




# Dealing with the aftermath of when things go wrong

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## To Err is Human..



What matters:

- The kind of errors we make
- Our response to these errors

Adv. Thuli Madonsela  
(BEN-Africa 2017)



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## When things go wrong...



- Media exposure
- Stakeholder alienation
- Investigations
- Legal action
- Disbarment

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## In the aftermath...



***Response to ethical failure  
determines survival or demise***

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## Unproductive responses



- Lying low
- Hide behind legal processes
  - *Innocent until proven guilty*
  - *Talk to my lawyers*
- Denial
- Attack



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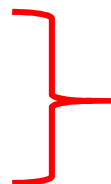
## Productive responses



***It is a battle to regain lost trust***

What makes you trustworthy?

- Openness
- Competence
- Integrity
- Benevolence



**REPUTATION**

Source: Rossouw, D. & Bews, N. Ethics and trust in organisations. In Rossouw, D & Van Vuuren, L. 2017. *Business Ethics* (Sixth Edition). Cape Town: Oxford University Press.



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## Three aspects



The affected organisation and...

1. External stakeholders
2. Internal stakeholders
3. Associated parties

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## External stakeholders



### 1. Openness

- Self-disclosure (as soon as possible)
  - Investigation
    - Internal
    - Independent external
  - Cause
    - Delinquent apple
    - Unhygienic barrel
- Apologise
- Ongoing communication

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## External stakeholders



### 2. Competence

- Act against those who failed
- Strengthen weaknesses
  - Prevent reoccurrence

### 3. Integrity

- Statement of Ethical Intent
- Demonstrate adherence

*You cannot talk yourself out of a situation that you have behaved yourself in...*



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## External stakeholders



### 4. Benevolence

- Demonstrate goodwill
- Assist those who suffered
- Reclaim social license to operate



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## Internal stakeholders

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The effect of scandal on employees

- Disillusionment
- Anger
- Anxiety
- Stress
- Depression
- Low self-esteem
- Apathy

**LOW STAFF MORALE**

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## Scandal & Employee Morale

THE ETHICS INSTITUTE

### Negative impact of Scandal

- #1. Staff morale
- #2. Business relations
- #3. Reputation
- #3. Regulatory relations

Source: Paul Healy and George Serafeim  
Firm Competitiveness and Detection of Bribery  
Harvard Business School

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## Scandal & Employee Morale



### Ethical Failure & Employee Morale

- Huge impact on employee morale
- The higher up the ladder the failure takes place, the greater the impact
- Self-disclosure less damaging than being externally exposed
- Less damage when perpetrators are dismissed
- High morale companies have significantly stronger year on year performance

Source: Paul Healy and George Serafeim  
Firm Competitiveness and Detection of Bribery  
Harvard Business School



## Internal stakeholders



***It is a battle to retain / regain morale***

- Openness
- Competence
- Integrity
- Benevolence

**STAFF  
MORALE**

**Staff morale is a make-or-break factor for recovery**



## Internal stakeholders



### 1. Openness

- Staff should be the first (not the last) to know

### 2. Competence

- Human management competency

### 3. Integrity

- Act on what you have said / promised to do

### 4. Benevolence

- Recognise / reward loyalty – even if deferred



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## Associated Parties



### Reputational considerations

- Guilt by association
- Perceived as endorsing unethical behaviour

### Operational considerations

- Timing
- Complexity

### Ethical considerations

- What is the right/good thing to do?
- Golden rule

**Individual or Collective Terms of Engagement**



## Life after the scandal?



- No guarantees that company will survive
- But weakness might be turned into a strength and competitive advantage