

Integrity Risk

What it means and how to manage it

Workshop Format:

- Introductions
- Moral reasoning exercise 1
- “Integrity” and “Integrity Risk” defined
- How to manage Integrity Risk
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Introductions

- Roger Steare, Occupational Philosopher
- What I do:
 - Think about, read, write, speak about and discuss how we make moral choices (at work) and why it matters
 - Run workshops and seminars to help people learn how to think and then act with greater integrity
 - Design diagnostic tools and learning programmes
 - Working with e.g. Avon LMC, Dresdner Kleinwort Wasserstein, ICAEW, ifs, IoD, Lloyds TSB, mmO2, Royal & Sun Alliance

Moral reasoning exercise 1

- the exercise

- Please refer to handout
- Instructions:
 - Please read each of the 10 statements
 - Please decide whether you AGREE or DISAGREE with the statement
 - Then tick the appropriate box
 - Once you have completed the exercise, you will be given scores for each AGREE or DISAGREE answer
 - Once all the scores have been given, please add up your marks

Moral reasoning exercise 1

- scores

Score	Comment
40 or more	You appear to have a mature and developed sense of ethics and morality, what we would describe as a “Principled Conscience”. You are unlikely to compromise the highest ethical standards, even if it means personal sacrifice or making a stand for your principles. Your personal and professional integrity will be consistent. You will be happiest working for an organisation where most of your colleagues share these same values.
30 to 39	Your score is typical of most people in business – you seem to have a “Social Conscience”. You will sometimes feel strongly about issues of principle. Most of the time, you will make decisions based on accepted “best practice” and/or legal considerations. You will be happiest working for an employer which proclaims the highest ethical principles, but which in practice tempers them with pragmatism. Sometimes, you will feel uneasy about some of the commercial decisions which are made, but will generally go with the flow and not rock the boat.
29 or less	It is likely that your ethical decisions are driven by “Rules” and perhaps best practice, rather than universal moral principles. In a commercial sense, you are pragmatic and will act in accordance with Milton Friedman’s maxim that you have a duty to maximise profits within “the rules of the game”, e.g. the law. You may find it difficult to make the right decision when rules or precedent do not apply. You may also believe that the concept of “business ethics” is an oxymoron.

What is “Integrity”?

1. Integrity is about conscience. Integrity is about making good judgements.
2. Integrity is about behaviour. Integrity means living by coherent and consistent personal values .
3. Integrity is a network of relationships based on trust. Integrity is both strong and fragile. We must be responsible and accountable to others.
4. Integrity is “work in progress”. Integrity is not an absolute, we are all fallible, but we can (and must) learn to become better people.

What is “Integrity Risk”?

- “Integrity Risk” is a new concept which has been used to describe certain actions (or inactions) of Employees within Hazard Risks. These include theft, dishonesty, fraud, malfeasance, bullying, unfair discrimination, and sleeping with someone else’s PA. However, my proposal today is that...
- “Integrity Risk” can be extended to cover every driver of every Key Risk within the Risk Management Standard
- Why?

What is “Integrity Risk”?

- ... because every other Key Risk is about human behaviour; ... and every aspect of our behaviour as human beings has a moral dimension.
- If not convinced, please decide which Key Risks have NEVER been realised by those acting without integrity:
 - Financial Risks: Interest Rates; Foreign Exchange; Credit; Liquidity & Cashflow
 - Strategic Risks: Competition; Customer Changes; Industry Changes; Customer Demand; M&A Integration; Research & Development; Intellectual Capital
 - Operational Risks: Regulations; Culture; Board Composition; Recruitment; Supply Chain
 - Hazard Risks: Public Access; Employees; Properties; Products & Services; Contracts; Natural Events; Suppliers; Environment

What is “Integrity Risk”?

- “CORPORATION,n. An ingenious device for securing individual profit without individual responsibility”.
Ambrose Pierce, US writer and journalist
- “A business which makes nothing but money is a poor kind of business.” *Henry Ford*
- “Business is often about killing your favourite children to allow others to succeed.” *John Harvey-Jones*
- “Man does not only sell commodities, he sells himself and feels himself to be a commodity.” *Erich Fromm*
- “If there was a market in mass-produced portable nuclear weapons, we’d market them too.” *Alan Sugar*
- “Being good is good business.” *Anita Roddick*

How to manage Integrity Risk

- Current approaches:
 - Law and regulation
 - Codes of ethics
 - Corporate governance
 - Corporate Social Responsibility
- These approaches are inadequate because there is insufficient emphasis on personal responsibility and accountability
- Managing Integrity Risk means focusing on how individuals should think and act with integrity.

How to manage Integrity Risk

- *it's personal!*

- Get buy-in at the top. Principled leadership is critical. “A fish rots from the head.”
- Compare “corporate values” with reality through attitude surveys with employees, customers, suppliers, NGOs etc.
- Establish an education programme, because Integrity is not part of the National Curriculum, nor is it (yet) a reality TV show!
- Education programmes should:
 - NOT be called “ethics” or “integrity” programmes. Try something like “How to do the Right Thing” or “Principled Thinking”
 - Inform what “integrity” means
 - Allow opportunity for reflection of moral values (“Integrity Insight”)
 - Teach people how to make better moral decisions
 - Use lots of familiar but challenging scenarios
- Persuade everyone to include an “Integrity Check” for EVERY business decision and...
- Accept PERSONAL responsibility and accountability for their decisions/actions.

Moral reasoning tool

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- **PREPARE**
 - *Time out! Stop, think and consult if possible*
 - *What are the facts? Do I understand what’s going on here?*
 - *Who’s involved? ...or could be affected?*
 - *What are my intentions? What do I want to happen?*
 - *What are the options? Do I have to act, or can I walk away? If I have to act, what are the possible options?*
- **ASK QUESTIONS**
 - *What are the Rules? We must consider any relevant laws, rules or regulations*
 - *What about Me? Are any of my legitimate rights being threatened?*
 - *What about Others? What would be the best option for the “Common Good”?*
 - *What would be the Fair thing to do? What would be the just thing to do?*
 - *What would be the Courageous thing to do? What do our principles tell us to do?*
- **TEST YOUR DECISION**
 - *What could be the CONSEQUENCES of my intended action. What are the possible HARMS and BENEFITS for everyone involved, including ME.*
 - *How would I feel in their shoes? (The “Golden Rule”)*
 - *Which decision feels the most balanced? (The “Golden Mean”)*
 - *Which action would make my friends and family proud of me?*
 - *Which action would I want to see reported in tomorrow’s newspaper?*
 - *What can I learn from this dilemma?*

Moral reasoning exercise

- You have just started a great job after 9 months being unemployed. Your boss is the star of the organisation, but one day you witness him verbally abusing a young female colleague.
- What do you do, when do you do it and why?

Summary and Conclusions

- Integrity
 - is about conscience
 - is about behaviour
 - is a network of relationships based on trust
 - is “work-in-progress”
- Integrity Risk is a factor in every other Key Risk
- Integrity Risk is managed through:
 - buy-in from the top
 - forgetting the rhetoric and addressing the reality of culture
 - education (personal reflection; moral reasoning tools; familiar scenarios)
 - building a better culture by
 - applying an “integrity check” to EVERY business decision and
 - by getting people to accept PERSONAL responsibility and accountability for their actions

For further information

- www.rogersteare.com
- roger.steare@rogersteare.com
- m. 07961 190232
- t. 0870 351 1962