

Strategies for conveying tone at the top



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Introduction

Tone at the top is an essential component in promoting workplace integrity. While internal controls are important in preventing fraud, “ controls cannot rise above the integrity of those who create, administer, and monitor them. The Committee of Sponsoring Organization (COSO) Internal Control Framework describes Tone at the Top as senior management’s attitude toward internal controls within an organization” (Lail, 2015). There are many strategies that upper management may implement in order to set the desired tone. After thorough research, I propose establishing clear expectations, leading by example, addressing misconduct, and rewarding employees who are acting with integrity.

First Proposition: Clear Communication of Expectations

It is important to clearly communicate the behaviors that are expected from each employee. This can be achieved through a written code of ethics, attainable performance objectives, and formal training. According to Pickerd (2015), when employees clearly understand workplace ethics, the likelihood of misconduct will decrease significantly.

Establish a Code of Ethics

When management establishes and openly communicates ethical expectations, they are signifying that integrity is valued. Every employee and contractor should be required to read and sign the company Code of Ethics annually. New employees should also be required to read and sign the

document before starting their job. This ensures that every employee clearly understands and abides by the same set of ethical expectations.

Clear Job Descriptions and Realistic Performance Goals

Employees should understand what duties are expected to be completed in their position. Applicants should only be hired if they meet all job requirements and pass background checks. After hiring qualified employees, recurring job training should be provided. It is important that employees develop and maintain the skills necessary to perform their job. All performance goals should be reviewed and revised periodically. Realistic performance goals will help ensure that the standards are attainable. In a successful company, employees are able to perform their job and reach performance goals without needing to resort to unethical conduct.

Annual Fraud and Ethics Training

Fraud and ethics training should cover company values and expectations, review the code of ethical conduct, and discuss the responsibility of each employee to report misconduct. Training sessions should inform employees which acts are prohibited by the company and by law. Essentially, this will help employees avoid situations that could lead to poor conduct. New employees should also be required to complete ethics training when starting with the company. Routine training regarding ethics will help employees identify potential problems and avoid getting into compromising situations.

Second Proposition: Lead by Example

To improve tone at the top, upper-management extending beyond the CEO must also lead by example. Gartland (2015) states, “ Instilling leadership values and a commitment to ethics and integrity at all levels of the firm helps reinforce appropriate decision-making and the ability of all personnel to do the right thing.” All upper management should act with integrity, show fairness and consistency, display a strong work ethic, and be able to collaborate with others.

Integrity

Employees commonly model their work ethic after top management. Management’s ethical decisions should include both verbal communication and physical actions. It is important that all employees, clients, and suppliers are treated with respect. Furthermore, transparency, honesty, and open communication should all be modeled by management. Failure of management to act with integrity will cause doubt in the minds of employees. Employees cannot be expected to act ethically if upper management is not treating others with integrity.

Fairness

Employees will always be sensitive to favoritism. If a leader enforces different standards for a handful of employees, resentment is often the result. Employees who are being treated unfairly may feel that specific employees will always receive preferential treatment. They may believe that no matter how hard they work, it won’t make a difference. Furthermore, <https://assignbuster.com/strategies-for-conveying-tone-at-the-top/>

upper management should follow through with their promises. According to ACFE (2018), “ nothing undermines a leader’s credibility more than saying one thing and doing another.” Management’s daily behavior should leave employees confident that they’re being led by someone honest, dependable, and fair.

Work ethic

If upper management is arriving to work late, leaving early, or consistently calling out of work, the employees will feel that this is acceptable behavior to copy. If management requests employees stay late or come in early, they too should be able to work during those hours. If management wants employees to be thoughtful, hardworking, and dedicated, they must also exhibit those traits. Essentially, upper management should be the most invested, hardest working, and flexible employees in the company.

Collaboration

Management should be able to positively and productively work with others. A collaborative tone means that suggestions from others should be investigated throughout the daily processes. Management must be willing to put aside their personal beliefs and listen to the ideas and opinions of others. This shows employees that management cares about their ideas and opinions, even if they are different than their own.

Third Proposition: Address Misconduct

According to Lightle (2015), the organization should hold individuals accountable for their internal control responsibilities in the pursuit of objectives. Management should investigate misconduct through confidential hotlines, whistleblower policies, and disciplinary measures.

Confidential Hotline

Hotlines are an effective tool for reporting fraud. According to ACFE's 2006 Report on Occupational Fraud and Abuse, "Occupational frauds were more likely to be detected by a tip than by any other means such as internal audits, external audits, or internal controls. Organizations with hotlines had a median loss of \$100,000 and detected their frauds within 15 months of inception. By contrast, organizations without hotlines suffered twice the median loss and took 24 months to detect fraud." By promoting an anti-fraud hotline, management will convey that the company values an ethical environment.

Whistleblower Policy

A whistleblower policy allows employees to come forward and report misconduct anonymously. Employees who suspect or observe fraudulent behavior should be able to report information or seek guidance confidentially, without fear of retaliation. It is essential for employees to understand that reporting misconduct is highly-valued and that those who report will be protected.

Implement Disciplinary Measures

Top management is responsible for enforcing that all employees are required to act within the company's ethical code of conduct. This message must be conveyed in order to prevent fraud. There must be consistent and appropriate discipline for all ethical violations. If two employees commit a wrongdoing, but only one is punished, employees will not be deterred from committing unethical behavior. Furthermore, the severity of discipline must match the severity of the violation. If employees feel that the reward outweighs the risk, they will be more likely to act unethically. When misconduct is reported, the management team should conduct a thorough investigation. After detection, management should take steps to prevent similar offenses from happening.

Fourth Proposition: Reward Integrity

It is essential that integrity is recognized and rewarded. While it is common to reward employees for meeting business goals, a continued commitment to integrity should also be recognized. Acting with integrity and ethics can be recognized by management through employee incentive programs.

Implementing rewards such as prizes, compensated lunches, or paid time off, is an easy way to show employees the value of acting ethically and with integrity.

Conclusion

Overall, management tone influences organizational culture. If a leader isn't setting the right tone, problems will develop within the company. It is important to clearly communicate expectations, lead by example, address misconduct, and reward those acting with integrity. By implementing the <https://assignbuster.com/strategies-for-conveying-tone-at-the-top/>

steps above, a culture of “ doing the right thing” will be created. Employees look to management for direction, therefore, management must be conscious of the signals it sends to employees. Creating an ethical tone at the top will prevent fraud and improve loyalty and morale.

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