



Canadian Food  
Inspection Agency

Agence canadienne  
d'inspection des aliments

# Creating and sustaining an ethical/values-based organization: Ten key factors important to embedding and embodying organizational values

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# What makes an ethical/values-based organization (VBO)?

- ✓ In a VBO, values are **conscious**, **shared** and **lived**. They are not just a “frame on the wall”. In other words, values are **embodied** in the **behaviours** of employees.
- ✓ In a VBO, values **govern all decision making** and **are the foundation** of the organization's **policies**. Values are **embedded** in the organization.

# Benefits of being an ethical/values-based organization

- Promotes a strong public image and better relations with stakeholders, partners and others;
- Results in better decision making;
- Results in a stronger organizational culture;
- Helps staff act in a consistent manner in difficult situations;
- Promotes stability during periods of change;
- Cultivates strong teamwork and productivity;
- Supports values and ethics initiatives;
- Increases awareness and understanding of ethical problems (because employees are willing to Speak Up!!); and,
- Ensures that policies and procedures adhere to high moral standards, among others.

# Consequences of not focussing on values and ethics/ethical culture



- Loss of internal (employee) and public trust in the organization and its leaders
- Lack of, or low, employee engagement
- Lack of discretionary efforts
- Low creativity/lack of innovation/low performance
- High employee turnover
- Adverse impacts on health and emotional well-being (physical and mental health deterioration, high anxiety and depression, absenteeism)
- Financial consequences (settlements, payouts, etc.)

# Volkswagen: Tolerance for breaking the rules?



## Volkswagen Posts Deep Loss After Emissions Scandal\*

- Loss of **16.2 billion euros or \$18.28 billion US dollars** in fiscal year 2015 due to diesel issue
- Total of **\$14.7 billion** to be paid in the US to settle claims Volkswagen deceived customers and cheated pollution tests with its diesel engines
- **\$2.1 billion** Canadian settlement
- Pleaded guilty in US (**\$2.1 billion** criminal fines/**\$1.6 billion** civil fines/6 executives arrested and charged!)



# Volkswagen: Tolerance for breaking the rules?



**Hans-Dieter Pötsch**  
Chairman of Volkswagen  
supervisory board

- “The decision by employees to cheat on emissions tests was made more than a decade ago.”
- “The cheating took place in a climate of lax ethical standards. There was a tolerance for breaking the rules.”



**Matthias Müller**  
Volkswagen Chief  
Executive Officer

- “I want to change the company’s culture so that there is better communication among employees and more willingness to discuss problems.”
- “We don’t need yes men but managers and engineers who make good arguments.”\*

\*Source: New York Times, Dec. 10, 2015

# Creating an ethical/values-based organizational culture



An organizational culture is a group of people who have been trained, or who simply have learned by those around them, how to act in any given situation.

“It is the extent to which an organization regards its values. **Strong ethical cultures make doing what is right a priority.**”\*

\*Ethical Culture Building: A Modern Business Imperative,” Research Report, ERC 2009

# **10 key initiatives/mechanisms which help create and sustain an ethical/values-based organization**

- 1. Values and Ethics (V&E) Strategy**
- 2. Statement of Values and appropriate Codes/Policies**
- 3. V&E Training/Awareness Building**
- 4. Ongoing Ethical Dialogue**
- 5. Conflict of Interest (COI) Program**
- 6. Ethical Wellness Report**
- 7. Ethical Climate Survey**
- 8. Values and Ethics Leadership Team (VELT)**
- 9. Ethical Risk Profiles (ERP)**
- 10. Process for Internal Disclosure of Wrongdoing/Speak Up, We're Listening Program**



# What the experts on culture and leadership say...

“The only thing of real importance that leaders do is create and manage culture.” Edgar Schein

“...culture exists regardless. If left to its own devices, it shapes itself, with the inherent risk that behaviours will not be those desired. Employees will work out for themselves what is valued by the leaders to whom they report.” Anthony Salz\*

\*“An Independent Review of Barclay’s Business Practices” April 2013