

Ethical Employment (12/5/17)

Web Article

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Case Study: L'Oréal – employee engagement with ethics

Financial Reporting Council

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Headquartered in Paris, L'Oréal is the world's largest cosmetics and beauty products company with sales in 2014 of €25.3bn. It has some 80,000 employees worldwide and aims to be an exemplary company in business ethics. Each October the company holds an ethics day at which the entire workforce is invited to put questions on ethics directly to the Chairman and Chief Executive, Jean-Paul Agon. It also has a network of 67 Ethics Correspondents throughout the business.

Background

L'Oréal's approach to ethics is about having a large international staff adhere to a common set of ethical principles, engaging them, and helping them to make good decisions in situations where there are no clear-cut solutions. This goes beyond simple compliance with rules and, to emphasise this, its ethics and compliance departments are separate, with its chief ethics officer reporting directly to the chief executive.

The company has four ethical principles: integrity, which enjoins people not to lie or cheat; respect, which reminds them to treat others as they would wish to be treated themselves; courage, which recognises that ethics is not always easy and so encourages them to speak up if they have concerns, recognising that for many people this is very difficult; and transparency, which promotes an open environment in which there is less need for formal procedures and controls.

Action

As part of its open approach, there is no blame culture for people who admit to getting things wrong. The company calls this *le droit de l'erreur* or the right to make mistakes. Its preferred response on these occasions, subject of course to the severity of the mistake, is to spend time on understanding why the error arose, putting in place corrective actions and encouraging those involved to talk about their experiences for the benefit of colleagues. Telling the story is an important part of embedding the culture.

L'Oréal also considers that getting the right culture is not just about having the right values, it's also about ensuring ethics is visible in the company's rituals, symbols and heroes.^[1]

The ethics day fits well with this philosophy. Starting in 2009, Mr Agon, L'Oréal's CEO, has made himself available on a particular day each October to answer questions on any ethical matter of concern from any staff worldwide through a live web chat. This is followed on the same day by a similar session conducted by each of the country managers.

Together this resulted last year in over 4,100 questions being submitted group-wide, of which 1,300 were directed specifically to the Chief Executive. The company estimates that the web chat was followed by around 56% of its staff, which is a substantial increase on the numbers following the event when it first started.

Mr Agon cannot answer all the questions but the ethics team works with him to pick out the most difficult ones to ensure the exercise is not simple spin. Difficult subjects might include direct questions around hardships arising out of restructuring, evidence of bad behaviour on the part of the chief executive himself, concerns about the standards applied by the company to advertising, or worries about working in countries with a high level of corruption. In the last case the company would use the answer to remind staff about the company's zero tolerance policy, as well as of the speak-up line.

The only constraint is that, with the exception of the chief executive who is able to answer in person, no questions that are directed against named individuals are accepted. Staff may ask their questions anonymously or under their own name. The questions are sorted to reflect recurrent themes and ensure that all parts of the group are represented.

The questions sent in enable the company to identify possible areas of improvement. It has identified three specific benefits: the ethics day allows company leaders to show their commitment to ethics, keeps the company in better touch with its employees, and it promotes active discussion about the company's ethical principles.

L'Oréal describes its 67 ethics correspondents as heroes because they are chosen because of their capacity to be good role models. Their job is to act as a local activist for ethics, bringing ethical leadership to all parts of the business and helping the group principles come alive at the operational level. In particular, their role is to help the country managers who have formal responsibility for ethics to actually deliver.

As they are normally a national of the country in question, one role is to help by identifying areas where local customs may need to be aligned with the group ethics approach.

Tasks include working with the management team to ensure that ethics is integrated in each functions daily life, for example working with communication to ensure that the company's code of ethics is properly communicated, working with HR to ensure that the relevant training is in place, with marketing to ensure sign-off procedures cover all ethical issues etc... They also serve as a local ethics expert, providing advice to employees on various subjects such as conflicts of interest and including about how to handle concerns (this may be to remind them of the existence of formal speak-up arrangements or simply to say that they should take the problem initially to HR or to their line manager).

To help them with these tasks, they have access to management tools such as an ethics self-assessment tool or ready-to-use communication material.

They have no official authority but use what the company calls *pester power* to ensure that the programme is delivered. Generally they are part of the senior country management. A level of seniority is required to ensure that they enjoy the trust of both the management and the employees.

Each ethics correspondent usually serves for a term of three years which can be renewed. The country manager submits at least two names to the chief ethics officer who interviews candidates and has the last say on selection. L'Oréal estimates that the role takes up around 10% to 15% of their time. About a third of the Ethics Correspondents manage one of the company's four business lines (consumer products, professional products (hairdressers), luxury and active cosmetic products (pharmacies)), about 20% each come from the HR or finance functions and the remainder from other disciplines, including scientists, communications and purchasing. This means that all functions of the group are represented.

Because it attaches a high importance to the value of symbols, L'Oréal ensures that posters of the L'Oréal Spirit, a one-page document setting out L'Oréal's commitments as a business, as an employer and as a good corporate citizen (a type of credo) are displayed in the entrance of all their premises and in meeting rooms. This allows employees to be reminded daily that ethics is important.

Impact

L'Oréal believes the ethics correspondents are a good way of spreading understanding of ethics throughout the organisation. They provide leadership at local level from within the company's operation and help create an environment where staff feel able to speak up and it comes naturally to managers to listen.

[1] Rituals – The important events which form part of the Company's calendar
Symbols – What employees see around them in their workplace everyday
Heroes – People that employees look up to and wish to emulate