Staffing after Ghomeshi, Ford and Volkswagen:
A Renewed Agenda for Selecting Ethical Employees and Leaders

Rick D. Hackett and Raymond B. Chiu

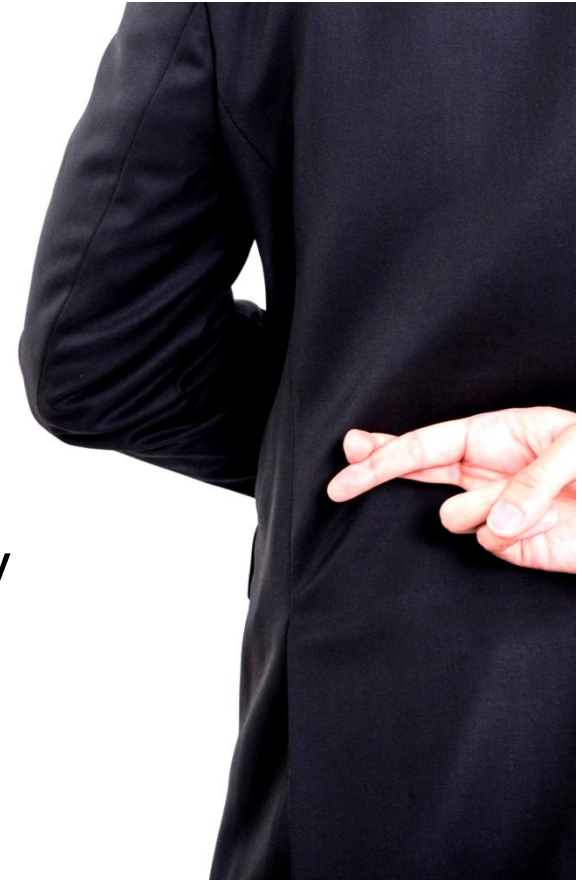Ethics Centre/HRPA Toronto January 26, 2016

DeGrooteSchool.ca

Story

Introduction

- An important topic

- What is ethics?

- HR practice and philosophy

- Ways we perceive ethics

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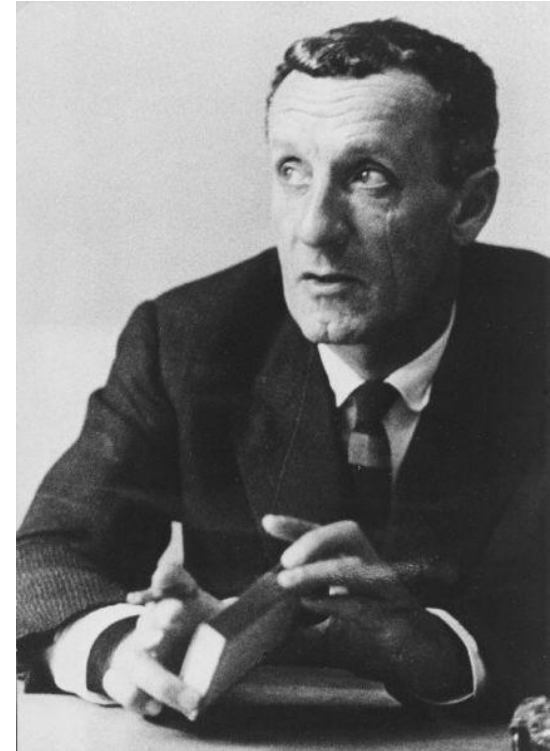Creative Commons/Wikimedia or stock photography license

Outline

1. Philosophical perspective

2. Ways of looking at ethics

3. Case for ethical leadership

4. Role of leader character

5. Action plan for character

6. Action plan for HR selection

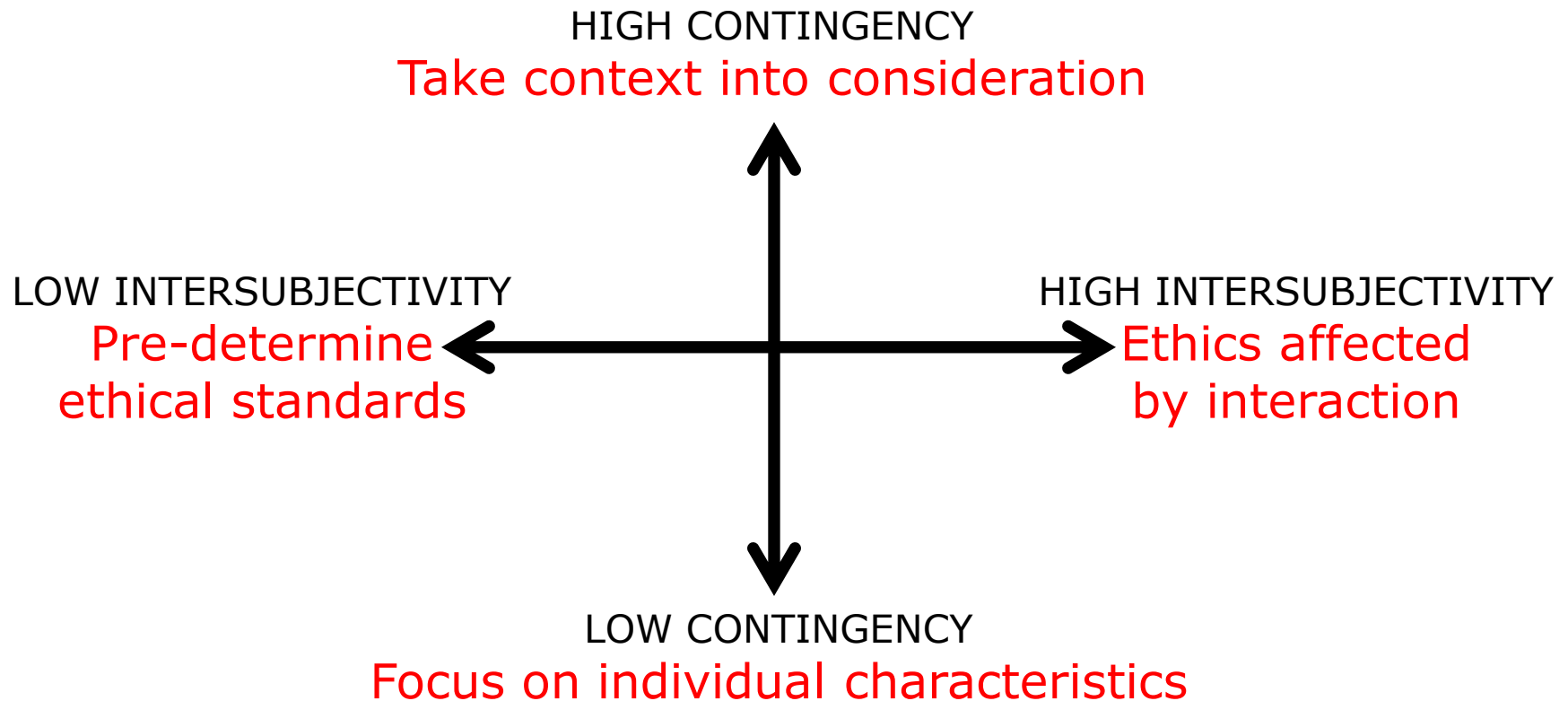Research funded in part by the Ethics Centre Graduate Scholarship

Embodiment Philosophy

- How we perceive each other in our bodies
- Intersubjectivity
  - morality changes once people come together
- Contingency
  - judgment changes once people consider context

http://www.philosophical-investigations.org/Users/PerigGouanvic

Two Important Dimensions

HIGH CONTINGENCY
Take context into consideration

LOW INTERSUBJECTIVITY
Pre-determine
ethical standards

HIGH INTERSUBJECTIVITY
Ethics affected
by interaction

LOW CONTINGENCY
Focus on individual characteristics

Ways of Looking at Ethics

Contingency (H → L)

Intersubjectivity (L → H)

Response	Virtues	Vision
Outlook		Match
Traits	Abilities	Profile
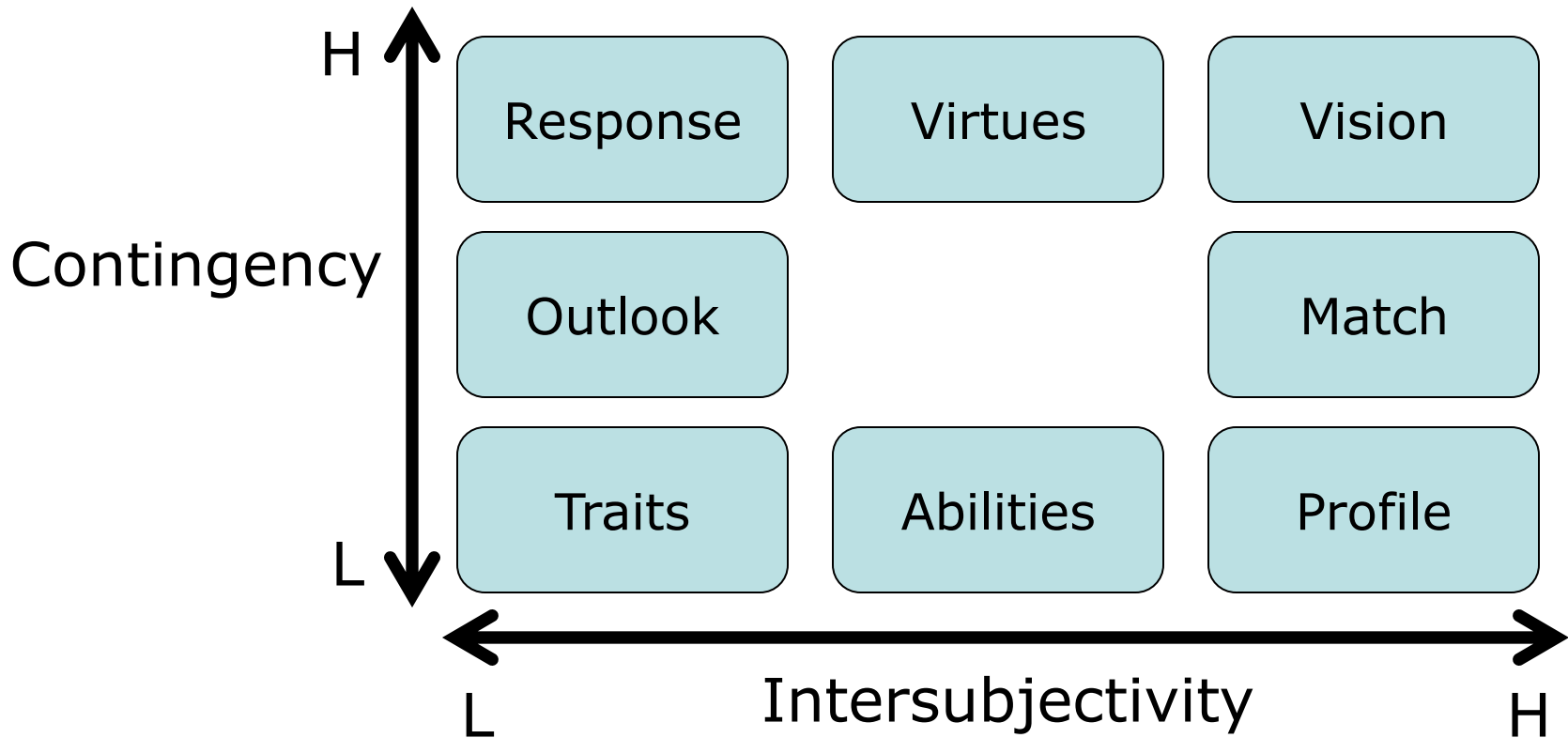
Low Intersubjectivity
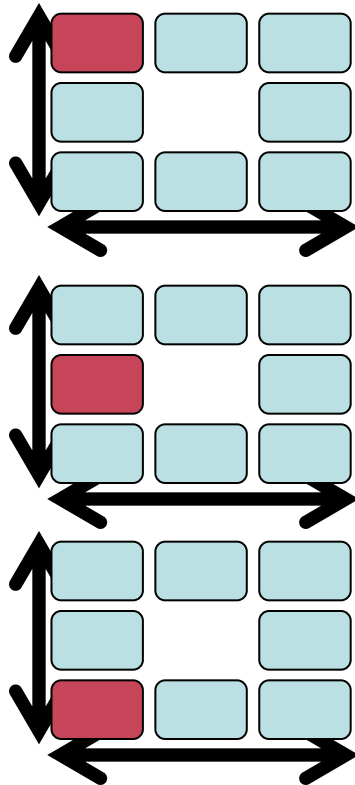
- **"Right response"**
  - Situation-based test or interview
  - *Moral development*
- **"Right outlook"**
  - Integrity test, structured background check
  - *Do the least harm*
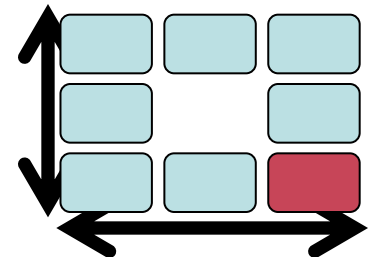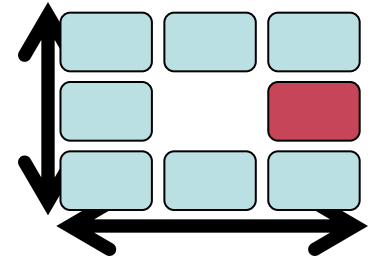- **"Right traits"**
  - Personality-type assessment
  - *Healthy personality development*

High Intersubjectivity

- "Right vision"
  - Lengthy presentations, multiple interviews, assessment centre
  - *Conversational experience*
- "Right match"
  - Values assessment, biodata
  - *Psychological agreement*
- "Right profile"
  - Resume, cover letter, social media
  - *Get the job done*
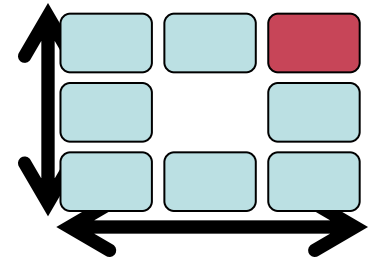
Low/High Contingency

- **"Right abilities"**
  - Behavioural interviewing, job sample
  - *Following rules*
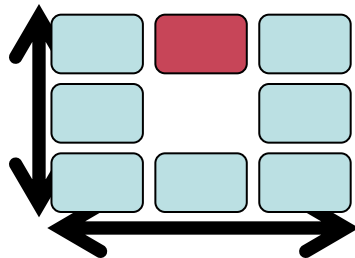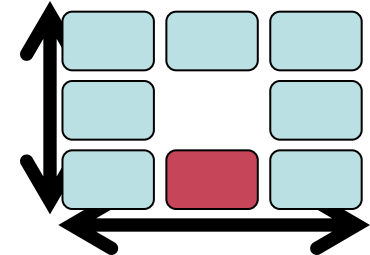
- **"Right virtues"**
  - Third-party feedback, simulation exercise
  - *Character ethics*

Why Is Ethical Leadership Important?

- Leaders are role models
- Leaders are organizational ambassadors
- Essential to trust and influence
- Core to well-being of self and others
- Platform for engagement & commitment
- Promotes respect, fairness, citizenship
- Good for organizational efficiency, effectiveness & profitability

Ethics Gone Wrong

- Volkswagen
- SNC Lavalin
- Pratt & Whitney
- Ghomeshi (CBC)
- Mike Duffy scandal
- Rob Ford
- Enron
- Financial crisis of 2009

Character

Watch your thoughts, they become words;
watch your words, they become actions;
watch your actions, they become habits;
watch your habits, they become character;
watch your character, for it becomes your destiny.

The Clarion Call for Character-Based Leadership

- Pew Research Centre Poll (2013): business executives 2nd most distrusted group in North America

- Conference Board of Canada has issued 2 reports since 2008 underscoring the need for character-based leadership in Canadian organizations

Leadership: What Is It?

- Process of social influence, getting things done through others
- Ideally toward an end promoting the common good, and in a way that followers enthusiastically embrace – take ownership
- Reflecting shared values
- Emerging from confluence of competence, the situation and character

Leadership

- Influence = power
- No leadership without followership
- Sources of power

  - Authority
  - Expert
  - Coercion
  - Referent: built on mutual trust & respect

Core to Referent-Based Influence

- Trust

- Respect

- Confidence

- *These are nourished through values as expressed in virtuous behaviours of the leader – the leader's character*

Competence and Character

It has been shown repeatedly that it is easier for leaders to recover from a misstep in competence than a misstep in character.

Leader Character

Resilient	Wise	Honest
Courageous	Trustworthy	Authentic
Compassionate	Integrity	Attentive
Respectful	Humble	Temperate
Persevering	Disciplined	Loyal
Fair	Decisive	Tolerant
Benevolent	Empowering	Spiritual
Prudent	Consultative	Caring

Core Leadership Virtues: Focus

- Prudence
- Courage
- Temperance
- Justice/Fairness
- Compassion/Humanity
- Integrity

Leadership Virtues and Outcomes:
An Evidence Based Approach

- Hackett & Wang (2012):
  - Developed Virtuous Leadership Scale
  - Administered to 230 leader-follower pairs
  - Across manufacturing, public administration, oil, gas, business services
  - Leaders independently rated subordinate on job performance and citizenship behaviours
  - Subordinates rated their leaders on virtuous leadership scale

Example Survey Items

- *My leader/supervisor expresses concern for the misfortune of others*

- *My supervisor/leader resolves conflicts in a fair and objective fashion*

- *My supervisor/leader leads fundamental change though it may entail personal sacrifice and personal risks*

- *My supervisor/leader is a careful custodian of organizational resources*

Findings

- Subordinates' ratings of their leader's virtues predicted:
    - Leader ratings of subordinates' performance
    - Leader ratings of subordinates' citizenship
    - Leader's self-reported happiness
    - Leader's self-reported life satisfaction
    - Subordinate's self-reported happiness
    - Subordinate's life satisfaction

Fred Kiel: Return on Character
The Real Reason Leaders & Their Companies Win (2015; HBR)

- 84 U.S. companies & nonprofits; 7-year study
- Employees asked how consistently CEOs and management teams of their organization embodied:
  - Integrity, responsibility, forgiveness, and compassion
- Organizations of "high virtuoso" CEOs averaged 5 times the return on assets over 2-year period compared to their "self focused" CEO counterparts
- 26% higher workforce engagement; fewer audit problems, and fewer lawsuits

Fred Kiel: Return on Character (cont.)

- "Virtuoso" leaders more likely to:
  - Have mentors
  - More prone to self reflection
  - Greater self-awareness
  - Viewed their role as making a profit, but also making the world "a better place"
  - Caring and respectful of others, though high expectations for results (driven)
  - Held themselves and other accountable

Virtuous Leadership: How Does It Work?

- **Builds one's moral identity**
  - ➢ Taking ownership
  - ➢ Believing you can make a difference
  - ➢ Having the courage to act

Virtuous Leadership & Culture

- Positive affect
- Reciprocity (affiliative behaviours)
- Normative expectations
- Amplifying effect, buffering effect

Self-reinforcing spiral that builds social capital, founded in trust and respect, builds community, loyalty, knowledge-sharing, sustainable performance

Growing Number of Studies Showing
That Strong Virtuous-Based Leadership Predicts

- Empowerment
- Commitment
- Trust in leader
- Citizenship behaviour
- Physical and mental well-being
- Executive performance (board ratings)
- Firm profitability

Action Plan – Character Virtue

➢ Reflect virtues and values in:

❑ Goals and aspirations of the organization

❑ Position descriptions as core to jobs

❑ Selection and orientation programs

❑ Performance reviews and incentive systems

❑ Leadership development, mentoring and coaching

And underscore their critical importance to value creation, profit, well-being and longevity

Action Plan – Staffing

"Strong leadership is absolutely necessary in the creation of an ethical corporate culture . . . Establishing an ethical culture is frontier territory compared to normal business functions, and the changes involved may challenge existing ways of thinking, of making decisions, and of getting things done" (p. 31)

Ethics and Governance, *4th edition*
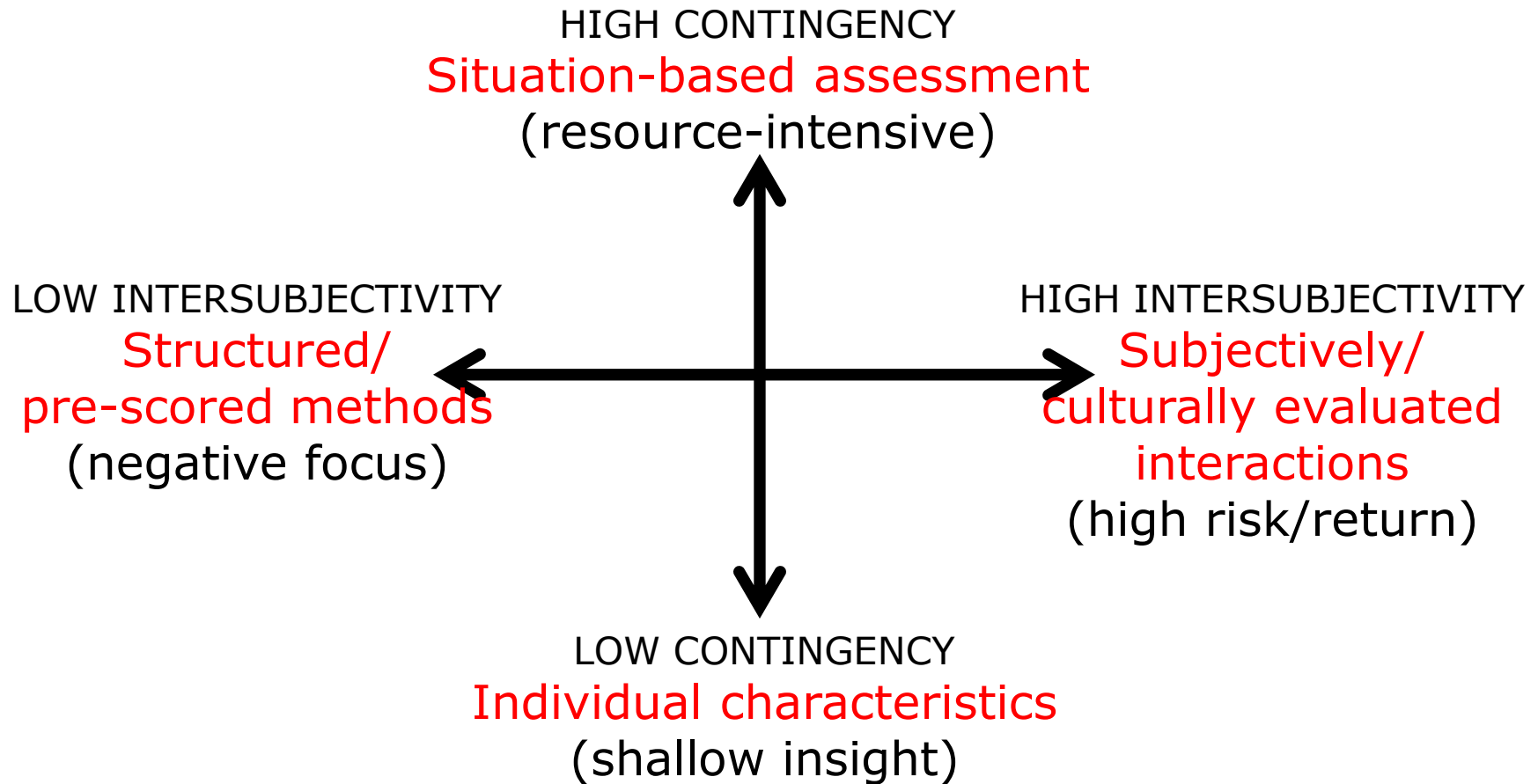
Action Plan – Staffing Context

- Build an organizational change initiative

- Analyze the 1) attitudinal, 2) environmental, and 3) operational context

  1) Attitudinal
    - develop ethical sensitivity

  2) Environmental
    - leverage environmental factors

Action Plan – Staffing Methods

- **3) Operational**

  - identify ethical job requirements

  - apply to recruitment and job descriptions

  - use best structured and validated methods

  - choose depth over repetition

  - structure and limit information

Action Plan – Staffing Methods

HIGH CONTINGENCY
Situation-based assessment
(resource-intensive)

LOW INTERSUBJECTIVITY
Structured/
pre-scored methods
(negative focus)

HIGH INTERSUBJECTIVITY
Subjectively/
culturally evaluated
interactions
(high risk/return)

LOW CONTINGENCY
Individual characteristics
(shallow insight)

Action Plan – Staffing Strategy

- Appoint talent acquisition specialists
    - target senior management

- Engage in cross-functional collaboration
    - HR, diversity, compliance, risk management

- Train staff in cross-cultural sensitivity
    - potential effects on candidate behaviour

Action Plan – Staffing Policy

- Develop a leadership value statement or character charter
  - guide selection, training, development, communications, appraisal

- Develop a case for ethics in staffing
  - stakeholders, corporate culture, HR system

Research Opportunities

- Ethics in staffing (interviews/surveys)

- *Beliefs that Matter* (faith-at-work project)

Conclusion

- Alex Anthopoulos

- "Never go back"

- Good advice for us?

Keith Allison (Flickr)

The End

Thank you!

Q & A

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Four Seasons Hotel

What we believe

- Our greatest asset, and the key to our success, is our people. We believe that each of us needs a sense of dignity, pride and satisfaction in what we do. Because satisfying our guests depends on the united efforts of many, we are most effective when we work together cooperatively, respecting each other's contribution and importance.

Four Seasons Hotel

How we behave

- We demonstrate our beliefs most meaningfully in the way we treat each other and by the example we set for one another. In all our interactions with our guests, customers, business associates and colleagues, we seek to deal with others as we would have them deal with us.

Costco Wholesale Mission Statement

"Costco's mission is to continually provide our members with quality goods and services at the lowest possible prices.

➢ In order to achieve our mission we will conduct our business with the following Code of Ethics in mind:

✓ Obey the law

✓ Take care of our members

✓ Take care of our employees

✓ Respect our vendors

✓ If we do these four things throughout our organization, then we will realize our ultimate goal, which is to reward our shareholders."

Maple Leaf – Leadership Values (selected)

- **Do What's Right**
  - By acting with integrity, behaving responsibly, and treating people with respect
- **Build collaborative teams**
  - By attracting only the best people, serving, recognizing and rewarding their development and success; fostering a collaborative and open environment with the freedom to disagree but always making timely decisions and aligning behind them

Maple Leaf – Leadership Values (selected)

- **Learn and Grow, Inwardly and Outwardly**
  - By being introspective personally and organizationally, freely admitting mistakes or development needs . . .
- **Dare to be transparent, passionate and humble**
  - By having the self-confidence and courage to be completely candid and direct; willing to communicate openly in a trusting manner; acting with passion, conviction and personal humility, especially when delivering winning results