Jennings' Seven Signs of Ethical Collapse- Spotting moral downfalls

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Has anyone in your organization ever made a decision that you felt was ethically wrong? Chances are that you answered "yes."

Organizations often start out making good, ethical decisions, but the line separating right from wrong can be easy to cross, particularly when people are under pressure to achieve results.

When this happens, unethical behavior and decision-making can become widespread. This can lead to the downfall of everyone involved, or can threaten the organization itself.

So, if you're a senior leader in your organization, how do you know if there are ethical problems lurking within it? In this article, we'll look at Jennings' Seven Signs of Ethical Collapse, a tool that you can use to identify ethical weaknesses in your organization. We'll then review what you can do to address each sign.

The seven signs are:

1. Pressure to maintain numbers.
2. Fear and silence.
3. Young 'uns, and a bigger-than-life CEO.
4. A weak board.
5. Conflicts (of interest).
6. Innovation like no other.
7. Goodness in some areas atoning for evil in others.

Once you know how to recognize these signs, you can spot potential weaknesses in your organization, and determine whether it might be at risk of "ethical collapse." If you believe that your organization is at risk, you can then take action to turn the culture around before some catastrophic failure occurs.

The Seven Signs

1. Pressure to Maintain Numbers

Every organization wants to maintain a certain performance level, but, when it becomes obsessed with meeting quantitative goals, it may push aside good judgment and ethics in order to achieve them.

Action
First, confirm that your team members know the organization's core values, and check that none of the goals that you've set, or the processes for achieving them, cause people to violate these values.
Meet with your team members and explain the lines that they shouldn't cross, and the consequences if they do so. If team members violate these ethical boundaries, meet with them one-on-one to discuss their behavior and discipline them appropriately.
If your team members spot processes or behaviors that they believe could motivate poor behavior, encourage them to speak out.
Last, practice ethical leadership by always trying to do the right thing, and by setting a good example for your team.

2. Fear and Silence

A culture of fear and silence can easily mask ethical problems.
For example, if people spot discrepancies or failures, key decision-makers may be unsympathetic towards their concerns. Other people might be afraid to speak up about their worries, because they fear that they'll be demoted or fired. Still others may feel helpless, and may think that they can do nothing about the situation.
If top leaders rule with fear, it can often signal that an organization is at ethical risk.

Action
First, create a culture where people feel comfortable communicating with one another. Encourage feedback from your people, and make sure that everyone understands that open criticism won't be frowned upon or punished.
If you suspect that your people's concerns aren't being heard, or that they're too afraid to speak up, provide anonymous channels for them to voice their opinions. You could provide a simple suggestion box, a hotline, or a message board where employees can post comments and questions without fear of being identified.

Coach your team members on what they should do if they spot something that needs reporting. Next, clarify what they should report. Encourage your team to report anything that they're concerned about, from violations of the company's core values, to ethics, or to illegal actions.
Once people speak up, it's important for them to know that you've heard their concerns.
Where channels aren't anonymous, you should aim to respond to all reports. If you make a change in response to an anonymous suggestion, be open and explain what you're doing, so that people know that you're taking action.
When a team is silent, it could mean that people are afraid of conflict. Conflict can be healthy if it's managed appropriately, so, work on your conflict resolution skills and manage healthy conflict within your team, so that you set a good example for others.
Lastly, reward team members who speak up, even if it's with a simple "thank you." Showing your gratitude will encourage others to express themselves in the future.

3. Young 'Uns and a Bigger-Than-Life CEO

Just because an organization has ambitious, young executives, it certainly doesn't mean that an ethical collapse is inevitable. However, it is possible that inexperienced managers might have trouble challenging the decisions of a larger-than-life CEO, whether out of fear, or out of a lack of confidence in their own analysis.
CEOs can also get away with immoral decisions because the management team doesn't want to challenge them, or may presume that the CEO knows more than they do about a situation. Groupthink can also lead these teams to make unethical decisions, especially if a dynamic, enthusiastic CEO is leading them.

Action

It can be challenging to change a workplace culture where people are under the spell of a powerful CEO. Jennings advises that this sign will likely be the most difficult to address.
If you're in a position to affect the hiring of executives, think twice before hiring a "big name." This holds true with professionals at lower levels as well. Thoroughly question candidates with a record of hitting goals that seem too good to be true.
Make sure that bonuses and other benefits aren't being awarded unfairly in your organization. Practice strategic compensation, and make sure that no one is compensated inappropriately.

4. A Weak Board

An organization's board can be weak for several reasons: its members might be inexperienced, they could be distracted by infighting, they may have conflicts of interest, or they might miss meetings or key votes because they're not engaged.
The board's structure might also contribute to weakness. For instance, the board might discuss major proposals over the phone or online, without giving key members the chance to review issues thoroughly.
Weak boards can often indicate an organization's ethical collapse, simply because they don't have the strength or cohesiveness needed to challenge an unethical CEO or senior management team.

Action

One way to strengthen your organization's board is to keep communication lines open, and ensure that board members can talk with employees, and vice versa. This will prevent managers from filtering information, omitting bad news, or exaggerating good news.
In order to create a two-way communication channel, you could set up a hotline, or simply compile a directory of phone numbers and email addresses, so that people can get in touch with one another.
Next, look at the perks that your board receives. Many companies that have collapsed because of poor ethical decisions offered extravagant packages to board members and some employees – perks that similar organizations couldn't afford.
Look at the compensation that the people in your organization are receiving. Is it similar to that of your competition? If not, this could be a warning sign that your organization might not be able to afford its compensation policies.
Last, pay careful attention to who's on the board, as you need people who are strong enough to stand up for what's ethically right.

5. Conflicts (of Interest)

Some organizations are at risk from conflicts of interest. For example, one high-ranking executive might contract work out to a family member or friend; directors might be voted onto the board because the CEO wants their business; or someone in finance might inflate earnings because he, and several of his friends, are major stockholders.
When decision-makers have conflicts of interest, they play two roles: they lead the organization, and they look out for their own interests. It's quite possible for these roles to conflict, and this can lead to unethical decision-making.

Action
First, think about whether key decision-makers may have conflicts of interest. Pay close attention to auditors, analysts, board members and executives.
If you're in a position to do so, set up policies to deal with these conflicts. These policies should address a wide range of conflicts, from working with relatives to accepting workplace gifts. Often, accepting workplace gifts can create a conflict of interest in itself. When team members become comfortable with accepting gifts, it can be tempting to allow gifts to influence a work relationship, which can start to lead an organization towards ethical problems.

6. Innovation Like No Other

Organizations that pride themselves on innovation can start to feel that they're above the law.
Of course, innovation itself is a very good thing, but trouble can ensue when an organization innovates without regard to ethics or the law. The faster an organization pursues innovation (or grows), the quicker even one poor decision can throw it off track.

Action
Examine your organization's current success and its pursuit of innovation. Do you worry that you're moving forwards too quickly? That is, do you believe that the excitement for your organization's products or culture has been blown out of proportion, and that you might be overlooking problems?
In the frenzy of upward growth, it's easy for people to overlook rules, laws, and ethics. If you suspect that this is the case in your organization, communicate your concerns.
Next, learn to make good decisions. Ensure that your innovation and progress match your organization's values and goals – this will make it less likely that you'll run into problems in the future.

7. Goodness in Some Areas Atones for Evil in Others

In the past, some organizations that suffered from ethical collapse gave generous donations to social causes, community events, and charities, perhaps as a way of appeasing managers' consciences following poor behavior. Organizations that commit to helping good causes can still be at risk; they can use this philanthropic behavior to justify other unethical actions.

Action

First, investigate your organization's attitude towards social responsibility, and look at how much it gives to charities and other social causes. What are the organization's motivations and guidelines for giving to social causes?
Are there connections between your organization's executives and board members, and the causes that they support? Also look at the decision makers in these nonprofits; are they related, or close, to anyone in your organization? Also, if your organization is part of an industry that receives criticism for being "unethical," for example, the tobacco industry, it's important to remember that honest leaders might feel the need to compensate by doing "good deeds." Sometimes, organizations might do good to compensate – consciously or subconsciously – for unethical behavior elsewhere. Philanthropy is important, but unethical behavior needs to be dealt with at root.