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Corporate scandals: How HR can help avoid them

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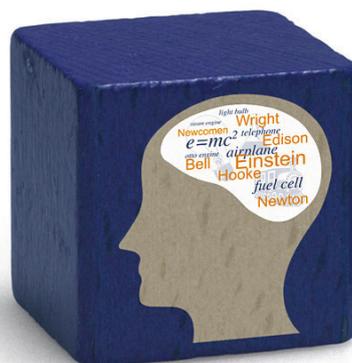


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Corporate scandals: How HR can help avoid them

The emissions scandal that's rocking the automotive world is the latest reminder of the damage that can be done to corporate reputations - and bottom line results - by unscrupulous individuals and rogue teams in any organisation.

Of course, the vast majority of your employees are likely to be wholly professional and honest but - as we also saw in 2008's banking crisis in the UK and USA - every business is vulnerable to counterproductive behaviour and unethical actions from a small minority who may intentionally act against the interests of the organisation.

Counterproductive behaviour can include fraud, corruption, sabotage, betrayal of company confidentiality, theft and destruction of property. It can also include harassment and bullying of colleagues, aggressive or other harmful behaviour, illicit absence or malpractice. This behaviour can stem from factors such as excess pressure, greed, hubris, opportunism, recklessness, boredom or simply from trying to cut corners on quality or maximise short-term returns.

"HR teams can dodge the detrimental impact of counterproductive behaviour by becoming an ethical custodian."

Achim Preuss

The key question for HR is: can this behaviour be prevented? The answer is that yes it is certainly possible to avoid a corporate scandal and increase the likelihood that employees will act in the best interests of the business. HR can facilitate this outcome by taking the following three steps:

- 1. Set a standard for best practice by creating codes of conduct around ethical behaviour.** New moral values may need to be defined and articulated in the organisation, such as integrity, fairness, empathy and ethical practice. Behaviour that supports these values should be recognised and rewarded at every level. This may require a step change in the way that employee performance is monitored and measured.
- 2. Convince leaders and line managers in the business that they need to embody the right values and role model ethical behaviour.** Leaders and line managers must understand the impact of their actions on others and the importance of the example they set, particularly when they're making difficult decisions. Their behaviour significantly influences the culture at work. They might 'preach' the right values but unless they 'live' by them, employees will never feel truly involved, inspired or trusted.
- 3. Encourage recruitment teams to assess the values of candidates in the selection process.** As well as determining whether an applicant has the abilities, the potential and the cultural fit to succeed in the organisation, recruiters should also aim to identify and understand whether they have integrity and strong moral principles; whether they'll uphold ethical standards and the degree to which they're vulnerable to counterproductive behaviour.

Research shows that we're all susceptible to counterproductive behaviour if we're placed in pressurised or ambiguous situations. However, each of us reacts differently to the triggers we face and we differ in our ability to resist the temptation to behave improperly.

Over the years, assessment providers have tried to create psychometric tests that will help to identify trustworthiness. Some of these tests ask daftly overt questions, such as 'Have you ever committed a crime?' or 'Are you currently planning mayhem?'. Often, guilt is assumed beforehand and rejected applicants are stigmatised as potential delinquents. Such tests are not only ethically dubious, they ignore the fact that behaviour is dependent on circumstances. They also dismiss the possibility of rehabilitation. Evidence shows that people can change their ability to resist temptation.

The good news is that online situational behaviour questionnaires can now more accurately assess a candidate's integrity, reliability, credibility and the degree to which they're vulnerable to counterproductive behaviour.

These instruments reveal a candidate's ethical awareness (are they empathetic, honest and reflective?) and their impulse control (are they disciplined, conscientious and cautious?). If you score low on these factors, you're more susceptible to impulsive behaviour and you may have a greater tendency to be distracted or to act irresponsibly. Essentially, that means you're more likely to engage in counterproductive work behaviour.

A person's ability to resist this temptation can improve if they know their own 'critical situations' or the circumstances when they're most vulnerable. Raising awareness of these situations can help people to reflect on their behaviour and control their impulses.

So how effective are these tests? Studies show they have the same success rate at predicting whether someone is prone to counterproductive behaviour as expert interviewers could achieve in a 60-minute, structured 'trustworthiness' interview. In other words, these instruments can simulate the rigour of an in-depth structured interview by trained professionals, giving the same results but in a much quicker, more efficient and more cost effective way. Using these tests to 'sift out' the lowest scoring candidates in your applicant pool can increase the likelihood that you'll recruit individuals who will act in the best interests of the organisation.

When every company is vulnerable to the negative impact of rogue behaviour, HR teams have a new responsibility to act as the organisation's ethical custodian. There's a universal demand for this role and it has distinct financial and reputational benefits. The three steps above could form the first draft of your action plan.



About the author Achim Preuss

Since beginning his career 1989 in business psychology and applied computing science, Achim has run successful HR consultancy and IT-development projects for companies like Beiersdorf, Credit Suisse and xxx. Today Achim Preuss is managing director of international assessment specialist *cut-e*. He can be contacted via achim.preuss@cut-e.com

cut-e is world leader in the design and implementation of innovative online tests and questionnaires for recruitment, selection and development. *cut-e* helps companies identify people with the right capabilities and cultural fit to deliver optimal business results. *cut-e* carries out over 4 million assessments per year in over 70 countries and 40 languages.