

HR as Corporate Conscience: An Emerging Role?

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Objective:

To gain greater insight into current practices, attitudes and behaviors regarding legal standards and professional/ethical codes and the role of CEO, HR leadership, and the HR function

To shed light on the risks, responsibilities and actions of HR

Methods:

Survey conducted of 300 senior-level HR professionals who attended The Human Resources Forum in 2002

Firm size ranged from 275 to 140,000 employees across 19 industries

Results:

- Percentage of HR professionals who would initiate action and blow the whistle upon discovery of violations:
 - 79%: if discovered a legal violation
 - 83%: if observed a violation of professional or ethical standards
- Higher expectations by HR professionals than CEOs regarding adherence to official standards:

	<u>Adherence to legal standards</u>	<u>Adherence to professional/ethical standards</u>
Senior HR Official	85%	84%
CEO	74%	75%

- Firm's level of legal/ethical concern for four constituencies
- HR professionals see highest level of concern for employees; lowest for the public at large:

	<u>Legal issues</u>	<u>Professional/ethical issues</u>
Investors	80%	77%
Customers	78%	74%
Employees	81%	81%
Public at Large	59%	52%

- Level and focus of risk:
 - 40%: believe risk of legal or ethical/professional violation exists
 - 36%: see CFO as position of risk
 - 29%: see CEO as position of risk
- Perceptions by HR professionals regarding certain leadership positions:
 - How well does internal information generated by these positions correlate with externally communicated information? Percentages of these executives that maintain a strong correlation, as perceived by HR professionals:

- 72% of CEOs
 - 69% of CFOs
 - 72% of Investor Relations Departments
- Perception by HR professionals of their firms' level of awareness and activity concerning selected ethical issues
 - 89%: believe that HR would act upon legal and ethical issues
 - 15%: see outstanding employee understanding of ethical/professional standards
 - 22%: believe that financial statements very strongly meet professional and ethical standards
 - 28%: perceive outstanding awareness by workforce of relationship between professional/ethical standards and firm success
- Perception by HR professionals of vulnerability to legal and professional/ethical standards violation within HR department:
 - 39%: Overall HR
 - 30%: Rewards and Compensation
 - 30%: Selection
- Statistically significant relationships among factors-Analysis of HR professionals' perceptions:
 - Employee understanding of legal issues is related to reducing legal and professional/ethical risk.
 - Ethical statements are related to reducing legal vulnerability and increasing professional behavior.
 - Unity of information in investor relations is related to reducing legal and professional vulnerability.
 - Candor and trust are related to reducing HR vulnerability in violating legal and professional/ethical standards, particularly in the areas of rewards and compensation.
 - Senior HR officer's expectations and enforcement of legal, professional and ethical violations are related to influencing HR's role as corporate conscience.

Conclusion:

There is a need for an expanded role for the HR function. Although many firms have ethics statements and many HR professionals believe that ethics statements have some influence, they also believe that their organizations are vulnerable to legal and ethical violations. However, the survey also indicated that employee understanding of ethical statements may reduce risk. Strong statements by managers may reduce the risk of legal and ethical violations by their workforces, but enforcement of standards has the greatest impact.