

HR'S SILVER LININGS IN THE SARBANES-OXLEY CLOUD

The more they flip the calendar pages past the fall of 2001, the more corporate managers discover that the new business climate is truly different. Since those dark days when terms like "corporate governance" rocketed into the vernacular, executives have found that business as usual no longer is, nor shall it ever be again.

For the ethically challenged, this is a hindrance. But, for innovative, straight-shooting HR managers, this presents true opportunities on both an enterprise level and a personal level.

People are the most valuable resource of any organization and the key to all core competencies. Companies, in the final analysis, are people. But, people are also the greatest liability in business execution, ethical practices and legal compliance. Therefore, HR managers are in position to set the entire organization up for success—or failure. By ensuring that ethics programs are rigorous and that the designated systems not only work but work well, HR executives can handle perhaps the most vital risk management function within an organization. In doing so, they can play a vital role and directly influence the earnings of the firm.

HR managers who sense a need for a change can begin where careers begin—in the hiring itself. By establishing guidelines and standards for candidate selection that are designed to ensure that the candidate's ethics and values are in sync with the firm's, HR executives can establish a true founda-

tion of ethical conduct within the company. From this can grow a cultural revolution of respect and moral propriety that will serve to make a firm only more competitive and attentive to the details that make a difference.

Indeed, ethical lapses aren't caused by regulatory loopholes; they come from people whose character exploits them. By judging candidates not only on their number-crunching but also on the limits they inherently place on themselves, HR executives can help create the ambiance of honesty and trust that companies need.

A shift in hiring practices to create an aura of—or even outright emphasis on—an ethically oriented organization, can create a cultural sea change in the organization, whether it is wanted or needed.

Of course, one significant key is for the HR executive to know the limits to how much outward emphasis on ethics a firm wants.

Even the most ethically bound institution eschews a "goody two-shoes" impression that leaves competitors unintimidated, and potential customers and vendors feeling as though maximizing opportunity takes a back seat. It is in this regard that Sarbanes-Oxley must be seen as not having moved the target, but rather, raised the bar. Hiring practices should not only select the 10 best functional performers out of a group of 100, but also the 10 performers who have the best character out of a group of 1000.

Perhaps, more significantly, senior HR executives are in a place to directly impact the top of an organization as well. In this day of intense labor disputes over compensation packages, the bifurcated compensation philosophies of some companies create an aura of mistrust and hypocrisy. HR managers should use their influence to ensure that a consistent compensation philosophy rewarding ethical and effective performance is applied across the firm. By guiding boards in setting policies that reward employees at all levels for the ethical attainment of corporate objectives, HR executives can limit incentive for leaders—or anyone else—to consider malfeasance, much less commit it. Of course, there is no substitute for selecting ethical executives in the first place.

On a career-development level, when HR executives assert themselves into the loftier reaches of the corporate structure, they prove their individual worth to the organization as a whole.

Truly intelligent, innovative and ethical HR executives will find that the clouds of scandal in corporate America are, in fact, an opportunity to expand the role of the corporate HR function and play a role in solidifying the ethical base of the firm.

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