

# Corporate Governance: Ethics is a Boomerang

RETENSA  
212.545.1280

*Ethical behavior is essential for attracting and retaining employees too.*

An organization's reputation is based not only on its financial fidelity, but also its fair treatment of its workforce. Employees start learning expected behavior well before orientation and this process continues throughout an employee's tenure. Educating employees about the ethical boundaries early on will help shape the social norms to which they should conform. Unfortunately, if employees observe unethical behavior of management, their perceptions of the organization may be negatively transformed. Are your managers and executives aware if their work-related decisions are aligned with the organization's ethical norms?

*"A leader communicates strong messages to his employees about his values through his own actions...role modeling, teaching, and coaching, leaders reinforce the values that support the organizational culture."*

*Ronald R Sims & Johannes Brinkmann  
Journal of Business Ethics; Vol. 35(4)*

If company leaders tolerate even minor ethical processes, employees may rationalize that it is acceptable to make unethical decisions under other circumstances. A corporate scandal can demoralize valued employees, erode the confidence of shareholders, and even trigger a mass exodus of your workforce, leaving a company and its hard-won reputation irreparably harmed. However, most unethical actions have less devastating, but certainly debilitating consequences, such as a hostile work environment, an erosion of trust, and a loss of key employees and customers. An executive's words may emphasize adhering to high ethical standards, but his deeds may put indirect pressure on employees to engage in unprincipled activities.

## Prevent Organizational Pressure from Tarnishing Your Reputation

Certainly, proactive corporate governance can help to ensure a positive reputation and limit liabilities. Furthermore, these firms will be in a great position to attract seasoned employees, who are disheartened by the corporate decisions of their current employers. According to Sims and Brinkmann in *"Leaders as moral role models: The case of John Gutfreund at Salomon Brothers,"* managers need to model ethical behavior and emphasize the firm's dedication to high standards and honesty. To be successful, the goal of managers is to have their employees integrate these norms into their daily assignments and decision-making. Anyone, at any rung of the corporate ladder, who does not adhere to the established moral values of a firm, should have corrective action taken toward him. Otherwise, a confusing message is sent to the rest of the company. It is likely that many companies will soon be rewarding exemplary employee decisions, a good strategy of positive reinforcement for your firm. A supportive organization is one that rewards and retains people who make corporate governance a part of their mission. Consistent ethical behaviors have historically yielded high returns, and in a time of diminishing tolerance, being proactive will pay off even sooner.

## Understanding your People is what Our People Do.

Retensa is the leader and innovator of Employee Retention Strategies. They combine **experience** and web-based **technology** to develop, motivate, and retain a company's **best employees**. Retensa customizes solutions to help organizations achieve significant **cost-savings** and **performance** improvements.

Through the creation of a "Retention Environment," Retensa provides additional expertise in **Leadership** Development, Human Capital **ROI**, **HR Metrics**, Employee **Surveys**, Exit Interviews, and **Diversity** Initiatives, with a cutting-edge focus on workforce technology. Retensa can be reached at **212.545.1280** or visit [www.retensa.com](http://www.retensa.com) for more information about the solutions you can receive.

*Is this a challenge at your Company? Give me a call:*  
Audra Ballard  
212.545.1280  
[audra@retensa.com](mailto:audra@retensa.com)

