Rutland Institute for Ethics
Clemson University
Values Based Leadership Working Group Session
March 24, 2015
Offices of Nexsen Pruet

Present: Toni Auston; James Brown; Carol Burdette; Jody Daniel; Sharon Day; Ashley Downing; Dean Hybl; Larry Kraemer; Anne Locke; William Luce; Angie Simpson; Tom Zagenczyk. Dan Wueste; Charles Starkey; Brad Jones (Rutland Institute).

Topic: Managing Mistakes

Meeting Objectives: Discuss and identify strategies and best practices for confronting and resolving situations where people in organizations make mistakes and their aftermath.

Meeting Outcomes: Identification of types of mistakes; techniques for managing employees so as to minimize mistakes while maximizing the benefits of employee flexibility and initiative; factors at stake in an organization as a consequence of mistakes and the way in which such mistakes are handled; strategies for effectively dealing with employee mistakes; responsibilities of employer and employee when mistakes are made.

Meeting Notes:

I. Introduction: The host was introduced, followed by the introduction of Rutland Ethics Alliance members, other participants present, guest Tom Zagenczyk (Professor of Management, Clemson University), and folks from Ten at the Top and the Rutland Institute for Ethics.

II. Discussion of Topic:

1. Employee Mistakes and Intentional Behavior

The first case study involved an instance where an employee makes a serious mistake and is then blatantly dishonest about the event. Some of the comments on dealing with the situation involved consideration of quietly letting them resign (to not air the problem publicly) vs. being more public, because the organization's handling of an intentional ethical violation reflects back on the organization and its priorities. This led to discussion of employee mistakes as opposed to intentional misbehavior, and a consensus that there is usually a clear difference between the two. The instance being discussed involves both.

2. Dealing with the Consequences of Mistakes

Following this, the group considered how to deal with other consequences of an employee mistake, including the loss of time and money for an organization. Sometimes penalizing the employee and requiring compensation for losses is appropriate, but at other times this would ultimately be impractical and counterproductive.

The discussion then turned to identifying various things that are at stake for an organization when mistakes are made, including: organizational culture (how a mistake is dealt with can have a lot of impact —positive or negative— on organizational culture,); employee engagement and morale; impacts on customers; the reputation and integrity of the organization; income loss (which can sometimes be cast as the cost of "learning"); and snowballing (a repeated action by an employee or the cumulative effect of an action).

Three "Big Questions" to consider here are:
- *"What is the best thing for…"* (the company, bottom line, individual employee, employees collectively, employer, customer, future of company, etc.);
- *"How will this affect…"* (reputation, integrity, morale, customers, etc.);
- *"Why did they make the mistake…"* (internal cause: a single occurrence or a trait of the individual; external cause: situation and circumstances over which the individual didn't have a lot of control).

An additional issue that arises if the employee leaves the organization is providing information about their work to a potential or new employer. Dan Wueste posed the question: How much should you say to a potential new employer about a former employee's problems? What are the ethical and legal obligations to the potential employer? Responses included: Here, one should consider legal requirements and the ethical issue associated with the fact that you know that the person may cause problems in a future job. One approach is to talk about specific problems, not a trait, in providing information about that person. A related question: how to share information about someone who has only been accused of something when working with your organization and may turn out to be innocent.

3. Learning from Mistakes: Prospects for Employees

Some mistakes may be the product of traits of an individual that are difficult to change, even with good management. Here, one should be mindful of **"3 Ts":**
- **Trait:** Is the incident the result of a trait of the individual that is habitual and will continue?
- **Training:** With some guidance and training will the individual be able to learn from mistakes and not repeat them?
- **Trust:** Do you trust the individual enough to give them ongoing responsibilities and empower them to make decisions?

4. Mutual Obligations and Expectations

Another consideration discussed was the importance of clarity in the expectations of employees. There are benefits in giving employees freedom and flexibility, even if the chances of mistakes occurring are greater. However, when employees have freedom and flexibility it is crucial that upper management's responses to mistakes are consistent, in particular, that employees are treated in a consistent way (fairness). One issue that follows from this is adequately dealing with people who are new to the organization and don't know the organizational culture that places informal but important bounds on employee responsibilities.

This discussion turned to the importance of transparency, clarity, and consistency.
- **Transparency** involves being open and honest with employees and customers.
- **Clarity** involves having a clear set of standards and policies in place, and setting the right expectations for employees, including making clear what acceptable behavior is. Giving

greater control to employees can increase efficiency and flexibility in an organization, though it can also have consequences in terms of mistakes. It's best, if possible, that employees are given an opportunity to learn from mistakes.

- **Consistency** involves creating those standards and policies and reacting to similar instances of mistakes in the same way.

Part of the issue is that with empowerment comes responsibility: if the employer has given power to an employee, each must be willing to take responsibility for their mistakes. The employer has some responsibility in how mistakes affect the company, customer, etc. Management expert Peter Drucker has discussed the importance of a supervisor's making sure that someone's authority matches the competence they have. The employee has the responsibility to own up to their mistake, be willing to learn from it, and accept the consequences.

Tom Zagenczyk explained four types of justice and their application to the issue of fairly managing employees:

- *Distributive justice***:** Fair distribution of resources – paying factory employees based on tenure or performance vs. paying employees based on irrelevant factors.
- *Procedural justice***:** Following a process – giving employee appropriate warnings before disciplining vs. ignoring procedures and suddenly disciplining them.
- *Interpersonal justice***:** Treating people appropriately when interacting with them – confidentially informing employee of a mistake and warning them vs. humiliating them in front of the whole team.
- *Informational justice***:** Providing adequate explanation or justification for actions, such as giving reasons for docking pay.

5. Possible Future Topics

- Making mistakes Part II - External mistakes & transparency with customer
- Change in management – How to navigate and manage change in/between organizations
- The ethics of sales