

THE 7 STEP PLAN TO

# Instill an Ethical Culture, Prevent Fraud and Improve Profitability



# Step One: Write Strong Internal Policies

Two good places to start  
are your code of ethics  
and your code of conduct.



A culture of ethics begins with strong policies. Employees need clear, well-written guidelines to teach them which behaviors are and are not acceptable in your workplace. Two good places to start are your code of ethics and your code of conduct.

The code of ethics should outline your organization's ethical standards and values. In this document, guide employees through common ethical conundrums they could encounter at work and how to apply your ethical standards when making a decision about how to handle them.

The code of conduct guides employees on how to behave in the workplace. It outlines what is expected of employees, what behavior is encouraged and what is prohibited (e.g. interactions with customers and clients, interactions with coworkers, health and safety guidelines, compliance, DEI, etc.).





**Together, these policies create a whole picture of your organization's commitment to ethics and your expectations and instructions for employees to act ethically.**

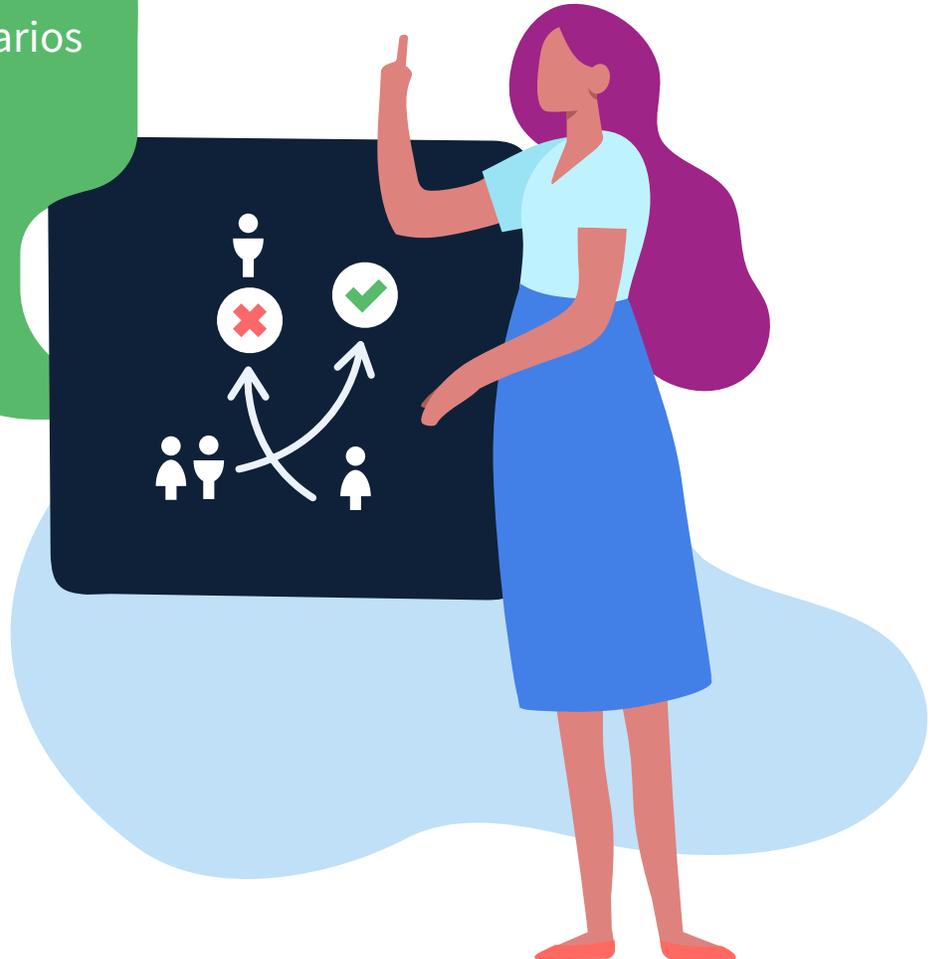
## Step Two: Update Employee Training Modules

Conduct exercises where employees have to make a decision when faced with one of these scenarios

Next, update your employee training to match the tone and content of your strengthened policies.

Start by raising awareness of ethical issues that employees could face in the workplace, such as a potential conflict of interest or the opportunity to commit fraud. Use real-life scenarios that could occur in your industry and organization.

Next, conduct exercises where employees have to make a decision when faced with one of these scenarios. Finally, share the right decisions and why they are right based on your organization's ethical standards and values.



Managers, HR staff and ethics and compliance staff can't keep tabs on everyone. They're busy and could miss red flag behaviors. That's why it's so important to implement one or more reporting mechanisms.

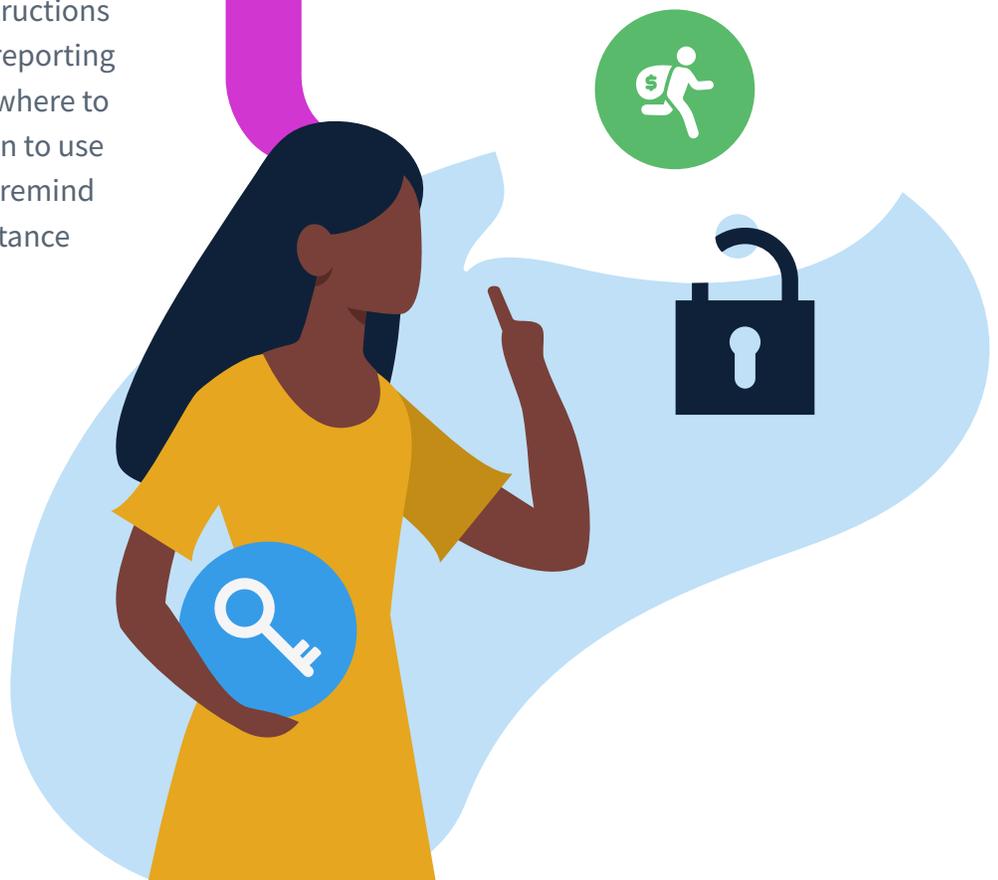
During training, employees learn how to recognize signs of problem behaviors in their coworkers. However, that information won't help anyone if they don't know who to tell about it and how to do so.

## Step Three: Set Up Reporting Mechanisms

Set up easy-to-use tools such as a hotline, webform and/or dedicated email address. If possible, provide an anonymous reporting option to encourage employees to speak up without fear.

In your training, include instructions on how to use each of your reporting mechanisms. This includes where to find them and how and when to use them. Throughout the year, remind employees about the importance of reporting. You could even reward those who catch an issue with a monetary bonus or company-wide recognition.

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## Step Four: Set the Tone at the Top

Employees naturally look to their managers as role models for workplace behavior. If their managers accept large gifts from vendors and clients or steal supplies, they think that this behavior is acceptable.

As a result, start your ethics program by getting senior managers on board. They should “walk the walk” and “talk the talk” when it comes to following your organization’s ethical standards. This means making ethical decisions and communicating openly as well as getting involved with training, committees or other parts of your ethics program.

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**When employees see that the C-suite takes ethical behavior seriously in both theory and practice, they'll be more likely to make good ethical decisions, too.**

One sure way to prevent fraud and misconduct is to screen out questionable candidates during the hiring process.

## Step Five: Hire Wisely

First, run background checks on all candidates. Call their references and validate their past work experience. If they have a criminal record or history of misconduct in a previous position, they might bring more trouble than value to your company.

In addition, consider “culture fit” when choosing a candidate. In other words, does the person’s personality and working style fit with their future team members and your overall workplace culture? If not, they could bring negativity and conflict, which could lead to issues from loss of productivity to a lawsuit.

These few extra steps could keep problem employees out of your organization and prevent lawsuits, fines and reputation damage.



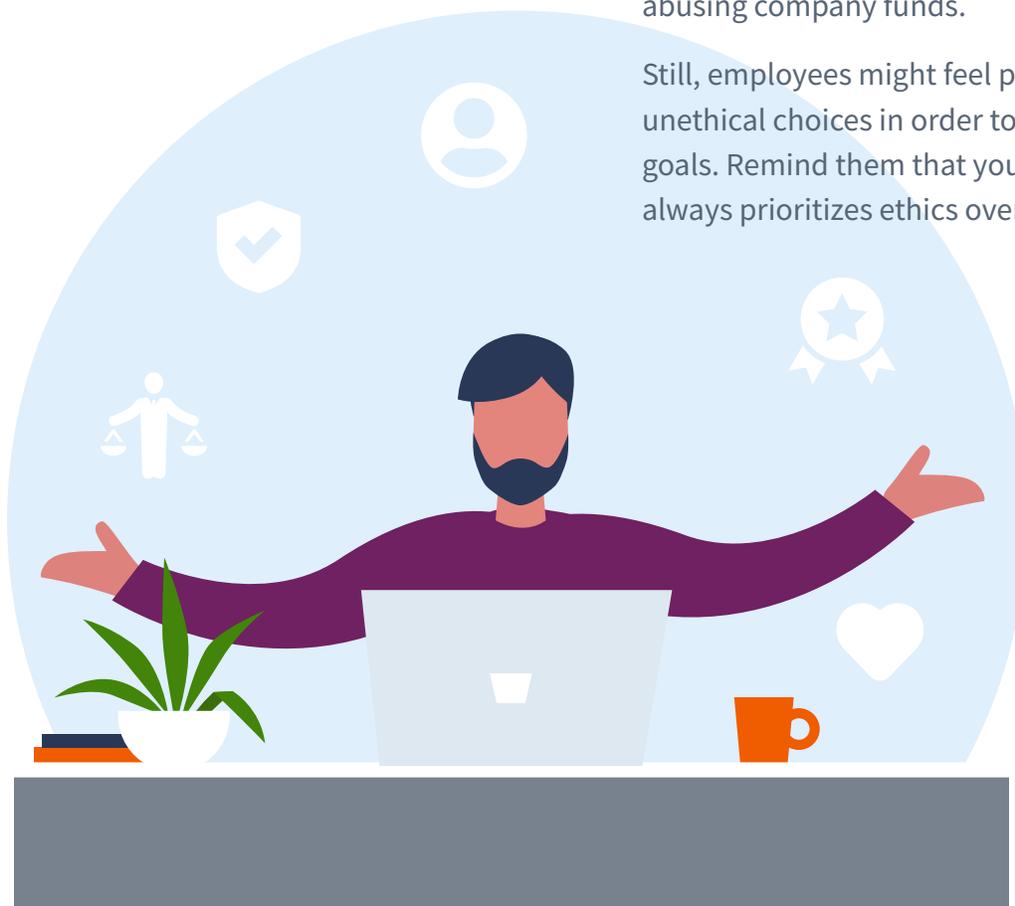
## Step Six: Make Ethics an Essential Part of the Job

Frame ethics do's and don'ts as responsibilities rather than rules.

Every workplace has a unique way of completing daily tasks. You might use certain software, have a system of checks and balances or keep a specific weekly schedule. To integrate ethics into your company culture, include ethics as part of the job.

Frame ethics do's and don'ts as responsibilities rather than rules. For example, employees are responsible for getting to work on time, for answering correspondence in a timely fashion and for finishing tasks on a timeline. They should also be responsible for treating others with respect, choosing vendors fairly and not abusing company funds.

Still, employees might feel pressure to make unethical choices in order to meet targets or goals. Remind them that your organization always prioritizes ethics over success.



# Step Seven: Be Consistent and Fair

Even with a well-established ethics program, you're bound to encounter a few incidents. When an employee does make a poor choice, consistency and fairness are key.

In your codes of ethics and conduct, outline clear consequences to violations. Then, apply these consistently, regardless of the employee's seniority or tenure.



## This practice promotes ethics and protects your organization in three main ways:



First, the policy breaker won't be unfairly punished or given leeway based on their position, so they know what to expect as a result of their actions.



Second, other employees will see that your organization is procedurally fair, leading to higher trust, loyalty and ethical behavior of their own.



Lastly, your organization will prevent wrongful termination and discrimination lawsuits by having a written set of behaviors and their consequences.

Running an ethical organization isn't just a way to avoid fines or lawsuits.

When you commit to a culture of ethics, you'll improve every aspect of your business: finances, employee well-being, asset protection and ingenuity.

To read more about building a culture of ethics and find other helpful HR tips, visit our resources section and watch our free webinars.

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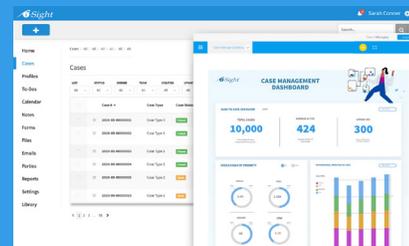


Workplace Ethics: How to Tackle the Small Lapses and Avoid a Company Crisis



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