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Organizational Ethics

IMPLEMENTING ETHICS INTO THE ORGANIZATION

On February 7, 2005 the results of a survey sponsored by twenty-four U.S companies indicated that more than half of American workers question the basic morality of their organizations' top leaders (Chief Learning Officer, 2005). This statement reflects the deep concern associates have about the character and intentions of the leaders they work for. One third of 7,718 American workers that were surveyed believe they have reached a dead end street at their jobs based on the lack of ethics within their organization. This apathy and contempt of the organization is a very serious situation that has a direct impact on primary and secondary stakeholders within the business. At the current rate of workers that feel "taken advantage of" or mislead, the result to an organization that is out of sync with their employee's value system will be awkward. These businesses will most likely be losing countless hours of productivity, experiencing errors in quality, struggling with absorbent levels of absenteeism, involved in safety mishaps and above all achieving low company profits from wasted resources.

What is the answer? Get new workers that aren't disillusioned? Terminate ineffective members on the management team? Put more dollars into reinventing the business? Many business owners are reacting to low profits by throwing dollars at symptoms instead of uncovering the cause of what it is that is impacting their profit margins, competitive edge and morale within their business. The recommendations in this paper will provide the answers on how to turn things around in a short period of time. It all starts with organizational ethics.

WHAT IS ORGANIZATIONAL ETHICS?

Ethics has been considered to be a component of organizational culture sometimes referred to as the moral climate of an organization (Bartlett, 2003). After recent and ongoing business scandals (Enron, WorldCom, etc.) where top management did not make ethical and moral choices the organizational culture has resulted in federal government regulations (Sarbanes-Oxley) stepping in to help regulate and impact the morale climate of the organization. Enforced regulations are not a component of organizational ethics. The severe decline in public trust and investor confidence has led executives to rethink and reevaluate exactly what their responsibilities are when it comes to making ethical decisions. In the future how will business owners balance running not only a profitable business but a principled business as well.

Ethics has been a topic of discussion since the time of Socrates and Plato. Scholars have debated and discussed ethics as doing what is right, having morals, or often referred to ethics being a set of values or principles that guide's one's behavior. Trevino and Nelson (2005) define ethics as "the principles, norms and standards of conduct governing an individual or group" (p. 13). In the business world we define these principles or guidelines for conduct as organizational ethics. Most business owners would agree that organizational ethics are important. Who could argue the importance of having guidelines for conduct? Business owners expect their employees to refrain from lying, cheating and stealing. The question isn't should ethics be a part of an organization. The question is - Will the organization be a part of ethics?

ORGANIZATIONS HAVE AN ETHICS GAP

Senior managers tend to see themselves and their organization as being ethical. On the opposite end of the spectrum are front line employees within the organization that are cynical about the ethics of top management (Trevino, Hartman, Brown, 1999). These differences in perceptions have created a gap in the organization where managers have become out of touch with the reality of ethical behaviors within their organization. The primary cause of the gap is fear. Upward communication is frequently filtered and distorted, with information gaps growing larger with organizational growth. Employees are unlikely to pass unfavorable information, such as ethical failings, up the organizational hierarchy because of their fear of repercussions regarding personal job security (O'Reilly & Roberts, 1974).

Not only does the gap involve a lack of awareness in ethical conduct between what is actually going on in the organization and what members believe is occurring, but there is also a gap in accountability of practicing ethical decision making. Madsen and Shafritz (1990) refer to this situation as "managerial mischief". The authors define managerial mischief as illegal, questionable practices of individual managers. The mischief may occur within a manager's own personal choices as well as poor decision making when encountering daily ethical dilemmas such as wrongful use of resources, mismanagement of funds or conflicts of interest.

The attention to this gap from senior management is where a business can achieve a competitive edge. Tony Barclay, CEO of DAI, a global development company used the results of a gap survey on the corporate values to engage in a discussion with two hundred employees. As a result of the meetings, DAI initiated an ongoing process in which all employees are responsible for implementing action plans based on the gap discussions (Maccoby, 2005).

Closing the gap from being unaware to aware and from not holding all members accountable to consistently being accountable is called the "new organizational paradigm". Seeger (2001) describes the paradigm in his words as moving ethics from the “fringe to the center”. This new organizational mindset has found to not only impact organizational productivity but also reflect a new perspective with shareholders on the organization’s potential. The manner in which an organization accomplishes the paradigm objective is by viewing ethics as a key component to achieving productivity and profitability. In real terms - impacting bottom line results. Many companies have accomplished closing the gap and achieving high levels of productivity and profitability. The following companies have determined ethics is not just a good thing to do but is critical to the success of their business.

BEST PRACTICES OF ORGANIZATIONAL ETHICS

W. L. Gore is a company that consistently is known for being one of the top companies to work for. Their organization is based on the new paradigm characteristics but the company has practiced ethics and communication as part of their business for many years. The company bases its business philosophy on the belief that given the right environment, there's no limit to what people can accomplish. Payne (n.d.) cites in her Gore case study that Gore associates operate according to four basic principles: 1) fairness to each other and everyone with whom we come in contact; 2) freedom to encourage, help, and allow other associates to grow in knowledge, skill and scope of responsibility; 3) the ability to make one's own commitments and keep them; and 4) consultation with other associates before undertaking actions that could impact the reputation of the company. In 2004 W. L. Gore experienced a 19% growth rate with 1,579 million dollars in sales (Hoovers).

Southwest Airlines, a $50 billion plus business has "three pillars of belief" they operate by in their culture. The three beliefs involve having fun at work, not spoiling work by being too serious and that people are valuable and important (Quick, 1992). At Southwest Airlines altruism, the importance of people, is a corporate value that begins at the top. This culture has become the platform of which the company handles its problems and challenges. The culture Southwest has provided is a foundation for the management team to successfully run a profitable business while others in the airline industry have failed.

Nike, Inc. realized that it had to integrate corporate responsibility as a key piece to their business. After a period of continuous opposition to Nike's business practices, the high-profile company chose to reinvent their way of doing business based on responsible business strategies. Nike opted to embark on four stages of transformation in order to move from the denial of unethical practices to a distinguished level of corporate responsibility. The company took action by working on compliance, identifying core management processes, integrating core values into business strategies and promoting ethics throughout the business (Zadek, 2004).

These three companies have chosen to make organizational ethics a part of what defines their business. The common characteristic from all three organizations is that they have dedicated their business to a culture of ethics and have committed to best practices for ensuring an ongoing ethics program.

HOW DO ORGANIZATIONS GET STARTED?

Determine Objectives for Starting an Ethics Program

The first place to start is to determine the organization's strategy to managing ethics. This means define what systems are currently in place to encourage ethical decisions and what processes does the organization have in place that undermines ethical decision making. Executives must first determine what they want to accomplish and what the purpose of implementing an ethics program will be for the organization. Stephen Breener (1992) wrote, "All organizations have ethics programs, but most do not know that they do". What Breener indicates is that any organization can put together a "Code of Ethics" or "Code of Conduct". What makes an ethics program worth your while is discussing how the program will be a way of life and not just another initiative that is launched in the short-term. At the next executive retreat put ethics on the agenda and set clear, specific objectives for launching an ethics program into the business. The planning time spent upfront will ensure the success of the program.

Get Commitment from the Top

The best companies know that entrenched principles and values in the company's day-to-day operations require a systematic, rigorous, and ongoing effort that reaches far beyond mission statements and rhetoric (Jackson, 2004). The commitment to an ethics program is a commitment to actively engage, act as a role model, and be willing to invest in and to pursue purpose beyond personal or organizational gain. After determining the objectives of the organization, an ethics program must ensure that all members on the board and executive team clearly understand the importance of their support and are willing to agree to the required expectations and guiding principles.

Vershoor (2005) recommends the following guiding principles that have been used successfully when kicking off ethical programs. First, make the ethics program part of the organization's DNA. Second, ensure the organization's systems and structure support and reinforce the program. Third, provide managers with the decision-making authority to make ethically sound decisions on a day-to-day basis. And finally, company leaders must be committed, credible and willing to take action on the values and guiding principles that are established.

Determine Roles and Responsibilities

In addition to the role of support from top management an ethics program needs to identify full-time or part-time functions within the organization to help manage the success of an ethics initiative. No matter what size of the organization one person must be ultimately responsible for managing the ethics program. The key word to emphasize is manage. It is the responsibility of all within the organization to ensure the program is a success. Suggested roles to consider for ethics management would be:

1. An ethics committee at the board level. The purpose of this team would be to lead the development and management of the ethics program.
2. An ethics committee comprised of a mix of managers from the organization. This team of managers would be in charge of implementing the ethics program into the organization. They would

be the owners of the all key components of the ethics model.

3. Assignment of an ethics officer. This role involves an individual that is dedicated to resolving ethical dilemmas and is a true role model of ethical leadership for others to follow.

By establishing the roles for managing the ethics program from the start the organization will be able to successfully ensure the impact of the ethics program, how the program is administered and builds a mechanism for follow up, communication and accountability procedures.

Develop a Code of Ethics

An organization's code of ethics is "a written expression of its ethical norms and values" (Valentine & Barnett, 2003, p. 359). Research from Valentine & Barnett indicates that a formal code of ethics communicates core beliefs to employees and leads to a more positive perception of the ethical values in an organization. As a result of employees acquiring a positive perception of their organization, the outcome of the employees' perception manifests higher levels of ethical conduct and an increased level of commitment to the organization. Not all studies conducted have found that an ethics code impacts a positive perception in employees. A possible reason for the inconsistency in research findings is that employees are not aware of the existence of a code of ethics within the organization. Therefore, the first step when developing a code of ethics is to establish a process to ensure that all employees are familiar with its existence.

Whether the organization is small or large a code of ethics is essential to communicating the intentions, beliefs and values of the organization. MacDonald (n.d.) suggestions that careful thought be put into writing a code of ethics. When preparing to write a code of ethics the following provides an outline for getting started:

1. Determine the purpose of the code. It is to inspire, create a code of conduct, a statement of values or a foundation for creating a "new paradigm" within the organization?
2. Think carefully about the process by which the code should be created. Who should be involved? How large of a group? What members should be included in the code development to help create an effective code and one that employees can buy-in to?
3. How will the code be implemented? What steps need to be taken to ensure all employees understand and know the purpose of the code?
4. A code of ethics should be tailored to the needs and values of the organization. Review which values in the organization produces the top traits of ethical practices and services for your organization. The Josephson Institute of Ethics (2002) suggests six "pillars of character" that could be utilized as a starting point for discussion when preparing to identify values to include in the organization's code. The six pillars are: trustworthiness, respect, responsibility, caring, justice and fairness and citizenship.
5. How will the code be followed? How will the code communicate ac

countability? How should the code be communicated so all employees are expected to follow code expectations. How often should the code be revised or updated?

Dr. MacDonald points out that a code of ethics will not solve all ethical problems. The composition of the code is based on what right looks like in the organization and how the code will be managed and implemented throughout the organizational culture. An important point to remember when writing a code of ethics is to keep the code as simple as possible based on the selected values and to try not to cover every possible circumstance or situation that could arise.

Determine Model for Decision Making

Many people operate on the assumption that when it comes to resolving ethical dilemmas it is easy or a clear choice based on what people believe to be ethical or unethical choices. In reality many ethical choices are clear-cut however, as Trevino & Nelson (2005) state, "things can get pretty murky in situations where two or more important values, rights or obligations conflict and we have to choose between equally unpleasant alternatives" (p. 88).

Since organizations encounter ethical situations that become gray instead of black and white, a key ingredient to the success of an ethics program is having a model of decision making that is determined at the onset of the ethics program. Many models are offered for decision making. The model from Nash (1981) serves as a guideline and checklist for making sound, ethical decisions. The model offers twelve questions when examining the ethics of a business decision.

Question One: Have you defined the problem accurately? Doug Wallace (n.d.) from the Fulcrum Group defines an ethical dilemma as one that has a) significant value conflicts among differing interests; b) real alternatives that are equality justifiable, and c) significant consequences on "stakeholders" in the situation. Because of the variables and situational ethics that occur in organizations, defining the problem and gathering the facts is the primary step to ethical decision making. How one assembles the facts before the moral examination determines how neutral and objective the decision making model will be.

Question Two: How would you define the problem if you stood on the other side of the fence? Utilizing the Code of Ethics that the organization has now established determine what ethical situations exist without jumping to conclusions or overlooking all ethical issues. All ethical issues must be identified articulating the situation from another's perspective. "A truly moral decision is an informed decision. A decision that is based on blind or convenient ignorance is hardly defensible" (Nash, 1981, p. 82).

Question Three: How did the situation occur in the first place? The first step to identification is to determine the cause. In deciding the ethics of a situation the decision maker must separate the symptoms from the real issue. Nash states that the first three questions are often unanswered and overlooked as the tendency in the business world today is to view problems as trivial. "This tendency to initial trivialization seems to be the biggest ethical problem in business today" (Nash, 1981, p. 83).

Question Four: To whom and what do you give your loyalties as a person and as a member of the corporation? Every executive faces conflict of loyalty. Sorting out one's loyalties is a way to bring more honesty and integrity into decision making.

Question Five: What is your intention in making this decision?

Question Six: How does this intention compare with the likely results? Nash's model puts these two questions together when reflecting on the best decision to make. Combining the intention or motive of what the decision maker wants and the ethics of the result increases the possibility of an ethical choice to most likely follow. Sociologist, Max Weber called this process an "ethics of attitude" compared to an "ethics of absolute ends".

Question Seven: What could your decision or action injure? The purpose of this question is to think of potential harm or impact prior to the decision being made rather than typically discovering harmful affects after the decision is made.

Question Eight: Can you engage the affected parties in a discussion of the problem before you make your decision? This question promotes the possibility that the parties involved could determine the best decision rather than having a decision mandated for them. This element of Nash's model promotes trust and sets the tone for making decisions in an ethical manner (leading by example).

Question Nine: Are you confident that your position will be as valid over a long period of time as it seems now? Once again, the question creates a venue for the decision maker to think into the future about the impact of their decision and how it will affect stakeholders.

Question Ten: Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, or society as a whole? The old New York Times question is a good one, "Would you want your decision to appear on the front page of the New York Times?"

Question Eleven: What is the symbolic potential of your action if understood? If misunderstood? A business decision of any kind can be interpreted as acceptable or unacceptable based on the signal or symbol that the decision is tied to or associated with. The perception of your action is as important as the intention behind the decision.

Question Twelve: Under what conditions would you allow exceptions to your stand? What conflicting values or principles would have to arise in order for you as a decision maker to make an exception to the code of ethics? Great ethical programs provide opportunities for their decisions makers to discuss potential ethical dilemmas that may arise in the course of doing business. These small group discussions are encouraged as a part of the ethics training program that is provided for all associates throughout the organization.

Establish Communication Processes

Hamm (2002) stresses the importance of communicating the ethics program effectively throughout the organization by verifying that all levels of staff are getting the desired message. One process that is recommended is to establish an anonymous reporting system or "ethics hotline" to raise questions about value implementation and how employees feel the ethics program is working.

Encourage employees to offer input and investigate the feedback no matter how small or insignificant it may appear. An insignificant issue many times reveals an internal priority that can be addressed before a situation becomes irreversible. An ethics communications system provides a means for employees to report abuses of the ethics code or obtain guidance on how to adhere to it.

Determine Standards of Accountability

"Values are what you say you believe. Ethics are how you actually behave" (Metzger, Dalton, Hill, 1993, p. 32). The way in which a violation of the ethics code is handled is of utmost importance to the success of the program. If those that violate ethical codes are not held accountable the word spreads that the senior management team is really not interested in ethics. If violations were not acted upon the ethics program loses its credibility and the groundwork for ethics gets lost in rhetoric.

Conduct an Ethics Audit

Senior managers need to conduct an ethics audit to tap the perceptions of front line associates to close the gap of perceptions that may exist. "Organizations need to create opportunities for rank and file employees to interact directly and regularly with senior managers about ethics issues so that management of ethics in the organization is based upon accurate information"(Klebe, Weaver & Brown, 2000, p. 4). Although written audit surveys can be conducted the recommended format are round table discussions to create a culture of communication and trust which in turn provides an effective format for setting an example of living the code of ethics.

Provide Ethics Training

Education is a key method for implementing ethical awareness. The ethics training programs must consist of the following topics: kick off meeting for the introducing the ethics program, ethics management session, codes of conduct session, a decision making model session and a session on compliance and accountability.

"Ethics training and awareness programs provide a potentially useful way to communicate ethics to organizational members about the company ethics code and its content" (Vershoor, 2005, p. 365). Senior management must be the champions and mentors for ethics training.

CONCLUSION

The payback for implementing an organizational ethics program is priceless. The message the organization sends lives forever. An ethics program is an indicator of what the organization views as a priority and how the executives of the organization wish to conduct business. The importance of ethics is a corporate value alone that begins at the top and trickles throughout the culture of an organization. "Culture beings with the values and beliefs that people hold" (Quick, 1992).

Through numerous case studies it has been proven that a profitable business that is balanced with a principle centered business flourishes. Southwest Airlines, Nike and W. L. Gore are all examples of what occurs in an organization that operates with ethics as a priority to business philosophy.

From a purely profit generating perspective it should be obvious that an organization that implements an ethics program as described would greatly improve across the board. It is the intention of this article that the perspective and business philosophy of organizations be, that if the organization believes, supports, and endorses ethics first their profits will emerge.

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