Breaking Bad:

Why Good Employees Choose Wrong and What Companies Can Do About It

By Margareta Barchan and Jeanne Westevelt Rice • 2013

Paving the Way to Professional Integrity

The road to ethical business practice is paved with good intentions.

Compliance officers are hired. Educational programs are purchased. New employees are versed in the values, codes, and regulations that drive the business. Still, we are surprised — and sometimes caught red-handed — when global market conditions change and leave us feeling raw and exposed.
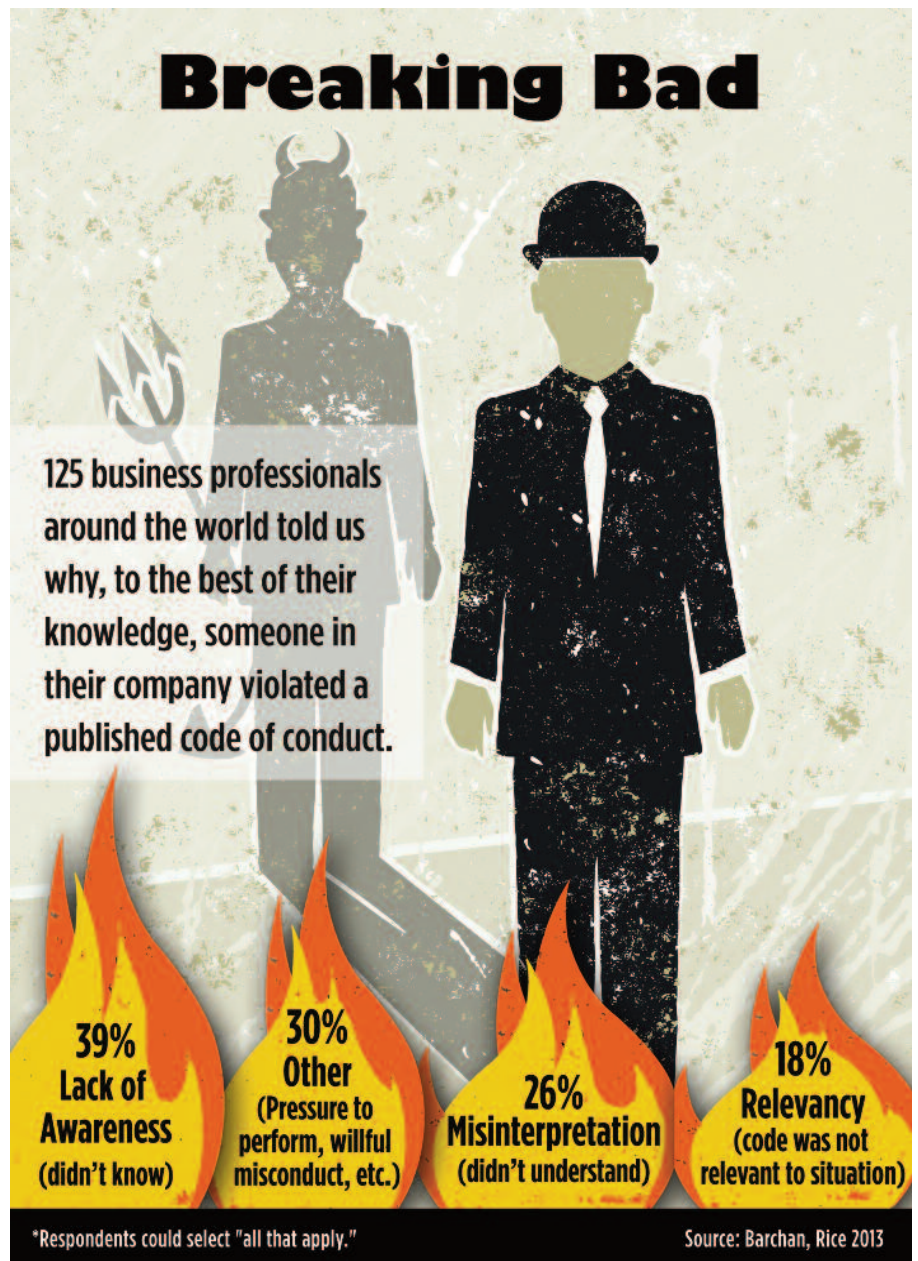
What was legal yesterday is not today. What was once socially acceptable is now taboo. One company's traditions and values are usurped by another's in a merger or take over. The more we try to keep up, the more complex our task becomes.

Despite our best efforts to create and communicate corporate values, codes and regulations that mean good business, misconduct happens. Sometimes people willfully *choose to do* wrong; but more often, people simply *choose wrong.* And we all know that it takes only one high profile case of malfeasance to wreak havoc resulting in losses in the millions or billions — in terms of jobs, good will, brand value, and revenue.

We recently asked several hundred clients and other professionals around the world to respond to a six-question survey about codes of conduct in the workplace[1]. Just over half (60%) of our 125 respondents reported having a published code, while the rest (40%) said their company did not have one. More surprisingly, of those reporting a published code, the majority (66%) said they were "not fully aligned" with it.

Taken together, the comments we collected in the survey made one thing perfectly clear: Calling for ethical behavior and professional integrity in the workplace makes a terrific sound

Fig. 1

Breaking Bad

125 business professionals around the world told us why, to the best of their knowledge, someone in their company violated a published code of conduct.

39% Lack of Awareness (didn't know)

30% Other (Pressure to perform, willful misconduct, etc.)

26% Misinterpretation (didn't understand)

18% Relevancy (code was not relevant to situation)

*Respondents could select "all that apply."

Source: Barchan, Rice 2013

bite, but corporate leadership on the whole is doing precious little to support or ensure right action in their companies. Is all this talk of integrity nothing more than lip service? Here, our respondents weigh in:

> **"Our code of conduct was [distributed] by the communications team without any training or any opportunity to discuss and understand."**

> **"In some cases, our code is no longer relevant to current circumstances."**

> **"Senior executives place compensation above proper conduct, thereby putting the organization and its employees at risk."**

> **"There is no opportunity to align personal values to codes of conduct."**

> **"I don't believe in many of the underlying messages of the company's research priorities."**

> **"So many published codes of conduct are just cosmetics."**

> **"Personal interests are set above the code."**

Where's the disconnect? Why do stakeholders – directors, investors, shareholders, media, consumers, employees, and partners — hear business leaders say one thing, but see no evidence of support?

Fig. 2

Nothing Personal

It's difficult. We all know that you can't decree workplace integrity. While you can publish values, codes, and best practices to create awareness, it's nearly impossible to make someone behave differently than they are hard-wired to behave. In other words, no amount of "ethics training" is going to change an adult's personal belief system or inherent core values — which is ultimately how each of us makes a split-second decision, or chooses right from wrong. That leaves business leadership with two options:

1. Hire employees whose personal ethics and values are inherently aligned with the company's; or

2. Provide opportunities for everyone to draw personal connections between the company's codes of conduct, or value statements, and their own principles.

It is each individual's own beliefs and values that guide their behavior — not only when they stop to think about it, but especially when they are under pressure to perform and don't have time to stop and think.

Simply put, those who draw personal connections to company policies and guidelines are more likely to take the right action, or the best action, at the right time. The problem is, in the typical ethics education course (classroom style or online), there is very little opportunity for employees to reflect on the codes and draw these critical connections to their day-to-day responsibilities. There is even less opportunity to connect the codes to their deeper personal beliefs and value systems. In a nutshell, there is nothing personal in it for them.

Converting Information to Insight

Many companies approach ethics training from a compliance standpoint: by making an ethics course mandatory, they've essentially "checked-the-box" for good business practice, and believe themselves to be covered in the event of an ethical mishap.

But we've all experienced in our own industries, or heard about from the news, the fallout of ethical breaches in the corporate environment. While the company ultimately may not be held liable, the cost in initial negative publicity, brand value, eroding morale, long-term investigations, legal defense fees and the like are costly at any level.

Let's step back and consider why companies create codes of conduct in the first place. Basically, it's the company's short-hand for saying, "This is how we do things around here." In our own review of dozens

> **"No one regarded [these actions] as unethical. They were simply 'how we do business around here.'"**

of published codes of conduct, the rules are clearly stated, though open to a lot of interpretation. One person's view of "acting with integrity," for example, may not be the same definition applied by another. The issue of interpretation is exacerbated by cultural differences and norms, and even industry accepted practices and norms.

Consider the case of one European-based construction company. The CEO decided to challenge his industry's widely accepted practices of back-room deals and payoffs to win jobs. He had been watching as the industry was growing more international, and thus, more transparent. Several of his competitors had already taken hits in the news media and lost credibility and business as a result. What he found, once he started talking with his workforce, was that these practices were so inherent in the daily business that no one regarded them as being unethical. They were simply "how we do business around here." The CEO determined that his company would need to do more than publish and promote clear codes of conduct; he would have to change deeply held beliefs and create a new corporate culture.

Rather than run his workforce through a traditional course of study around the new codes of conduct — primarily creating awareness; this CEO sought to create a meaningful exchange between groups of employees who would have the opportunity to analyze, discuss and reflect on their own daily actions, and consider how some "standard practices" are actually "violations." From his perspective, a reflection-based program was the only way to bring about meaningful change. One year after rolling out the program, the company reported a significant reduction in violations on the job.

Best practices in adult learning indicate that people make behavioral changes only when they have had the chance to process or internalize new information for themselves. In his book, *The Power of Learning: Fostering Employee Growth*[2], learning design guru Klas Mellander describes a five-step adult learning process that makes important distinctions between "training" and "learning." It is one thing to train a workforce about published codes of conduct. It is quite another to know that the workforce has internalized

or "learned" the information contained within. The difference, Mellander writes, is that in true learning, "information is converted into experience and insight." In other words, once it is learned, it is very difficult to unlearn — like riding a bike.

The Art of Reflection

Business leaders fed up with lip service, and who are ready to create or reclaim a business culture based on mutual trust and integrity, will be happy to know that it is possible to bring about such change as long as the workforce is given the opportunity to make personal connections to the company's values.

In our combined 50+ years of leadership coaching and consulting experience, we've come to rely on and trust two development tools that have proven effective in creating that crucial personal link. These two tools are guided dialogues — the exchange of information and ideas through facilitated discussions; and reflective writing techniques — short, structured writing experiences that provide an opportunity to think critically and process personal behaviors, beliefs, and values. Together, these combine to create a thoughtful, reflective process that helps people first become aware of, then process and internalize, and finally apply naturally new skills or knowledge.

Talking and writing are not new tools. In fact, they are two of the most widely employed communication and development tools around. What is new is the way we use these tools, and build in specific techniques, to lead to specific outcomes and, often, measurable results.

We have both used these tools in our leadership coaching practices for years and have collected anecdotal evidence that supports their effectiveness to bring about real and lasting change. We've seen guided dialogues and reflective writing make a positive impact on three main challenges facing any organization or leadership team looking to create, foster, or ensure a culture of integrity:

1. Personalization – the process makes clear that ethical violations and infractions have a negative impact on people, not just on the "faceless company." By helping employees connect their actions and decisions directly to themselves, their friends, their colleagues, their families, as well as the everyday aspects of their jobs, our process reduces the phenomenon of "victimless crimes."

2. Internalization – our process offers time for reflection, a chance to consider natural responses to a variety of situations, even under stressful conditions, which leads to greater self-awareness. Such insight leads to different and better choices in the future. Different choices then become internalized and form new habits.

3. Consistent application – Once we have developed new habits, we consistently apply them in all aspects of our lives (not just our jobs).

In this paper, we will demonstrate the effectiveness and efficiency of these two robust communication tools and their impact in these three areas, first separately and then together, drawing on our own experience and observations in the field, client feedback, and current research and findings.

Dialogues for Change

Writing in a July 2012 issue of *Business Ethics,* David Ohreen, an assistant professor at Mount Royal University in Calgary, Canada, called for a new approach to business ethics education.

"Business ethics pedagogy must change if there is any hope of stemming the continuous abuse by corporate managers and leaders of the public trust," he wrote. Ohreen's own research and analysis of

several studies and scholarly papers, led him to surmise that "instruction that was case-based and provided [business school] students an opportunity to heavily engage in the course material had the most ethical gains. In other words, ethics courses that favored peer dialogue were the most successful."[3]

We have found the same to be true for business professionals.

If you ask anyone about his or her personal integrity, you are likely to get noble and ethical responses. We all want to believe that the actions we take are the right actions in any situation. But when push come to shove, when it looks like we might lose the negotiation, the sale, or the argument, something else happens: we make the wrong decision in the heat of the moment. With hindsight we realize, given a do-over, we would have made a different decision.

As in the case of the European construction company, many of us have blind spots to our less-than-ethical behaviors. The behaviors are so ingrained in the culture of the company or the industry that we no longer recognize them as anything but the "right way."

In creating a culture based on mutual trust and integrity — when we strive to get everyone to take the right action and make the very best decision they can under the circumstances — we must shift the focus away from the obvious questions: Do you have integrity? Are your values in line with the company's?, because these answers are almost always "yes." We need to shift the questions, and the discussion, to this: How do you do things around here?

Fig. 3

"The way we do things around here…"

Control & Trust

The way we manage our entire operation is primarily control-based. We see it as a key condition for high performance and a way to avoid unnecessary risks in a rapidly changing world.

However: Without trust, micro-management will most likely develop into a major problem.

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"The way we do things around here…"

Trust & Control

The way we manage our entire operation is primarily trust-based. We see it as a key condition for high performance in a rapidly changing world.

However: Without control, we would not be able to proactively manage the increased risk exposure.

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Speaking of Values: The dialogue cards above are used to raise awareness among groups of participants who are asked to consider a company's values. The facilitator asks, "For this value card, which side best describes how we live/should live our values?"

The dialogue cards shown in Fig. 3 illustrate the critical difference. How is trust "done around here"? Is the business culture one of "Control & Trust," or "Trust & Control"? A fine line, perhaps, but a world of difference. These cards are strategically designed to facilitate deep, meaningful discussions between groups of professionals that reveal blind spots, and call from the shadows ingrained behaviors that do not serve personal or greater good. These dialogues have the added benefit of giving people a voice — respecting their opinions — and helping them consider business ethics and values in alignment with their own beliefs.

We have seen these discussions lead to real workplace changes for our clients. New organizational processes have been put into place and structural changes have been made, as a result. New structures will foster new habits and new habits will lead to gradual transformation in how business is being "done around here."

Any organization that provides opportunities for individuals to reflect and assign personal meaning to the standards set out, will be rewarded not only with more people working in alignment and with more integrity, but also with an energy that builds esprit de corps. Lip service may help business to survive in the short term, but integrity requires genuine commitment — and a measure of courage.

The "Write Way" to Right Action

Generally speaking, when organizations publish their core values and codes of conduct, they are really looking to ensure right action across the board. Although these values, codes, and regulations can grow quite complex — 50 pages or more is not unheard of in the accounting industry — what those responsible for compliance really want is a workforce that they can trust, and a community of people that acts with integrity, naturally, in every situation — even under intense pressure. A specialized writing process holds a key to bringing personal values and corporate values into alignment; and when that occurs, people will more naturally "do the right thing."

> **The inherent value to the writer is in its safety — he or she is free to be completely honest and explore deeply rooted beliefs and values without fear of judgment or retribution.**

Reflective writing, also called intuitive writing or expressive writing in some circles, developed a following in the mid-80s within the health and wellness community for its ability to help people recover more successfully from trauma. Seminal studies by James W. Pennebaker, a professor of psychology at the University of Texas at Austin, have scientifically demonstrated biological (immune system), psychological (mood) and behavioral (performance) effects by using short, guided writing techniques for as little as 20 minutes a day and for as few as four days in a row.[4] Later studies indicate that even five or 10 minutes of writing may yield measurable benefits.

Reflective writing may be slow to gain a foothold in the corporate arena simply because the writing itself is personal and is not meant to be shared. The inherent value to the writer is in its safety — he or she is free to be completely honest and explore deeply rooted beliefs and values without fear of judgment or retribution. In the United States, we are just starting to see reflective writing, sometimes in the form of journaling, being added to the menu of services in progressive corporate wellness programs. And, for good reason. Newer research suggests that when given the opportunity to write about their emotions after a "workplace injustice" (such as being harassed or bypassed for promotion) study participants reported "significantly reduced intentions to retaliate," and "somewhat reduced feelings of anger."[5] Operating from a more emotionally neutral or stable position, these participants are able to address the issues of injustice from a more rational viewpoint, or process the outcomes in a healthier way, even if that means simply feeling less stress.

Consider then the potential power of reflective writing in helping people shift their thinking, or connect more personally and more deeply, to matters of compliance and issues of integrity.

Inroads are already being made. Writing in the Journal of Leadership Education in 2008, Cynthia Roberts, an associate professor with Purdue University (Indiana), discusses in detail the importance of reflection in developing future leaders — her students. Roberts writes:

> Although professionals may have learned a body of knowledge and pattern of practice, it may be difficult to apply them in unique, complex or uncertain situations. Continuous learning in practice occurs through reflection-in-action (thinking on one's feet) as well as reflection-on-action (thinking upon completion of a project or particular activity)[6]

While the idea of reflection is not new to most experienced business leaders, especially if they are successful, the idea of reflective writing may be. Corporate educators and others responsible for ethics and compliance communication are clearly searching for effective "how-to's." We know from experience that lecture based programs are rooted in passivity. We know that check-the-box software programs may increase awareness but do little, if anything, to develop critical thinking skills or internalization. But we are seeing, out in the trenches, that case-based dialogues and personal written reflections lead to emotional and behavioral changes. This is backed by scientific research in the health and wellness arena,[7] and strong anecdotal evidence in the business sector.

One such reflective writing experience is modeled after a self-study exercise introduced by Dr. Pennebaker in his book, *Writing to Heal.* The facilitators read aloud a company value statement or code, such as "We are honest, trustworthy and accountable for our actions." The participants spend a full minute looking at their reflection in a mirror and are then asked to write nonstop for 10 minutes using a prompt, such as:

> **Writing experiences like these remove the mental barrier that "this could never happen to me," and push their thinking deeper, considering ramifications if it were to happen to them.**

• *How does this value relate to the person you are now?*

• *How does the person you see in the mirror reflect that value?*

At the end of 10 minutes, the participants are asked to spend another few minutes giving themselves feedback, rereading what they wrote and making note of any surprises or action steps that come to mind.

In the field, this writing experience consistently ranks highest among participants for its ability to increase awareness of the value or code, shift perspective, and to think more critically about decisions and actions related to the value or code on the job.

A second technique draws directly from the work of Kathleen Adams[8], a gifted psychotherapist, thought leader, and public speaker in the field of reflective writing and journaling for health and wellness. In it, the facilitator reads a specific code or rule, such as "It is against the law to engage in insider trading," and includes any action-related details. The participants are then asked to brainstorm ways in which by breaking this rule, any other person inside or outside of the organization could be negatively impacted. The participants are challenged to write down 100 responses in just a few minutes. They are then asked to reread their responses and reflect on this experience. This activity provides an opportunity for the participants to draw a direct connection between unethical actions and the "victims" of the action, who are now revealed as colleagues, friends, partners, family and other loved ones. The inappropriate action is no longer seen to be aimed at a "faceless organization" or perceived as a "victimless crime."

Feedback from senior executives to both of these writing experiences is compelling. "I've always found that training and educational programs that give me time to self-reflect have the most impact on my assessment of my own leadership style and value system," remarked one financial services executive. Other comments indicate that writing experiences like these remove the mental barrier that "this could never happen to me," and push their thinking deeper, considering ramifications if it were to happen to them. "I found this [reflective writing] to be very effective in helping me consider the impact of my actions and decisions on the job. Much more so than the [superficial] ethics training programs that we typically go through," said the senior official of a global accounting firm.

While these comments are heartening, they do not guarantee that behaviors will change. What does suggest future compliance, and even personal transformation, is what we already know about the human learning process, as summarized earlier in Klas Mellander's work: once something is fully learned and internalized, it becomes second nature and is not easily forgotten.

The studies by Pennebaker et. al. have already proven that reflective writing, even for as little as 10 minutes, reduces stress and changes anxiety related behaviors. If it is true, then, that some people make poor choices (or wrong choices) because they are under intense stress or pressure on the job — as indicated by our own survey — taking a moment to try a reflective writing technique may become a more effective equivalent of the old "counting to 10" before taking action. In addition, taking the time to write about a high-stakes event after the fact will increase the odds of making better choices (or repeating successful ones) in the future.

Reflective writing in the workplace is in its infancy, but anecdotal results are impressive, so the studies will not be far behind. In the meantime, there are a range of benefits to using reflective writing as a tool to foster right action on the job. First, it's readily available to anyone at any time. Writing requires nothing more than paper and pen or a digital notepad. Second, the writing can be done as needed — as a one-time event, as a refresher course, or on a regular basis, depending on the needs of the professional or the organization. Third, and perhaps most notably, is the ability of reflective writing to help people draw personal connections to organizational codes and values, to consider how their actions impact other people, and to internalize the spirit of the codes and values in a deeply meaningful way.

> Our clients have told us that they appreciate the opportunity to link corporate rules and regulations to their own personal values and beliefs — creating an alignment that enables them to make the right decisions more naturally, or at least to chose more mindfully.

Reclaiming a Culture of Integrity

It is worth stating for that record that we do not believe that our guided dialogue and reflective writing processes will ever change the mind or behavior of those scoundrels, villains, or thieves who set out with intention to line their pockets at the expense of others. We're not likely to be able to help anyone hard-wired to choose wrong. What we are saying is that we've seen our programs create heightened awareness about existing codes, values and accepted forms of behavior in the workplace. We've seen people draw their own connections between a written code and their daily activities on the job. We've heard people say that they now understand the implications and ramifications of a violation on other *people.* Our clients have told us that they appreciate the opportunity to link corporate rules and regulations to their own personal values and beliefs — creating an alignment that enables them to make the right decisions more naturally, or at least to chose more mindfully.

To conclude, we'd like to share a few final thoughts and best practices that we've learned from our individual and shared experiences using guided dialogues and reflective writing to foster right action in the workplace:

Right vs. Right. Sometimes our choices are not as clear as "right" and "wrong." More often, and more challenging, is when we have to choose between two "rights." In practice, these decisions often pose ethical dilemmas. Perhaps either choice will have a negative impact on some people, or either alternative comes at the expense of something else. When making decisions like these under highly stressful or time-critical conditions, they become even more difficult. When faced with right-vs.-right decisions, the best choice is contextual. We have a better chance of being able to make peace with our decision or

defend it, when, in hindsight, we know we would have made the same choice if we had to do it again. These decisions are not only a matter of ingrained values and beliefs, they also become easier to make with practice or forethought. Using a combination of guided dialogues and written reflection exercises, we can help people consider in advance the best course of action in potentially challenging situations specific to their own jobs, company or industry.

It Takes Guts to Lead. Choosing to do right when everyone else is turning a blind eye to wrong takes guts. It also takes the full commitment and visible support of the very top leadership. No one can be "above the law." Leaders are the people who must model the behavior and be the change. Transparency isn't always pretty, but it does make for a workplace with better ethics and integrity.

Leaders First. We are often asked if C-level executives, directors, managers or business owners should participate in the sessions with the rest of the workforce. Whether they participate with others or separately in their own group depends on your corporate culture. If it is already inclusive and collaborative and there is no fear of retribution, by all means, mix the groups. If leadership presence would inhibit the process, then run them separately. What is most important is that leaders participate in the program. Often, it is best if they go first.

Who Cares?

Compliance officers and others charged with responsibility for corporate ethics and workplace integrity should ask themselves the following questions when looking for an effective development program:

• Is it experiential?

• Is it practical?

• Does it respect the individual?

• Is there an opportunity for personal reflection and self-analysis?

• Does it reflect the real behavior rather than the espoused values?

Find the Balance. Separately, guided dialogues and reflective writing techniques are an effective component of any ethics education or corporate social responsibility program. Together, they harmonize the organization's core values with personal beliefs and bring into balance and awareness the choices we make and why we make them. It's a powerful combination that brings more depth to awareness of published codes in a short period of time.

On-Boarding and On-Going. Ethics training is often required for new hires and is typically considered an on-boarding activity. But if that's the only time the codes, values, or regulations are referred to, it's not enough. The programs should be offered as part of any leadership development program, routinely as a component of performance reviews, and most important, communicated and integrated into the daily business activities.

Business leaders, and shareholders or owners, who are serious about creating a corporate culture based on ethics and integrity, must demand that codes, values and regulations be given more than lip service. We were surprised to find that only 17% of our survey respondents believe that there is "total trust" among their colleagues.

If you're serious about rebuilding an ethical and value-driven culture, consider the strategic and education programs you currently have in place, and evaluate them against your expectations. Keep this in mind: individuals who personally identify with the codes, accept them as being in line with their own core values and beliefs, and who have had a chance to internalize them, will ultimately make the leap from awareness to action.

1 Barchan, Margareta and Rice, Jeanne Westervelt. Workplace Ethics. An online survey with results based on 125 respondents. January 2013.

2 Mellander, Klas. *The Power of Learning: Fostering Employee Growth* (1993), Irwin Professional Publishing. pp. 10-22

3 Ohreen, David, (2012). 'Water Cooler Ethics': A New Approach to Business Ethics Education. *Business* Ethics.

4 Pennebaker, James W., Ph.D., Writing to Heal (2004), New Harbinger Publications

5 Barclay, Laurie J., Skarlicki, Daniel P. (2009). Healing the Wounds of Organizational Injustice: Examining the Benefits of Expressive Writing, *Journal of Applied Psychology,* Vol. 94, No. 2, 511-523]

6 Roberts, Cynthia, (2008). Developing Future Leaders: The Role of Reflection in the Classroom. *Journal of Leadership Education.* Vol.7 (1) 116-130

7 There are many empirical studies demonstrating the benefits of reflective or expressive writing on the immune system, mood changes, and performance; and more anecdotal articles appearing in the media every day. A few samples:

    Klein, Kitty and Boals, Adriel (2001). Expressive Writing Can Increase Working Memory Capacity. *Journal of Experimental Psychology.* Vol. 130, No. 3, 520-533

    Barry, L.M. & Singer, G.H.S. (2001). Reducing maternal psychological distress after the NICU experience through journal writing. *Journal of Early Intervention,* 24(4) 287-297. doi:10.1177/105381510102400404

    Cohn, M.A., Mehl, M.R., & Pennebaker, J.W. (2004). Linguistic markers of psychological change surrounding September 11, 2001. *Psychological Science, 15,* 687-693. An analysis of over 1000 people who wrote online journals in the weeks before and after September 11.

    Simon, Cecelia Capuzzi. Warrior Voices: Veterans learn to write the words they could not speak. *The New York Times, Education Life,* 1 February 2013.

8 Adams, Kathleen, M.A. (2004). Journal to the Self. Twenty-Two Paths to Personal Growth.

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Margareta specializes in helping organizations create and implement strategies that support a sustainable future. She is an entrepreneur who has started several successful companies and foundations, always with a focus on the human side of change where business ethics and governance are critical elements. She is a senior partner at New Angles, an affiliate professor in strategy, sustainability and change and serves as a director on several corporate boards. She is currently a Fellow for Corporate Social Responsibility at the Carroll School of Management, Boston College. Contact Margareta at: mb@DialogsforChange.com

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