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# Business Ethics: A Step Towards Ethical Organization

## Abstract

Many modern organizations are facing numerous challenges such as illegal and unethical business practices in a number of business transactions. This paper grabs the attention of building ethical cultures and practices in an organization. Leaders in all industries face issues concerning unethical behavior and can learn from each other about how best to tackle these situations. The paper is result of empirical study and findings are presented as suitable policy recommendations which decision makers may find highly useful in business organizations and government functionaries.

Keywords: Ethics, behavior, unethical behavior, organization, performance.

## Introduction

We are in information age which means the employee has accurate information than ever, and requires more transparency. The information available on Google search to find new employee made organization ethics more important than in past decades. This is the missing link between profitability and work environment. The term ethics in organization has long been associated with management scholars and business leaders around the world. There is a broad agreement around the world that as a matter of corporate policy, every organization strives to be committed in a manner that is ethically transparent. Steinberg (1994) argued that ethics in the world of organization's business involve "ordinary decency" which encompasses such areas as integrity, honesty and fairness. According to Adenubi (2000) behaving in an ethical manner is seen as part of the social responsibility of organization, which itself depends on the philosophy that organizations ought to impact the society in ways that goes beyond the usual profit maximization objective.

It is often argued that in many instances that; it is in the interest of an organization to behave in a way that recognizes the need for moral and ethical content in managerial decision as this will benefit the organization especially in the long run. Ethical behavior is characterized by honesty, fairness and equity in interpersonal, professional and academic relationship and it respects the dignity, diversity and the right of individual and groups of people (Legan 2000). Therefore for an organization to move forward in the aspect of performance, it is however important for such an organization to have a good understanding of ethics and also take it seriously as this can undermine the competitive strength of the organization and the society at large.

Morals spring virtually from every decision, thus organization's stability and survival depends on the consistency of quality of ethical decision made by managers. Managers are challenged and encouraged to have obligation on organization's performance and society at large, to support and assist the society to imbibe the ethical culture. In recent times, most organizations have come up with codes of ethics in dealing with ethical issues challenging them. Code of ethics as defined by the national institute of the management is a set of moral principle used by organization to steer conduct of the organization itself and the employee, in all their business activities, both internally and externally.

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## Statement of Problem

Majority of the organizations are facing challenges to curb unethical behavior in business transaction. Owners of such organizations are also facing heat of such behavior in terms of organizational performance and protecting the goodwill. Employees too are not bothered about their actions and its effect on organization, leading to increased need for counseling for all the people involved in day to day processes. This is empirical research based on qualitative data. The significance of the research is to understand the effect of ethical behavior on organizational performance, and steps required to follow the same.

## Literature Review

Business of today is more challenging involving people in business, customers and suppliers. The prime concern is how ethically these businesses are operating. More worrisome concern is the unethical behavior among employees at all levels of the organization. Few examples are using company's equipment for personal use, using company's phone for making long distance calls at work, thereby stealing both the calls and their productive time. Moreover, we easily hear today of illegal and unethical behavior in many business organizations, such practices as we know occur throughout the world.

Ethics - the terms 'moral' and 'ethical' are often used equivalent to 'good' or 'bad' and as opposed to 'immoral' and unethical' Frankene, (1993). Ethics is defined by Miner (1998) as a philosophy of human conduct; reflecting prevailing values especially that moral nature. According to Kiston, (1996) ethics are moral principles that explain what is right or wrong, good or bad and what is appropriate or inappropriate in various setting. Bucholz [2003], in his work on business ethics, sees ethics as the guiding values; principles and standards that help people determine how things ought to be done. Ethics is a set of standard of right and wrong established by a particular group and imposed on members of that group as a means of regulating and setting limit on behavior, Judith (2003).

Why unethical behavior?- It is easy to define such practices as dumping polluted chemical wastes into rivers, overcharging the government for Medicaid services, etc. Yet these and many other unethical practices go on almost routinely in many organizations. Why is this so? In other words, what accounts for the unethical actions in which individuals knew or should have known that the organization was committing an unethical act? One answer to the question of why individuals knowingly commit unethical actions is based on the idea that organizations often reward behaviors that violate ethical standards. Consider, for example, many business executives and top government officials deal in bribes and payoffs, despite the negative publicity and ambiguity of some laws, and how good corporate citizens who blow the whistle on organizational wrongdoing may fear being punished for their actions. Ethical behavior - Formally defined, ethical behavior refers to that which is morally accepted as 'good and right' as opposed to 'bad and wrong' in a particular situation. It is therefore the principle relating to what is right and wrong. Scholars have enumerated some essential elements of ethical behavior as regards organizational concerns.

The ethical climate of different organizations can emphasize different things. When the ethical climate is not clear and positive, ethical dilemmas will often result in unethical behavior. In such instances, an organization's culture also can predispose its members to behave unethically.

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For example, recent research has found a relationship between organizations with a history of violating the law and continued illegal behavior (Baucus and Near, (1991).

Thus, some organizations have a culture that reinforces illegal activity. In addition, some firms are known to selectively recruit and promote employees who have personal values consistent with illegal behavior; firms also may socialize employees to engage in illegal acts as a part of their normal Job duties, pressure, opportunity and predisposition can all be due to unethical activities, however, organizations must still take a proactive stance to promote ethical climate.

## **Preventive Measures for Unethical Practices**

- Right people for right job: while hiring the candidate cross check the experience and behavior from the earlier organization and ask his response for situations of unethical practice. Interview panel may have psychologist to check mental ability and how much candidate is prone to violate ethics. Moreover, candidates profile may be checked on Google search.
- Keep strict check: Instead of making employees understand about the ethical issues top managements should develop the system to check the violations of ethical issues so that no employees will be able to take undue advantages.
- Educate people at right time: Introducing ethics in school curriculum will not serve the purpose; head of the institutes should see to it that examples are set in front of students and inculcate it into their behavior since beginning.
- Culture of transparency: To ensure true success when it comes to organization ethics, employees must see and hear what is going on as well as feel comfortable to stand up and speak out if they see something occur that is not right.

The organizations have not only to ensure that it has strong policies and processes in place to build understanding around ethical expectations, but also to ensure that these policies translate to everyday action among staff and leaders.

## **Recommendations**

There is the need for organizations to help their employees in dealings with ethical challenges by adhering to the following steps:

An effective organizational culture should encourage ethical behavior and discourage unethical behavior. Admittedly, ethical behavior might cost the organization some fortunes. An example might be the loss of sales when a multinational firm refuses to pay a bribe to secure business in a particular country. Certainly, individuals might be reinforced for behaving unethically. In a similar way, an organization might seem to gain from ethical actions. For example, a purchasing agent for a large corporation might be bribed to purchase all needed office supplies from a particular supplier. However, such gains are often short-term rather than long-term in nature. In the long run, an organization cannot operate if its prevailing culture and values are not congruent with those of the society.

- Senior managers should encourage ethical consciousness in their organizations showing the support and care about ethical behavior.
- The performance measurement, appraisal and reward systems must be modified to

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account for ethical behavior.

- Organizations should encourage principled organizational dissent instead of punishing unethical behavior.
- Organizations must put more resources to ethics training programs to help its members clarify their ethical concepts and practice self-discipline when making ethical decisions in difficult circumstance.
- Be realistic in setting values and goals regarding employment relationships. Do not promise what the organization cannot deliver.
- Encourage input throughout the organization regarding appropriate values and practices for implementing the cultures. Choose values that represent the views of employees at all levels of the organization.
- Ensure that a whistle-blowing and/or ethical concerns procedure is established for internal problem solving, Harrington (1991).
- System audit, examining guides and procedures against stated organizational objectives and values should be regularly taken.
- Top managers on their own part should see themselves as role models, be oriented and also realize that ethical behavior can be managed and the only way is avoid ethical dilemmas.
- Organizations should endeavor on their part to reward employee's actions that in line with the ethical demand made on staff by members. On the other hand, employees that do not meet such demands should be sanctioned or punished.
- Employees need clear and consistent message on the importance of ethical behaviors. Most organizations do send countless messages about competition & market performance without bothering much on the company's ethical values.

## Conclusion

In the race of gaining more market share, survival uprightness, integrity, and competitiveness, organization compromises with ethical issues and begins the trend of unethical behavior but for long term it itself get tangled into major issues and losses all the goodwill in the market. What is needed in today's complicated times is for more organization to step forward and operate with strong, positive and ethical cultures. When the ethical climate is clear and positive, everyone will know what is expected of him or her when the inevitable ethical dilemmas occur. This will definitely give employees the confidence to be on the lookout for unwanted unethical behavior and act with the understanding that what they are doing is correct and will be supported by top management of the organization. With such type of behavior nation will breed a generation of ethical managers, ethical employees and ultimately ethical nation.

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