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PROVIDING COMPLIANCE LEADERSHIP AND GUIDANCE TO THE UNIVERSITY OF TEXAS SYSTEM




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Organizational Ethics in the University: Practicing What We Teach

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Presentation Objectives

- **Part 1:**
 - » Background on ethics and compliance programs
 - evolution of corporate compliance and ethics movement
- **Part 2:**
 - » The integration of organizational ethics (OE) into an EC program for Higher Education
- **Part 3:**
 - » Q&A

Part 1: Background

- Academia
 - » applied ethics: business ethics, bioethics and environmental ethics
- Private Sector
 - » corporate reform
- Municipal Government
 - » government reform
- Administration
 - » UCOP/UCOR

Background: Corporate Compliance and Ethics Movement

- The Packard Commission and the Defense Industry Initiative (DII)
 - » *The HP Way*
 - *sustain ethical organizational culture*
- Reaction to Federal oversight
 - » US sentencing guidelines: the Seven Elements
 - Compliance plans
 - Policies and procedures
 - Rules and regulations
 - Check the box
- What is an effective ethics and compliance program?

Two Competing Approaches

- Rules-based approach
 - » emphasis on **regulatory environment**
 - » favor top-down: follow chain of command
 - » close monitoring of employee behavior
 - » compliance through investigation, discipline and punishment
 - » culture of fear
- Values-based approach
 - » development of shared values based on **organizational goals**
 - » favor bottom-up: follow employees' input
 - » support of employees' own aspirations
 - » compliance based on commitment
 - » culture of commitment

The Weaver and Trevino Study

- First statistically valid study of “effectiveness”
- Employees notice the difference
 - » behavior differs with approach to program development
 - » Figure 1
- Values-based and rules-based approaches can be complementary
- Most “effective” approach: integrative
 - » lead with ethics
 - » integrate regulatory compliance

What Difference Does An Approach Make?

Attitudinal and Behavioral Outcomes for Employees	Values Approach	Rules Approach	Interactive/ Integrative Approach
Employees more likely to be aware of ethical issues at work	X	X	X
Employees more likely to seek ethical advice <i>within</i> the organization	X	X	X
Less likely to be unethical behavior in the organization	X	X	X
Employees more likely to feel greater commitment to the organization	X		X
Employees more likely to feel their own integrity is intact (i.e., feel supported by the organization)	X		X
Employees more willing to deliver negative news to superiors	X		X
Employees more likely to perceive higher quality decision making as a result of program	X	X	X
Employees more likely to report an ethical violation to management			X

Most “effective” approach: Integrative

1. Organizational Ethics should **frame** program development.
2. OE should **ground** program implementation.
3. OE encourages **critical distance**.
4. OE fosters **ethical organizational culture**.

Integrative Approach:

Lead with Ethics and Integrate Regulatory Compliance

- The Seven Elements Revisited
 - » standards, policies and procedures
 - » program oversight
 - » education and communication
 - » delegation of discretionary authority
 - » monitoring and auditing
 - » investigations and enforcement of standards
 - » disciplinary action
- Figure 1

Part 2: The integration of organizational ethics (OE) into an EC program for Higher Education

- The Problematic
- OE as solution
- An *integrative approach* to ethics and compliance programming in higher education
 - » putting the ETHICS in ethics and compliance

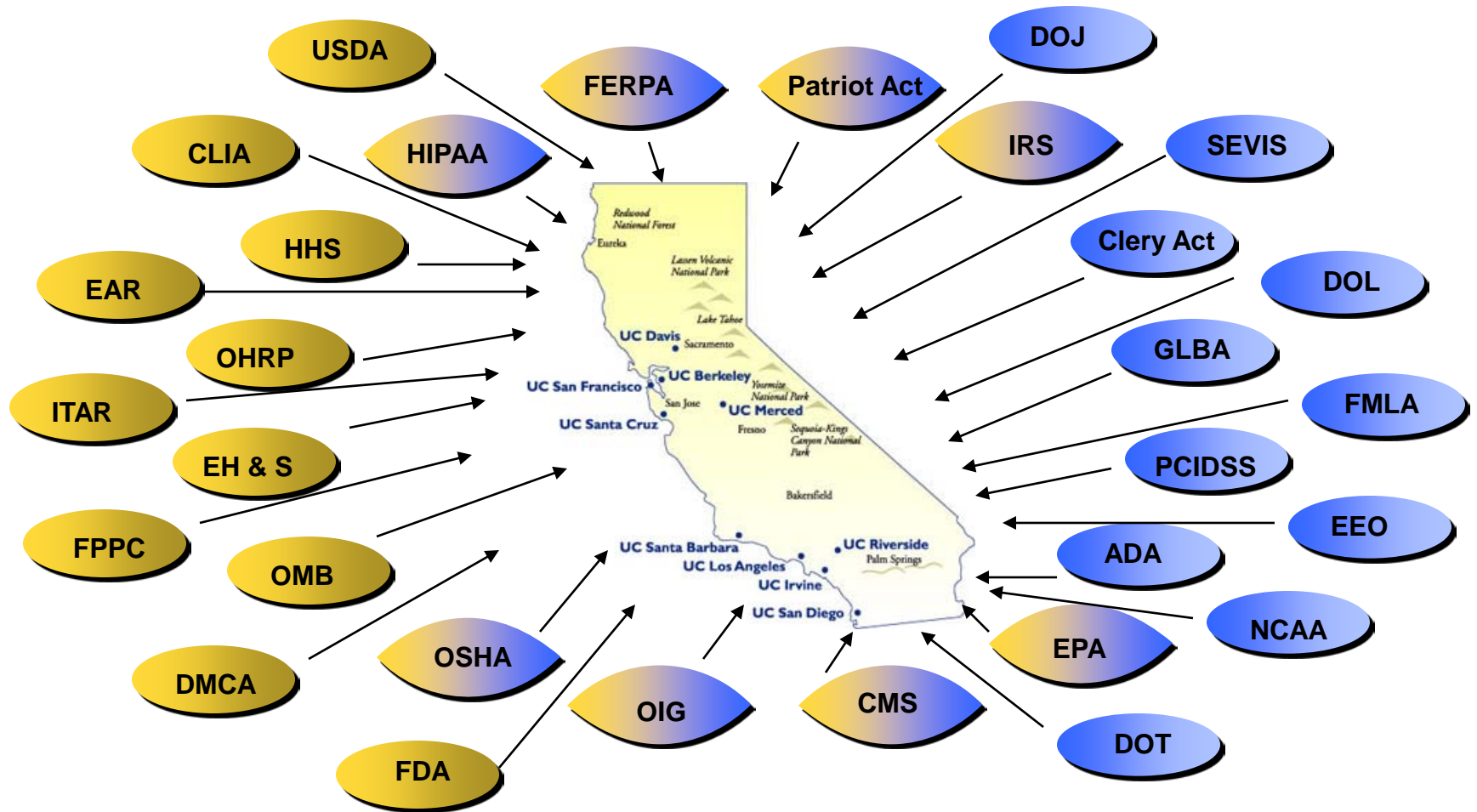
“Trying to change a university system is like trying to move a cemetery: there’s not a lot of internal support for it.”

-Lee Dreyfus, former governor of Wisconsin

The Problematic

- Historical perspective
 - » among the oldest forms of social organizations
 - » widely caricatured as rigidly conservative
- Multiple missions
 - » from clear, consensual goals to ambiguous, contested goals
- Management Theory: “Loose coupling”
 - » highly professionalized, socially directed setting
 - » loosely connected units and processes
 - » shared governance

The Problematic: Regulatory Bodies and Requirements Impacting UC



**Including but not limited to the agencies listed*

The Problematic: Some Aspects of “Loose Coupling”

- Hierarchy
 - » limited top-down control
- Organizational units
 - » periodically, inconsistently and weakly linked to each other
- Connections between means and ends are not always well understood
 - » e.g., ethics and compliance initiative
- Administrative side less “loosely coupled” than academic side

Given Problematic: *Integrative approach* most “effective”

- An *integrative approach* to ethics and compliance program development
 - » the integration of *organization ethics* (OE) into an EC program for Higher Education

Organizational Ethics: a basic definition

- Organizational Ethics as a single domain:
 - » system
 - organization and society
 - » organization
 - organization as a moral environment
 - » individual
 - professional duties, role obligations and personal ethics

OE: a basic definition

- Study of ethical issues relevant to the ways in which:
 - » organizations impact society and *vice versa*
 - » organizations influence their members
 - » members influence each other and the organization

The Macro, Meso and Micro Levels

- **Macro:** organization/society relationships
 - » How does my organization impact my community?
 - » How does my community influence my organization?
- **Meso:** management, professional and technical levels
 - » How does my institutional role obligations fit or conflict with my professional obligations?
- **Micro:** organization/person relationship
 - » How does organization address my quality of work life issues?

Integrative approach most “effective” for Higher Ed

1. OE should **frame** program development.
2. OE should **ground** program implementation.
3. OE encourages **critical distance**.
4. OE fosters **ethical organizational culture**.

Integrative Approach in Higher Ed: Lead with Ethics

1. Organization Ethics should **frame** EC program development at a macro-level:
 - » articulation of the **goals of higher education**
 - education, research and public service
 - » justify EC program in terms of values that follow from goals
 - » UCSC “principles of community”
 - honesty/transparency
 - discipline/accountability
 - justice
 - celebrative

Aspects of “Loose Coupling” in Higher Ed

- Private sector corporation: rules-based approach
 - » top-down mandate of rules
 - » chain of command
- University: limited top-down control
 - » professionals with authority to resist
 - » shared governance
- The need of properly framing the issue
 - » highlight importance of EC in relation to goals and values
 - articulate position
 - identify interest groups
 - form coalitions
 - exchange command for substance

Integrative Approach in Higher Ed: Lead with Ethics

2. OE should **ground** EC program implementation at the meso-level.
 - » statement of ethical standards for managers/administrators
 - » the University as a moral environment
 - shared values
 - » a balance of (sometimes competing) institutional role obligations and professional obligations
 - academic freedom and fair treatment
 - transparency and accountability
 - justice

Aspects of “Loose Coupling” in Higher Ed

- Decision-making on campus
 - » by committee
 - » participation is fluid
 - » issues (problems, solutions, advocates) come, go, return, etc.
 - » there is “piling on” of issues upon issues (the “garbage bin”)
 - » scarce resources
 - conflict common and often uncomfortable
- The Integrative approach: top-down/bottom up
 - » leads with ethics and integrates regulatory compliance
 - focus on shared values
 - development of infrastructure with an acknowledgement of and a respect for institutional history and culture

Integrative Approach in Higher Ed: Lead with Ethics

3. OE encourages **critical distance** at the micro-level
 - » campus-wide code of ethics
 - » education and communication
 - tools for critical thinking
 - respond appropriately to dishonest or self-serving managers/administrators
 - a “voice” against ethical and legal violations
 - » the “self-reflective” institution

Integrative Approach in Higher Ed: Leads with Ethics

4. OE fosters **ethical organizational culture**

- » active leadership engagement: strong v. enhanced
 - coalition of shared interests
 - focus and timing
 - negotiate, bargain and compromise
 - key sources of funding and prestige
- » management control systems and processes
 - evaluation, feedback and refinement

The Challenges of an “Effective” Program for Higher Ed

- Create conditions to build trust
 - » exercise ethical **analysis** and **evaluation**
 - » model ethical **actions** and **character**
 - » provide context for **resolving conflicts**
 - compliance program and other worthy goals
 - » adapt to regulatory environment
 - operationalize ethical and legal **standards**
- Guide creation of ethical **organizational culture**
 - » importance of ethical leadership

Three Dimensions of Organizational Culture

- The personal dimension
 - » values, beliefs and attitudes
- The behavioral dimension
 - » competencies or patterns of behavior
- The systems dimension
 - » organization systems and processes

“Effective” Compliance as Ethical Organizational Culture

- Dynamic reciprocal relationships among:
 - » stakeholders’ perceptions of, and attitudes toward, the goal of ethical culture
 - » stakeholders’ day to day job-related behavior toward this end
 - » the presence and quality of organizational systems and processes to support values and job-related behaviors

“Effective” Compliance as Ethical Organizational Culture

- Some Universities might try to change:
 - » **values** without considering either job-related behaviors or control systems
 - » **behaviors** without taking into account the impact of control systems or values
 - » **systems** without regard to values or behaviors

Summary

- Leaders must:
 1. clearly communicate and model a set of principles and values of appropriate job-related behavior
 2. implement management systems and processes in support of principles and values and appropriate job-related behavior

Integrative Approach: Integrates Regulatory Compliance

- The Seven Elements Revisited
 - » standards, policies and procedures
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 - » education and communication
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Employees more likely to feel greater commitment to the organization	X		X
Employees more likely to feel their own integrity is intact (i.e., feel supported by the organization)	X		X
Employees more willing to deliver negative news to superiors	X		X
Employees more likely to perceive higher quality decision making as a result of program	X	X	X
Employees more likely to report an ethical violation to management			X

Summary: Build to Last

- FORMAL SYSTEMS

- » Leadership
- » Structure
- » Rules/Policies
- » Reward System
- » Selection System
- » Orientation
- » Training
- » Decision Processes

- INFORMAL SYSTEMS

- » Norms
- » Heroes
- » Rituals
- » Myths/Stories
- » Language

How to Build an Ethical Organizational Culture

- Develop ethical **leaders** at all levels
- Build systems that **reward** ethical behavior
- Insure **fair** application of standards
- Make ethics a regular topic of **conversation**
- **Discourage** unquestioning obedience
- Encourage ethical **risk-taking**
- Communicate **care** for employees and the community