CGMA®

ETHICAL DUE DILIGENCE IN HIRING AND ASSESSING PROFESSIONAL ACCOUNTANTS

CGMA guidance for assessing potential employees
Chartered Global Management Accountant (CGMA®)

Two of the world’s most prestigious accounting bodies, AICPA and CIMA, have collaborated to establish the Chartered Global Management Accountant (CGMA®) designation to elevate and build recognition of the profession of management accounting. This international designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance. CGMA® designation holders are either CPAs with qualifying management accounting experience, or associates or fellow members of the Chartered Institute of Management Accountants.

www.cgma.org

Institute of Business Ethics

The Institute of Business Ethics was established by business people in 1986 to encourage and support high standards of business behaviour based on ethical values.

- We raise public awareness of the importance of doing business ethically
- We help organisations strengthen their ethics culture through the sharing of knowledge and good practice.
- We assist in the development, implementation and embedding of effective and relevant corporate ethics and responsibility policies and programmes.

The IBE is a registered charity, funded by corporate and individual subscriptions. Subscribers support, both financial and intellectual, helps us research, publish, provide training and tools to assist in the development of ethical business practice.

http://www.ibe.org.uk/

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A brief history of the IBE can be found here IBE History
INTRODUCTION

What is ethical due diligence in recruitment?

Ethical due diligence in recruitment involves assessing potential employees in terms of their fit with the ethical culture and values of the organization. Ethical performance assessments should also be used when considering candidates for career development and promotion within the organization.

Why is it important?

A starting point for any organization seeking to establish an ethical culture, where the aim is to have shared understanding of the types of behaviors that are expected and acceptable, is having the right fit of people engaged in the organization.

This becomes even more critical in senior and influencing roles – the “tone from the top” – which helps to both set examples and anchor ethical behaviors framed by the organization’s policies, Code of Conduct or Ethics and stated values and purpose.

The focus on corporate culture is intensifying with recent work done by the UK’s Financial Reporting Council as outlined in a 2016 briefing aimed at the Board. There is greater recognition that a values based culture is key to sustainable growth. Both how and who you hire create the foundations for the culture you seek by employees’ behaviors reflecting an organization’s stated values and corporate responsibilities.

Conducting ethical due diligence during the recruitment process can help ensure individuals who are selected are more likely to reinforce and maintain the organization’s values and set an example to others throughout the organization. Such individuals are less likely to conduct business or make decisions in a way that might undermine the organization’s ethical standards or reputation.

Additionally, by emphasising an ethical approach, an interviewee is made aware that ethical values are taken seriously in the organization and ultimately should contribute to the reduction of integrity risk.

For those in professional accounting roles, at all levels of the organization, both upholding their professional Code of Ethics and influencing others to do the right thing is conducive to embedding ethical practice. Recent CGMA research showed that designation holders felt valued by their employers because of their ethical standing and at the same time, their professional status can be seen as a differentiator.

“Good reputation allows a company to attract high quality human capital, charge premium prices, create customer loyalty, and expand geographically.”

Both individuals and organizations should identify the competencies that are particularly important to drive their business and which provide the optimum fit with their corporate culture.

Finance professionals need to bring challenge and objectivity to the management teams they support, and they in turn, need to be supported by the leadership. The “tone from the top” and how it is played out across leaders in different functions becomes an imperative in attracting and retaining those who reflect stated values.

In appointing senior financial staff, particular attention should be paid to stated behaviors such as acting with integrity, accountability, honesty, team work etc. The International Federation of Accountants highlight this, recognising that CFOs should bring professional qualities to their role and encourage ethical behavior and decision making throughout an organization to ensure sustainable value creation.

Additionally, exercising ethical due diligence in the recruitment process could be considered an example of one of the “adequate procedures” for reducing the risk of bribery as required by the 2010 UK Bribery Act. It shows the employer is acting responsibly.

Given the variety of roles accounting professionals serve within the business and their function in assessing and mitigating risk, ensuring that due diligence is carried out when appointing new staff and reallocating responsibilities gives a clear message to not only the candidate, but also the wider team expectations around ethical behavior.

“As an organization, Britvic focuses on six core values - Be Open, Be Proud, Be Bold, Be Disciplined, Win Together & Act with Pace. Incorporating strong ethical values into the resourcing process is naturally a priority for any hiring manager across the business - from graduate to board level, we seek to understand how candidates identify with these values and behaviors and to what extent they themselves live by them. By incorporating values-based questioning into the interview process, we are more likely to identify individuals who reflect Britvic’s values and can set an example to others. Once an individual is on board, we also have a series of robust ethical & policy tests that an employee must complete to help maintain an up-to-date and high standard of understanding across these areas.”

James Hartin
Finance Resourcing Manager, Britvic GB
How can this be achieved?

There are a number of stages to conducting ethical due diligence in the recruitment process:

**Identifying values/ethics profile**

The characteristics that would define an ethical employee in your organization need to be identified.

Consider:
- What knowledge is expected from the candidate regarding the ethical challenges in your sector
- What values you are looking for and how they manifest themselves in behaviors connected to particular vacancy (e.g. trustworthiness, transparency, openness, integrity, etc.)
- What experiences, skills, or sensitivity to ethical issues that the candidate needs to be able to demonstrate
- How aspects of the Code of Ethics for professional accountants might apply in regards to the functions within the role and the wider business, and how the candidate would recognise these.

**Involving HR**

The hiring manager needs to work with the human resources department (who ideally should have input from the ethics team if there is one) to identify how the above characteristics might be incorporated into the recruitment process, whether implicitly or explicitly, and for which positions. For example, including ethical behaviors in the job description or ethics knowledge in the person specification might act as evaluation tools to be used by the recruiters in the short listing process and final interview stage. More organizations are now using competency based selection, with an emphasis on “how” things have been done as opposed to “what”. In the health sector in the UK, for example, there is an increase in values based recruitment.

Consider:
- Including an emphasis on the ethical attributes you are seeking in the job profile
- Reminding applicants to respond honestly and accurately when completing an application
- Highlighting the values of the organization and expectations held of employees.
Pre-screening
A thorough examination of applicants’ CVs/resumes could be a critical start in selection. A large percentage of CVs/resumes have been found to contain ‘meaningful errors’ such as embellishment of education, experience or employment histories. Also, consider how applicants’ position themselves and their accomplishments. If a company hires an outside organization for the short listing or selection stage of recruitment, it will need to be briefed to ensure that the ethical aspects within the job description and person specification are fully understood. An application of soft due diligence such as internet searches for shortlisted candidates can be useful at this stage.

During the interview
Various tools can be used directly to integrate an ethical assessment into the recruitment process to help check awareness, understanding, experience, skills, sensitivity, etc.

Tools may include:
• A discussion of scenarios and ethical dilemmas to provide insight into the individual’s ethical approach and thinking process/reasoning
• Exploring the interviewee’s knowledge of ethical issues within the sector
• Enquiring about any previous experiences of ethical issues/dilemmas in the workplace and how the interviewee dealt with them
• Exploring the individual’s knowledge of/ familiarity with your organization’s core values, and their understanding of these
• Enquiring about Continuing Professional Development and the profession, how they keep up to date and how familiar they may be with the key advances in regulation affecting the role, or wider business trends in relation to stakeholder views on areas such as transparency, sustainability and trust
• Checking on what they have stated on their CVs/resumes (roles held, periods worked) is accurate and not overstated, or conversely there are omissions.
• Psychological or aptitude tests can also be used that may highlight biases or potential “red flags”

Pre-offer screening
Once a candidate appears to fit the role, following up diligently is necessary.

One should ensure:
• References should be sought
• Confirmation of their professional standing and qualifications/awards stated and conversely searches of any employer disciplinaries/court actions and other aspects of background checks including due diligence of what is stated on their application
• Social media screening in some instances may be valuable (this can also be used in pre-screening) and may lead to additional clarification. Are the views that they espouse counter to your organizations’ values or are there actions which may impact reputation?

“At Metro Bank, we understand the importance of culture. Simply put, culture is the way people do things and therefore it influences the way we treat our colleagues, the way our colleagues behave every day and ultimately the way they treat our customers and stakeholders and how they represent our brand.

That’s why from the very outset we hire for attitude and train for skill. We look at people’s fluid intelligence (as a fast moving organization we need quick learners) and also check personality profiling for more specialist and senior hires. Being a good cultural fit is vital to the success of Metro Bank, as it’s through our unique service-focused culture that we are reinventing British banking – which is no mean feat!”

Danny Harmer
Metro Bank Chief People Officer, UK
Example questions recruiters can use to establish the ethical credentials of an interviewee

- What does business ethics mean to you?
- Have you ever taken a course or received training in business ethics?
- Have you ever had to deal with a specific ethical issue at work? If so, how did you handle the situation?
- Have you ever done anything at work that bothered your conscience? What was it and how did you respond?
- Whom would you consult (first) if you were faced with an ethical issue in the workplace?
- If you were asked by your supervisor or co-worker to undertake an action you thought was unethical, how would or did you respond?
- What are the organization’s values? How do you think you can contribute to upholding them in your role?
- Are you aware of any ethical issues in this sector? How would you approach them and mitigate risks?
- How best would you apply your professional code to the role?

Candidates screening employers

It has become more common in recent years for candidates themselves to scrutinize potential employers. An array of recent global research shows that millennials, for example, are looking to work for ethical companies. For finance professionals with their commitment to upholding ethical conduct, ensuring that an employer can offer an environment conducive to ethical practices should be a key consideration when assessing a role. They too should consider questions during interview.

For instance assessing how any stated culture is embedded and supported – for example should an ethical issue arise how can it be dealt with and how does the organization respond to resolve problems. No organization is immune from ethical dilemmas arising internally, via the supply chain or even with customers. It is how the organization deals with problems that will set it apart. Such assessment could also be used when transferring to new divisions, sites or subsidiaries when moving roles within an organization.

Questions could include:

- How do you assess your values /culture and how it is embedded?
- What courses do you offer in regards to training?
- What routes do you have for escalating any ethical concerns? Do you have speakup procedures and how are they managed?
- How is individual performance assessed in relation to behaviors?
- What action do you take against staff who breach company policies or are found to breach any regulations?
- Are there areas of concern in staff engagement/customer satisfaction surveys and how are they being dealt with?
- Would the organization welcome appropriate challenge in regard to issues of integrity?

“‘We’ve incorporated six core competences into our performance management system: integrity, ownership and accountability, teamwork and partnering, accelerating change and adaptability, valuing other, and customer focus. In addition to their achievement of goals and performance of the leadership responsibilities expected of any employee at their level in the organization, demonstrative performance of these competencies is an integral part of each performance evaluation. As a result, we’ve taken important steps to ensure that these competencies aren’t just empty slogans but are incorporated into the fabric of the organization. These core competencies also form the framework for our recruiting efforts. Since we adopted this framework, we’ve found that we have transformed our staff from one more insular and siloed to one much more outward facing and collaborative and we believe our organization has thrived as a result.”

Stanley Berman, CPA, CGMA
CFO of a Philanthropy 400 charity, USA
ETHICAL DUE DILIGENCE ONCE IN ROLE

Once a candidate is in role, utilising performance reviews that continue to assess how work is undertaken as well as what is achieved is essential. Conversely staff themselves may be alert to how their managers and team are living up to stated values of the organization:

“The manner organizations serve their purpose (ethically or otherwise) is a key part of employees’ sense-making when they reflect on the meaning work brings to their identity and their lives. On a larger canvas, the values organizations live out impact their employer brand. One need only look at Glassdoor.com to realise that spin only goes so far with the socially networked, media-savvy workforce of today.”

Wilson Wong
Head of Futures and Innovation, at the Chartered Institute of Personnel and Development, Managing Responsible Business, CGMA, 2015

Activity By Other Professions: In House Counsel Worldwide ICW:

“Recruitment is critical. In-house teams will routinely seek to identify technical competence and team fit, where having the technical expertise is a given, but they will also assess a candidate’s set of behaviors. ICW has recently launched its Guidance on Ethics and Standards of Professional Conduct for In-house Counsel and through its work with associations around the world, has identified that leaders of in-house teams will look at whether staff achieved what they did ethically and how that impacted the teams and the organizations in which they work.”

Nina Barakzai, FCMA, CGMA, President of In-house Counsel Worldwide
FURTHER GUIDANCE AND RESOURCES

CGMA Code of Ethics
http://www.cgma.org/AboutCGMA/Pages/code-of-ethics.aspx

CIMA Ethics Resources including scenarios and case studies
http://www.cimaglobal.com/Professionalism/Ethics/Responsible-business/Ethical-dilemma/

Ethical Business Practice
Importance for the Recruiting Process, The Institute for Ethical Business Worldwide at The University of Notre Dame, with the Ethics Resource Centre and Business Roundtable Institute for Corporate Ethics.

When Good Employees Go Bad
How Organizations May be Facilitating Workplace Deviance. LaMarcus Bolton & Matthew J Grawitch PhD, Good Company, 2011
http://www.apaexcellence.org/resources/goodcompany/newsletter/article/249

Recruitment, Retention and Ethics

Eight steps to hiring honest employees, The Ethics Centre, USA (2013)
https://www.ethics.net/a/eight-steps-to-hiring-honest-employees

Pre-employment checks
An employer’s guide. Chartered Institute of Personnel and Development, UK (2013)
http://www.cipd.co.uk/hr-resources/guides/pre-employment-checks.aspx#

Know before you hire

Ethical Due Diligence
The Institute of Business Ethics guide to this can be found at:

Credit: This guidance is based on a briefing initially produced by the Institute of Business Ethics in 2010. See further resources at www.ibe.org.uk
ENDNOTES


2. Ethical Performance, CGMA, 2014


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