



## TenStep Supplemental Paper

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### Taming Executive Defaulters

*Managing corporate ruffians...*

#### **Key Learnings**

- The different types of executive misconduct that organizations encounter
- How HR can tackle executive misconduct
- Some plausible strategies for managing executive misconduct

Problems with executives are rare but can be fatal! It is possibly the most dreaded corporate nightmare, and the most difficult dilemma to solve! Yes, we are talking about executive misconduct. The corporate landscape is fraught with cases of misconduct in the lower strata of organizational hierarchy. However, in the higher echelons of corporate design, it is rather rare. This rarity notwithstanding, the impact of executive misconduct is colossal. Therefore the HR must diplomatically handle situations of corporate embarrassment without scarring the larger interest of the organization.

Though we cannot declare that executive misconduct has heightened in the recent years, the wave of scandals has definitely rekindled the topic. The recent scandals have further tightened the noose around executive crime with corporate watchdogs keenly watching corporate behavior. With the number of corporate observatories on the rise, the task of managing executive misconduct and indiscipline is becoming critical and challenging for corporate HR. The task of taming bosses is indeed difficult since most organizations have double standards with regard to handling executive misconduct. Thus, HR executives have to tread the path of corporate disciplining such that it resolves the matter without conflicts and complications.

#### **Multifaceted misconduct**

Executive misconduct is no different from indiscipline observed in the lower strata of corporate hierarchy. However, a special reference is made owing to the status of people involved in it. The types of executive misconduct observed are similar to that of other defaulters. The most common forms of executive misconduct are sexual harassment and financial impropriety. Surveys related to executive misconduct reveal that gender-related cases of indiscipline and financial fraud are rampant among executives in the upper echelons of the corporate hierarchy. These issues are relatively easy to handle since evidence against them is rather clear and accessible. However, there is another form of executive misconduct that is largely gray and the most challenging to handle. It involves frivolous issues like passing undocumented remarks on color discrimination or workplace infidelity. The naked eye can scarcely discern such acts of indiscipline. Therefore they are more prevalent than cases of sexual harassment and financial fraud.

Leaders and other senior executives are generally wary of these classified acts of corporate misconduct. They exercise caution lest they should get caught on the wrong

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foot. Nevertheless, cases of executive misconduct do occur. May not be as frequently but when they do the impact is fatal. On discovering acts of executive indiscipline corporations have a choice of either putting it under wraps or making an example of it so that others in the organization do not dare repeat it. Unfortunately, most organizations prefer to wrap up the matter internally, immunizing executives against the negative repercussions of their deeds. On the other hand, some corporations choose to make an example of executive misconduct and treat them as special cases by condemning and punishing executives severely. Either way double standards exist. However, HR stands divided on this issue. Most HR specialists deny differential treatment of employees. They quote their take on executive misconduct as unbiased and fair. Some HR specialists acknowledge the presence of double standards. They believe that it is the best and only way to effectively manage cases of executive misconduct without harming corporate reputation. So who is to decide the right way of navigating through flakes of corporate misconduct?

How right would it be to have two different sets of rules for people in the upper and lower strata of corporate hierarchy? Would it not be akin to violating ethical codes or would it be labeled as a strategic move made in the larger interest of business? These are questions for HR specialists to address.

### **Strategies**

HR specialists cannot escape the dilemma of punishing the boss. It is their call and they have to be extremely tactful in accomplishing it. There is no best way to navigate through the dangers of convicting the boss; however there are certain measures that can be applied to mollify the impact. These include:

#### *Take policy-friendly decisions*

The task of confronting a senior leader is definitely dreadful. This becomes easier if HR specialists plan well in advance. HR specialists should incorporate the official protocol for confronting senior leaders and CEOs in case need arises. Making a policy-based decision is far simpler and safer than going by one's instincts. The approach becomes legalized and fair and personal relations remain cordial.

#### *Be a confidant*

HR specialists should be accessible and approachable to the victims of executive misconduct. The fear of losing the battle in the hands of HR specialists can lead to further damage since it would prevent the victims from reporting acts of indiscipline thereby harming corporate health.

#### *Time it up*

It is extremely important to time the approach to managing executive indiscipline should be well timed. Bad timing can foil all efforts and prove futile. In addition, HR specialists should be patient and not reach conclusions impulsively.



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The underlying principle behind these strategies is that HR specialists owe it to their company and not an individual. Therefore, discretionary exercise of the available options in the best interest of the organization is crucial.