when a manager shows greater levels of respect and sympathy toward other persons, those persons indicate a stronger perception of justice (Mikula et al., 1990). Respect and sympathy serve to indicate that a person is being treated in serious, rather than cavalier fashion. Respect may be indicated by the language of the ethics program and behavior of ethics program staff. Condescending, accusatory, or fear-arousing language may be seen as disrespectful and thus reduce perceptions of interpersonal justice (Leventhal, 1970; Sutton, 1982). Condescending and accusatory language contrasts with conciliatory and reintegrative language, which frames the goal of discipline and related actions as maintaining or rebuilding the “member in good standing” status of employees (Hampton, 1984; Reitan, 1996).

The importance of this interpersonal aspect of justice in organizations shows another reason why HR should have a prominent role in ethics management. Even though legal or audit staff may intend to treat employees with respect in the administration of an ethics program, such staff often are associated with tasks of regulation and control, if only because external forces (e.g., laws, accounting standards) require them to exercise such tasks. Thus, employees may perceive legal or audit staff as accusatory or threatening no matter how much those staff persons try to avoid that perception. HR more easily can be seen in a positive, nonaccusatory light by employees. Thus, HR’s involvement in ethics programs can implicitly provide an ongoing perception of respect and concern for employees, reducing the likelihood that employees will perceive the program as implicitly aimed at control and accusation. Interpersonal respect also includes issues of privacy and confidentiality. Both legal and HR departments may be viewed as keeping information away from external parties. But because of its involvement in sensitive employee issues such as employee assistance programs, HR may be perceived as more likely to keep employee-specific information confidential within the company.

Respect and concern also can be displayed through expressions of sympathy, understood as concern for the plight of another (Gruen & Mendelsohn, 1986) or other indications of sensitivity to the situation of others (e.g., empathy). Thus, it is important for ethics program staff to demonstrate awareness of employees’ circumstances and constraints. Ethics staff also
should express regret for justified but undesired outcomes (e.g., punishment for ethical failures) and remorse for unjustified and undesired outcomes (e.g., erroneous punishment). This can be difficult, because people often have tendencies toward “empathy avoidance” (Shaw, Batson, & Todd, 1994), such that situations that might generate sensitivity to others are avoided. In general, this suggests that ethics programs should be structured to encourage ethics program staff to have routine and informed contact with other employees. The ethics program, in short, must be coupled to the rest of the organization. More specifically, this indicates an important role for HR in ethics programs, because in many organizations it is HR officers who possess an awareness of, and empathy for, employees’ circumstances and constraints. From the standpoint of the average employee, HR plays a prominent role in making this kind of empathetic connection, because HR’s role identity includes establishing knowledge of employee needs and interests.

5. Fairness reactions and ethics program outcomes

So far we have proposed that if HR adopts a higher profile role in ethics management, employees will perceive more fairness in the ethics program specifically, and in the organization generally. How might this affect the outcomes of corporate ethics and compliance programs? As noted above, perceptions of fairness are associated with a wide variety of important affective, attitudinal, and behavioral responses on the part of organization members, in part because of the prominence of a fairness heuristic in determining how people will behave in relation to groups and organizations. Some demonstrated behavioral outcomes of fairness perceptions, moreover, at least are analogous to some of the concerns of ethics programs, such as acceptance of decisions (Kim & Mauborgne, 1993), obedience to laws (Tyler, 1990), and loyalty to authorities (Tyler & Lind, 1992). But what kind of fairness-related outcomes might arise specifically in the context of organizational ethics programs? Ethics programs are aimed at fostering behavior in conformity with a particular set of guidelines and values, and they incorporate activities and structures aimed at publicizing those values and gaining acceptance of them. Ethics programs also presume a level of support for the program itself on the part of employees. Employees are expected to avail themselves of the program, to avoid undermining it, and perhaps even to engage in extra-role behavior that provides additional support for the program (e.g., encourage other employees to respect and make use of it). Employees even are expected to support the ethics programs and its goals at the cost of not supporting close coworkers or supervisors (e.g., internal whistle-blowing in regard to coworker or supervisor behavior).

5.1. Acceptance of ethical expectations

Ethics programs sometimes apply ethically ambiguous or debatable expectations to employees (e.g., guidelines for sexual harassment). Previous research supports the view that fairness in the administration and application of controversial expectations increases employee acceptance of the expectations. Research on corporate smoking bans, for example, indicates that providing information and treating people with interpersonal respect in the
introduction of the ban increase employee acceptance of the ban (Greenberg, 1994). Similar relationships hold for gaining acceptance of other ethically controversial organizational actions, such as layoffs (Brockner et al., 1994). Perceptions of injustice also generate negative emotional responses, including anger, outrage, and confusion (Bies, 1987; Mikula, 1986), responses that may inhibit acceptance of ethics standards. Thus, in general, we should expect the overall fairness embodied in the structure and operations of an ethics program to influence whether or not employees accept the program and its standards or, alternatively, respond with cynicism or even anger.

Organization members sometimes respond to injustice by taking unilateral action to redress the injustice. Such action might take the form of rejecting the behavioral standards propagated by the program, leading to behavior that qualifies as misconduct according to the organization’s values. For example, employees respond to compensation inequities by availing themselves of opportunities to steal from the employer. But treating employees according to informal expectations of interpersonal and informational fairness reduces levels of such misconduct (Greenberg, 1993).

5.2. Commitment to the organization and to the ethics program

Employees who see an organization’s ethics program as unfair may reject the program. Research has shown that when employees perceive that the organization treats employees fairly, commitment to the organization is higher (Folger & Konovsky, 1989; Treviño et al., 1999). Where the ethics program is unfair in the eyes of employees, we may expect them to respond not only with less behavior conforming to the program’s expectations, but also with less commitment to the program itself. For example, were employees aware that their attendance at an ethics training meeting would be used to hold them blameworthy for future problems (a practice we encountered in a large company’s ethics office), one would expect reduced or reluctant attendance at voluntary training sessions. Conversely, the more the ethics program is perceived as fair, the more employees will be willing to conform to its expectations, and to commit themselves to using the program.

5.3. Whistle-blowing

When employees observe ethical and legal problems at work, most managers presumably hope that they will report those problems internally rather than externally. But when employees suspect that retaliation is likely if they “blow the whistle,” they may be more likely to report problems externally. On the other hand, when the organization shows a commitment to correct internal problems, employees are more willing to engage in internal whistle-blowing (Miceli & Near, 1992). These facts suggest that HR has an important role in seeing that company ethical standards promote helpful internal whistle-blowing. HR functions can be important in creating a climate that discourages retaliation and encourages respectful, fair treatment of employees. If HR succeeds in this endeavor, employees who are concerned about problems should be less likely to think of going outside the organization first. Also, HR’s role in seeing that ethics initiatives are integrated into other organizational
functions should signal to employees that management cares about preventing and correcting improper behavior, again encouraging internal reporting of problems.

Put negatively, if fairness is perceived to be missing from the ethics program, employees who observe ethical problems should be less willing to engage in internal whistle-blowing by reporting problems to appropriate ethics program staff. Rather, if any reporting or whistle-blowing occurs, it is likely to be to external parties or investigators who may be perceived as less able to use the employee’s information against the employee. Thus, perceptions of ethics program unfairness may reduce the potential for organizationally helpful forms of reporting and whistle-blowing and increase the likelihood of external whistle-blowing and consequent public scrutiny and criticism for the organization. Consequently, HR’s role in encouraging organizational fairness should be an important influence on the ability of ethics programs to generate constructive whistle-blowing in the organization.

5.4. Ethics-oriented citizenship behavior

Organizational citizenship refers to behavior that goes beyond the requirements of one’s specified organizational role (Moorman, 1991; Organ, 1988). Citizenship may include such behaviors as altruism, extra conscientiousness, and commitment in performing tasks, or other efforts to attend to the organization’s welfare in ways not specified by one’s organizational role. Citizenship is empirically and theoretically linked to organizational fairness issues (Moorman, 1991; Organ, 1988). In the manner of equity theory, citizenship behavior (or its forbearance) may be an effort to match fair (or unfair) treatment by the organization. Also, the group value model of justice (Lind & Tyler, 1988; Tyler & Lind, 1992) indicates that fair treatment enhances a person’s sense of affiliation with a group. This enhanced sense of attachment may increase citizenship behavior, as the group’s concerns are seen as closely tied to the employee’s own sense of identity and welfare.

Ethics programs provide opportunities for particular forms of citizenship behavior. This could include activities such as voluntarily keeping ethics program staff informed of potential issues, individually publicizing and encouraging the use of the ethics program, or responding to criticisms coworkers make of the program. We should expect high levels of fairness in an ethics program to encourage citizenship behaviors specifically focused on the ethics program.

6. Conclusion

We have proposed that the HR function should play a more prominent role in ethics/compliance management. This is largely because of the important role employees’ fairness evaluations play in employees’ reactions to ethics and compliance initiatives. HR staff are more likely to be viewed as representing employees’ concerns and treating them fairly. In addition, HR functions can play a key role in developing ethics programs with a proper balance of values and compliance orientations, and in integrating ethics programs into important organizational activities, such as the design of performance appraisal systems, management training, and disciplinary processes. With that in mind, however, we offer a final
caveat. Because of ethics/compliance management’s links to the overall ethical culture of the organization, and to many essential organizational functions and activities, HR departments should not attempt to manage these important initiatives alone. Multiple functions and departments (including legal, audit, the top management team, and board of directors) need to work together in a coordinated effort aimed at fostering ethical behavior in the organization. For example, research shows that a values orientation in company ethics programs is more likely if the highest levels of management are committed to the intrinsic value of ethics (Weaver et al., 1999a). So even though HR’s involvement in ethics programs is important to their success, HR should not expect to accomplish the task alone.

Fairness issues are important to employees, and the involvement of HR staff and departments in ethics and compliance programs is important to the real and perceived fairness of those programs. Therefore, HR staff and departments need to play a more central role in ethics management initiatives if those initiatives are to provide real benefits for both organizations and their members. But ethics programs function in a larger organizational context that raises fairness issues of its own. This, in turn, provides even more reason to involve HR in the ethics management effort, because HR plays a crucial role in determining an organization’s overall ability to treat people fairly.

References


