

Fostering Ethical Conduct Through Psychological Safety

Line managers are key to creating safe spaces for employees to discuss concerns.

BY ANTOINE FERRÈRE, CHRIS RIDER, BAIBA RENERTE, AND AMY C. EDMONDSON

JOEL NAKAMURA/THEISLOT.COM

How do organizations encourage people to speak up about ethical breaches, whether inadvertent or deliberate? Why do some employees choose to remain silent when others report misconduct? In a world of increased scrutiny for corporations of all types, it is more essential than ever that when misconduct happens or difficult problems arise, there is a strong ethical climate for surfacing information so that leaders can respond quickly and appropriately. An environment in which employees feel comfortable reporting such issues is also vital to preventing future misconduct.

As part of an unprecedented global study on workplace ethics, we analyzed the perceptions of those who report misconduct against those of “silent bystanders.” This helped us better understand both the drivers and derailers of speaking up — and revealed insights into how leaders and compliance officers can encourage employees to make such reports.

Although our work has an obvious relationship to whistleblowing, in the context of psychological safety and ethics, we make an important distinction between external whistleblowing and those who speak up about perceived misconduct at work. By reporting illegal or unethical activity to external authorities, whistleblowers play a vital role. Moreover, it is likely that they felt their concerns could not be expressed, heard, and addressed internally. We posit that a healthy organizational culture is one in which speaking up and listening go hand in hand and thereby reinforce ethical standards. If concerns are



THE

RESEARCH

The authors' comprehensive workplace survey measured key psychological constructs and behaviors related to ethics, including employee perceptions of fairness and trust, organizational justice, loyalty, conflicting goals and pressure, clarity of expectations, sense of control, and psychological safety.

All Novartis employees were invited to take the 2021 global survey. It was available in 15 languages and received more than 38,000 complete responses from employees in over 100 countries.

expressed, changes can be made in a timely way.

Thankfully, there are a number of things organizations can do to make it more likely that people will speak up when they observe unethical behaviors. Our research discovered that psychological safety in this context is essential. Psychological safety, a phenomenon studied extensively by coauthor Amy C. Edmondson, is defined as “a shared belief held by members of a team that the team is safe for interpersonal risk-taking” — or, put another way, that “we can say what we think” or “be ourselves around here.”¹ Today, a number of global organizations recognize the importance of this concept.² While previous corporate studies, like Project Aristotle at Google and the Art of Teamwork at Microsoft, demonstrate the importance of psychological safety for team effectiveness, team performance, and creativity, little research has investigated the role of psychological safety in workplace ethics.³

At the beginning of 2021, with the support of the Novartis CEO and its chief ethics, risk, and compliance officer, the company launched an initiative to study psychological safety and ethical behavior. Drawing from published social science research, the ethics, risk, and compliance team created a survey to measure psychological constructs and behaviors related to ethics. (See “The Research.”) The survey was completed by more than 38,000 employees in over 100 countries who held positions at various levels in the organizational hierarchy. This provided a unique opportunity to study psychological safety in a diverse sample on a global scale in relation to other psychological and behavioral constructs associated with workplace ethics. The results of our research demonstrate that psychological safety forms an integral part of the ethical climate of an organization.

The Role of Psychological Safety

While many people said that they spoke up after witnessing perceived unethical behavior, a substantial minority said that they did not speak up. Among the survey respondents who perceived unethical behavior last year, some reported it to a “speak-up hotline,” a human resources officer, or their line manager, while others admitted that they felt comfortable sharing it only with their friends or family or kept it to themselves.

Among employees who had observed unethical behaviors during the prior year, we found that those who felt less psychologically safe were significantly less likely to report those behaviors via channels where organizational leaders might act on them. (See “Reporting Channels and Psychological Safety.”) Those who felt the most psychologically safe were most likely to have reported the misconduct they observed. This held true even after taking into account a range of other psychological factors that could influence incident reporting, such as perceived levels of organizational justice, fairness, and trust. Psychological safety is therefore important for more than just team effectiveness and well-being; it may also be critical for forming strong ethical cultures where employees feel comfortable speaking up.

Because psychologically safe workplaces provide such a range of benefits, the ethics, risk, and compliance function and HR share an interest in fostering such an environment. Our results should motivate cross-functional collaboration as an essential element of shaping an organization's culture. Managers throughout a company must become aware of the blind spots created by a psychologically unsafe environment, along with the associated risk of underreported misconduct. In particular, a formal program (or reporting hotline) may capture only a fraction of the problematic behaviors that occur. Measuring psychological safety may help companies determine whether misconduct is being reported and, in turn, enhance the effectiveness of their formal speak-up programs.

It's Not Just Tone From the Top

What most organizations tend to get right these days is how senior leadership talks about ethics. CEOs emphasize that integrity is a core value of their organizations, and that point is reiterated in calls with shareholders and during employee town hall meetings. While this messaging is important, it is not sufficient to prevent the derailers of ethical conduct that occur deep within an organization.

We found that line managers — not just official speak-up channels — are often on the front lines when it comes to hearing about unethical behavior. Indeed, of employees who chose to report an incident, 80% went to their line managers. This indicates that these visible leaders play a critical role in ensuring

that the person speaking up feels supported and heard. Our data shows that how line managers act has a disproportionate impact on the way potentially unethical behavior is addressed within organizations.

Line managers who feel psychologically safe should not assume that their teams feel the same way. In fact, we found that managers and senior leaders tend to feel more psychologically safe than their employees and have a more positive perception of their organization's ethical climate than the rest of the workforce. Those two findings together confirm that people higher up in the organization might have an ethical blind spot.⁴ That makes the role of team managers even more important when it comes to fostering an environment conducive to both engaging in ethical behavior and talking about ethics in an open, constructive way.

Finally, our research revealed that, in a global context, psychological safety is not uniform across nations. For example, in our survey, respondents from the Americas and Europe tended to score higher on psychological safety than respondents from Asia, all else being equal. Keep in mind that these differences in *average* scores encompass considerable variation within regions themselves. That is, no single region was uniformly high or uniformly

low; rather, scores varied across teams. Nonetheless, these differences matter and offer a glimpse of a possible solution. They suggest the potential effectiveness of tailoring interventions that promote speaking up in order to address the specific circumstances of different groups of employees. For instance, global organizations that seek to build psychological safety must assess its various region-specific drivers and derailers to adjust their activities to specific seniorities and cultures.

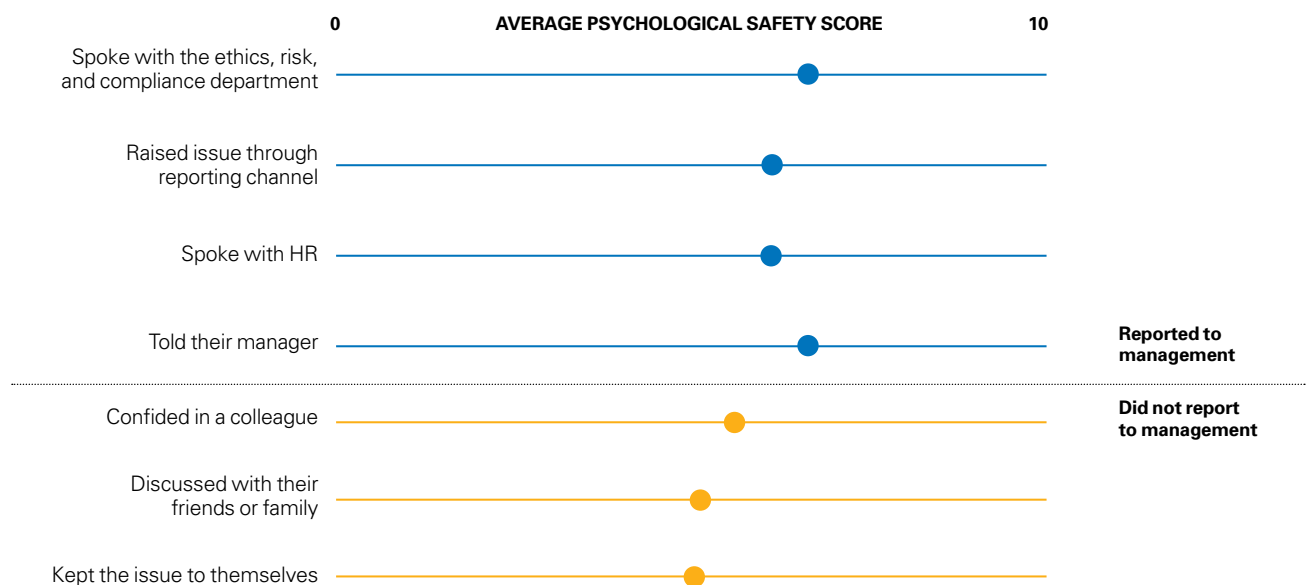
The Double Jeopardy of an Unsafe Culture

Our research also revealed that when psychological safety is lacking, it may be a consequence of the employee having witnessed unethical behavior. We found that psychological safety was inversely correlated to the quantity of unethical behavior noticed. Put simply, the more unethical behavior a person saw, the more likely they were to feel psychologically unsafe. This suggests that the experience of seeing more unethical behavior may diminish the psychological safety experienced by an employee. (See "Observed Unethical Behaviors and Psychological Safety," p. 22.)

We considered what both relationships — between psychological safety and the amount of unethical

REPORTING CHANNELS AND PSYCHOLOGICAL SAFETY

Employees who reported lower levels of psychological safety (see "Measuring Psychological Safety.") were less likely to bring unethical behaviors they noticed over the previous 12 months to management's attention.



OBSERVED UNETHICAL BEHAVIORS AND PSYCHOLOGICAL SAFETY

Individuals whose psychological safety scores were in lower ranges had also observed more unethical behaviors.

Number of unethical behaviors observed in the past 12 months



behavior observed, and between psychological safety and likelihood of reporting misconduct — imply about causality. Although correlation is not evidence of causation, it is unlikely that low psychological safety causes people to notice unethical behavior, whereas it makes intuitive sense that being in a work environment where unethical behavior is prevalent might diminish psychological safety.

We propose that the problem we uncovered — that people are most reluctant to speak up in ethically troubled environments, where we most need them to do so — has important implications for company leaders. To break out of this dilemma, leaders must find ways to make it easier for employees to speak up, especially in parts of the organization where the culture may suffer most from ethical lapses.

Our data suggests some starting points. We found that in addition to psychological safety, several other factors correlated with strong speak-up behavior, keeping everything else constant: moral engagement, moral attentiveness, and organizational justice combined with clarity of expectations.

Each of these factors points to opportunities for management intervention:

Moral engagement. Foster an environment where ethical conduct matters, so that when employees recognize a potentially unethical situation, they will be motivated to do what's right. For example, Novartis created a decision-making framework called the Decision Explorer to support associates in making ethical decisions. Rooted in the company's

code of ethics, the tool helps employees work through a situation to surface ethical considerations.⁵

Moral attentiveness. Train employees to recognize the ethical dimensions of workplace situations. For example, Novartis runs practical ethics training sessions that immerse employees in hypothetical scenarios where they must practice ethical decision-making. Another approach is to have managers highlight examples of ethical and unethical behavior with their teams and encourage dialogue on workplace ethics. Such grassroots employee contributions build trust and commitment by giving employees a role in strengthening the code of behavior by which they are expected to live.

Organizational justice and clarity of expectations. Action, not just messaging, is vital to building a reputation of organizational justice. First, it's essential that leaders ensure that employees have an understanding of organizational standards and are clear about expectations. Second, leaders must act decisively in response to employee reports of misconduct to show that there are consequences for unethical behavior.

To foster greater psychological safety, coach and empower line managers to create safe spaces for discussing ethical concerns, and help them react appropriately when such issues are raised. For example, Novartis offers managers guidance on how to build psychologically safe teams and how to encourage open discussion of ethical questions. Key lessons focus on active listening and running group dialogues.

We also advise encouraging collaboration between HR and the ethics, risk, and compliance function in building a culture of ethics and performance. For example, Novartis has created a cross-functional working group focused on the notion of ethical leadership. Ethical leaders are not only setting an example on how to act ethically; they also listen when team members bring up problems, take action to address ethical concerns, are trusted by associates to make fair decisions, and define success not just by the results but also by how they're obtained.

Our research found that employees' psychological safety is directly related to their willingness to report unethical behaviors, across countries, culture, seniority, and functions. We found this pattern to be universal and robust. An implication of our research is that efforts to build psychologically safe teams should be done in tandem with efforts to create positive ethical environments.

Building a psychologically safe environment to facilitate speaking up about ethical conduct is relevant to both company reputation and long-term business performance. Unethical conduct can remain hidden for a time but is likely to be discovered eventually, causing far more harm than if it were caught and corrected early. Psychological safety thus can help organizations respond and improve quickly instead of allowing misconduct and unethical behavior to fester and further degrade workplace psychological safety, thus triggering a vicious cycle. While many organizations have relied on speak-up channels or ombudspersons as mechanisms for reporting unethical behavior, such opportunities alone are not enough. They need to be complemented by efforts to actively shape and promote an ethical climate in which managers are equipped to support employees' ability to say what they think and react appropriately to what they hear.

Antoine Ferrère is global head of behavioral and data science in the Ethics, Risk, and Compliance division at Novartis. **Chris Rider** and **Baiba Renerte** are senior behavioral scientists in that division. **Amy C. Edmondson** is the Novartis Professor of Leadership and Management at Harvard Business School. She is the author of *The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation, and Growth* (John Wiley & Sons, 2019).

REFERENCES

1. A.C. Edmondson and L. Zhike, "Psychological Safety: The History, Renaissance, and Future of an Interpersonal

MEASURING PSYCHOLOGICAL SAFETY

How psychologically safe is your organization? Companies can measure variance in psychological safety across teams and regions by surveying employees. This enables them to focus efforts on teams who need the most help and to identify teams whose psychologically safe cultures may offer examples from which other teams can learn.

We modified Amy C. Edmondson's original 1999 psychological safety scale to emphasize a specific focus on speaking up, and we incorporated the idea of thinking before speaking up in the hope of measuring hesitation.ⁱ

We wanted to capture comfort levels in speaking up, based on the intuition that in a psychologically safe climate, people tend to say something right away, and when they don't feel psychologically safe, they are more likely to keep incidents to themselves.

Our survey asked employees to anonymously rate, on a scale from 0 (completely disagree) to 10 (completely agree), their level of agreement with the following statements:

1. On my team, if you make a mistake, it is often held against you.
2. Members of my team are able to bring up problems and tough issues.
3. People on my team sometimes reject others for having different views.
4. It is safe to take a risk on my team.
5. It is difficult to ask other members of my team for help.
6. I tend to think about how raising a concern will reflect on me before speaking up.

Our psychometric analyses of the survey data found strong internal consistency between the new, sixth item and the other five statements in the global survey. This provides further support that the ease with which people can talk about their concerns is a central aspect of psychological safety. It also validates a new psychological safety scale that any organization can use to inform efforts to build an ethical climate. Overall, we advocate measuring psychological safety while also asking employees about their speaking-up behaviors (especially related to ethical conduct) to assess the effectiveness of an organization's speak-up culture.

Construct," *Annual Review of Organizational Psychology and Organizational Behavior* 1 (March 2014): 23-43; and A. Edmondson, "Psychological Safety and Learning Behavior in Work Teams," *Administrative Science Quarterly* 44, no. 2 (June 1999): 350-383.

2. A.C. Edmondson, *The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation, and Growth* (Hoboken, New Jersey: John Wiley & Sons, 2019).

3. "Guide: Understand Team Effectiveness," Google, accessed Oct. 20, 2021, <https://rework.withgoogle.com>; and "The Art of Teamwork," Microsoft, accessed Oct. 20, 2021, www.microsoft.com.

4. A.C. Edmondson and A.W. Dimmock, "Don't Get Blinded by Your Blind Spots," Nov. 5, 2020, <https://hbr.org>.

5. "Case Study: How to Apply Behavioral Science and Employee Co-Creation to Reimagine Compliance and Ethics (Novartis)," Gartner, Oct. 21, 2021, www.gartner.com.

i. Edmondson, "Psychological Safety and Learning Behavior," 350-383.

Reprint 63402.

Copyright © Massachusetts Institute of Technology, 2022.

All rights reserved.



PDFs • Reprints • Permission to Copy • Back Issues

Articles published in *MIT Sloan Management Review* are copyrighted by the Massachusetts Institute of Technology unless otherwise specified.

MIT Sloan Management Review articles, permissions, and back issues can be purchased on our website, **shop.sloanreview.mit.edu**, or you may order through our Business Service Center (9 a.m. - 5 p.m. ET) at the phone number listed below.

Reproducing or distributing one or more *MIT Sloan Management Review* articles **requires written permission.**

To request permission, use our website **shop.sloanreview.mit.edu/store/faq**, email **smr-help@mit.edu**, or call 617-253-7170.