

# ETHICS

## ETHICAL DILEMMAS IN HR

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# HOW PREVALENT IS UNETHICAL BEHAVIOR?

**Almost half of U.S. employees report witnessing unethical or illegal conduct in the workplace. A majority of these issues go unreported and unaddressed.**

**More than half of the 10 largest corporate bankruptcies since 1980 – ENRON, WorldCom, Lehman Brothers – resulted from unethical business practices. It cost \$1.228 trillion or almost 10% of the U.S. gross domestic product in 2011.**



A background graphic showing a network of white human figures connected by lines, representing a social or organizational structure.

# WHAT IS BEING DONE ABOUT IT?

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A recent Gallup analysis shows that only 40% of employees with knowledge of unethical behavior actually report it.

This is 7% lower than before the COVID-19 Pandemic.

# WHAT ARE ETHICS?

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The rules of conduct or moral principles guiding individual or group behavior



# WHAT ARE BUSINESS ETHICS?

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Business Ethics  
are principles that  
guide decision  
making.





# It Pays to Be Ethical

Organizations with ethical workplace cultures outperform their competitors and peers across the board.

According to the most widely used measure of ethical workplace culture, the stock price growth of the 100 firms with the most ethical cultures outperform stock market and peer indices by almost 300%.



# ETHICS and HR

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HR Professionals are governed by a SHRM code of ethics as well as their organization's code of ethics.

The organization's code of ethics varies depending on the nature of the business and the amount of regulatory control over the organization.

While the organizational code of ethics varies from entity to entity, the SHRM code of ethics provides 6 core principles for HR Professionals.

# Professional Responsibility

## Core Principle



Responsible for adding value to the organizations



Contributing to ethical success



Accept professional responsibility for individual decisions and actions



Advocate for the profession by engaging in activities that enhance creativity and values



# Professional Responsibility

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## Key Guidelines

1. Adhere to the highest standards of ethical and professional behavior.
2. Measure the effectiveness of HR in contributing to or achieving organizational goals.
3. Comply with the law.
4. Work consistent with the values of the profession.
5. Strive to achieve the highest levels of service, performance and social responsibility.
6. Advocate for the appropriate use and appreciation of human beings as employees.
7. Advocate openly and within the established forums for debate in order to influence decision-making and results.

# Professional Development

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## Core Principle

Strive to meet the highest standards of competence and commitment to strengthen our competencies on a continuous basis



1. Pursue formal academic opportunities.
2. Commit to continuous learning, skills development and application of new knowledge related to both human resource management and the organizations we serve.
3. Contribute to the body of knowledge, the evolution of the profession and the growth of individuals through teaching, research and dissemination of knowledge.
4. Advocate for the profession by engaging in activities that enhance creativity and values

# Professional Development

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## Key Guidelines



# Ethical Leadership

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## Core Principle



Exhibit individual  
leadership as a role  
model for maintaining the  
highest standards of  
ethical conduct

# Ethical Leadership

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## Key Guidelines

1. Be ethical; act ethically in every professional interaction.
2. Question pending individual and group actions when necessary to ensure decisions are ethical and implemented in an ethical manner.
3. Seek expert guidance if ever in doubt about the ethical propriety of a situation.
4. Through teaching and mentoring, champion the development of others as ethical leaders in the profession and in organizations.

# Fairness and Justice

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## Core Principle

Human resource professionals are ethically responsible for promoting and fostering fairness and justice for all employees and their organizations





1. Respect the uniqueness and intrinsic worth of every individual.
2. Treat people with dignity, respect, and compassion to foster a trusting work environment free of harassment, intimidation, and unlawful discrimination.
3. Ensure that everyone has the opportunity to develop their skills and new competencies.
4. Assure an environment of inclusiveness and a commitment to diversity in the organizations we serve.
5. Develop, administer, and advocate policies and procedures that foster fair, consistent and equitable treatment for all.
6. Regardless of personal interests, support decisions made by our organizations that are both ethical and legal.
7. Act in a responsible manner and practice sound management in the locations in which the operations we serve operate.

# Fairness and Justice

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## Key Guidelines

# Conflicts of Interest

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## Core Principle



Maintain a high level of trust with our stakeholders. Protect the interests of our stakeholders as well as professional integrity. Do not engage in activities that create actual, apparent, or potential conflicts of interest.

# Conflicts of Interest

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## Key Guidelines

1. Adhere to and advocate the use of published policies on conflicts of interest within your organization.
2. Refrain from using your position for personal, material, or financial gain or the appearance of same.
3. Refrain from giving or seeking preferential treatment in the human resources processes.
4. Prioritize your obligations to identify conflicts of interest or the appearance thereof; when conflicts arise, disclose them to relevant stakeholders.



# Use of Information

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## Core Principle

Consider and protect the rights of individuals, especially in the acquisition and dissemination of information while ensuring truthful communications and facilitating informed decision-making.



1. Acquire and disseminate information through ethical and responsible means.
2. Ensure only appropriate information is used in decisions affecting the employment relationship.
3. Investigate the accuracy and source of information before allowing it to be used in employment related decisions.
4. Maintain current and accurate HR information.
5. Safeguard restricted or confidential information.
6. Take appropriate steps to ensure the accuracy and completeness of all communicated information about HR policies and practices.
7. Take appropriate steps to ensure the accuracy and completeness of all communicated information used in HR-related training.

# Use of Information

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## Key Guidelines

# ETHICS and HR

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An HR professional will employ all of the ethical responsibilities set forth under SHRM's code of ethics within the organization's internal code of ethics, in addition to any legal requirements or compliance.



# **Role of HR Professionals in Organizational Ethics**

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HR is a primary resource for ethics-related issues in any organization.

HR should be involved in formulating ethics policies for their organization.

# The PLUS Rule

**P** – **P**olicies and **P**rofessional Standards

**L** – **L**aws and Regulations

**U** – **U**niversal/Organizational Values

**S** – **S**elf/Personal Values or **S**tandards

# The CLICK Rule

## Framework for Ethical Decision-Making

**C** – What are the **C**onsequences if I do this? Who will benefit? Who will suffer?

**L** – Is it **L**egal?

**I** – Would I like to see this as my **I**mage on the front page of the newspaper?  
Would I like to tell this to my family?

**C** – Does this decision support or damage our corporate **C**ulture and values?

**K** – Does it cause a **K**not in my stomach?

**Ethics is not about answers. Instead, ethics is about asking questions.**

# I'll Take Half

- **Molly** and **John**, who are married, co-own a successful software company. Even though **Molly** and **John** started the business together, John largely controls it.
- **Molly** discovers **John** is cheating on her. Molly files for divorce.
- The COO comes to **you** as the VP of HR and tells you that John told him he and Molly are getting divorced, and she wants half of the company.
- The COO tells **you** that **John** asked him to quietly undervalue the company's assets and lowball the valuation of upcoming deals.
- The COO also tells **you** that **John** asked him to start a separate company under the COO's name to register for patents on the latest software developments—independently from the company.
- The company is privately held and lacks a formal code of ethics or policies to address the situation.



# I'll Take Half

## **What is the ethical issue?**

The COO has been asked to falsify records and register intellectual property under a separate name to decrease the value of the company to reduce its value in a pending divorce.

## **What should you do?**

## **What are the potential courses of action?**

Just Go Along; Confront John; Procrastinate; Get the CPAs and Lawyers Involved; Tell Molly

# I'll Take Half

## Risks with each alternative

**Just go along**

**Refuse to change the inventory and confront John**

**Procrastinate**

# I'll Take Half

**Suggest they work with the company's accountant and contact the company's lawyer to address the valuation and intellectual property issues**

**Call Molly and telling her what John is up to**

# Tools to Help You Frame Your Response

- Try to avoid language that alludes to a personal threat, which creates an antagonistic discussion.
- Ask questions to help the requestor understand and think about the consequences or recognize what they are asking you to do.
- Try to respond in a way that allows the requestor to recognize and understand that what they may be asking has legal ramifications. For example, “taking this course of action could have widespread negative ramifications on the company.”



# Tools to Help You Frame Your Response

- Try to focus your response on the interest that the executive or leader cares about, such as how the proposed action might affect the organization's reputation or make them look bad.
- Others suggest that if the individual is self-centered or self-interested, use that to your strength.  
For example, saying something like, “I’m concerned about how this could look for you” or “this might reflect poorly on you” may help them recognize that their request could have negative implications for them individually.
- Paul Fiorelli, the director of Cintas Institute for Business Ethics at Xavier University, suggested you use plain language like: ‘You’ve asked me to do this, but if I did this it would violate this policy we have. You’re not asking me to do that, are you?’

# I Just Don't Like Her

- **Sophia** is the Executive Director of a non-profit.
- **Ainsley** is the outreach coordinator. **Rhonda** is **Ainsley's** boss. **Rhonda** reports to **Arthur**. **Arthur** does not like **Ainsley**.
- **Arthur** is getting ready to leave on vacation and tells **Rhonda** that she needs to write up **Ainsley's** performance issues while he is gone so they can terminate **Ainsley** when he returns from vacation. **Arthur** tells **Rhonda** that he wants **Ainsley** out within 30 days.
- **Rhonda** knows that **Arthur** does not like **Ainsley**. **Rhonda** does not have a basis to write up **Ainsley**. **Rhonda** views **Ainsley** as a good employee.
- **Ainsley** knows that **Arthur** does not like her. Anytime **Rhonda** talks with **Ainsley** about her job performance, **Ainsley** tells **Rhonda**, "I don't want to lose my job."
- It is a small non-profit without an HR Department.

# I Just Don't Like Her

## What should Rhonda do?

Potential courses of action:

- Rhonda could write the negative appraisal and prepare the termination paperwork.
- Rhonda could try to talk Arthur out of terminating Ainsley.
- Rhonda could go to Sophia as the ED and tell her what is happening.
- Rhonda could call the board chair and tell the chair what is going on.
- Rhonda could do nothing and hope that Arthur forgets when he gets back from vacation.

# I Just Don't Like Her

## What are the problems with each alternative?

### **Rhonda could write the negative appraisal and prepare the termination paperwork**

If Rhonda goes along with Arthur, she may be exposing the organization to wrongful termination and creating a negative work environment. It is likely that all the employees know that Arthur does not like Ainsley and acting on Arthur's dislike will undermine the morale and create risk.

### **Rhonda could try to talk Arthur out of terminating Ainsley**

This is unlikely to work. Arthur probably already made up his mind and Rhonda will need to seek higher authority.

### **Rhonda could go to Sophia as the ED and tell her what is happening**

This is one of the best alternatives. As the ED, Sophia should be involved and understand what Arthur is asking Rhonda to do. Hopefully Sophia will prevent this from happening and meet with Arthur upon his return to correct this behavior.



# I Just Don't Like Her

**What are the problems with each alternative?**

**Rhonda could call the board chair and tell her what is going on**

In most cases, the chain of command should be followed.

**Rhonda could ignore it and hope Arthur forgets about it**

As tempting as it may be, it is not a solution.

# Fast and Loose with the FSA

You are the HR Director for the City of Austin. Austin has a generous FSA policy. Your oldest child is starting college, and the books and other expenses are not in your budget.

You decide to submit a request for reimbursement under the City's generous FSA plan. You figure it is not really an issue since it is your money, and it is going to support books and other things your college student needs.

**What could possibly go wrong?**

# Fast and Loose with the FSA

## **In a situation like this, what can an employer do to re-establish trust?**

- Transparent Communication.
- Town-hall-style meetings with staff members – provide an opportunity to ask questions directly to people in positions of authority.
- Face-to-face meetings with supervisors and staff, allow employees to express their concerns and receive immediate feedback.
- Other actions to re-establish trust and provide answers are also important.
- Appropriate and prompt email communications and online videos can help mitigate the damages as well.
- Checks and balances and a clearly defined reporting structure and ways to report unethical behavior may help prevent this situation.

# Timecard Tap Dance

XYZ Construction Company has been feeling the hurt with the increasing costs of raw materials and supplies. Labor costs have gone up as well. One of the project managers comes into your office and tells you that the PMs have been told not to approve any overtime and, in fact, they are not to write down any hours of the laborers over 40 hours.

The company is a small construction company without regular legal counsel. You are HR, Accounting, Payroll and the Office Manager.

**What should you do?**



# Now You See it, Now You Don't

You have just landed the Director of HR position at an up-and-coming manufacturing company specializing in 3D and industrial printing. Everyone is talking about how fast the company is growing and all the exciting things they are doing.

Because you are new to the team, you meet with the plant manager to introduce yourself and get a feel for the challenges he is experiencing running the operations. The plant manager tells you that it is their policy not to report any work-related injuries and they prefer to handle it internally. While you are on the floor meeting with the plant manager, one of the employees gets a cut and might need stitches.

**What should you do?**

# “Catfishing” Candidates

As the HR Director of a tech startup company, your boss, the COO, has requested that you ask your subordinates to create fake profiles on social media platforms to conduct unofficial “background checks” on potential hires.

As part of this, the COO wants your subordinates to scrutinize the social media accounts of potential hires by examining their public content, reviewing their “friends,” analyzing the type of content they engage with, and even attempting to communicate with potential hires using fake profiles.

The company’s social media policy does not apply to job applicants.

**What should you do?**

# Username and Password, Please

As the HR Director of a defense contractor, you have been informed that the U.S. Department of Defense, your company's biggest customer, has requested that all contractors ask their employees to provide their respective social media usernames and passwords.

The purpose of this request, you are told, is to enhance the security of proprietary information and trade secrets, to better comply with certain federal financial regulations, and to decrease your company's legal exposure.

**What should you do?**



# ETHICS

## QUESTIONS



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