The Role of Ethics in 21st Century Organizations

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In today's global business world many organizations have turned to unethical practices in order to maintain the organizations and continue to be competitive. An example can be found in the lawsuit of the City of Los Angeles against Wells Fargo that began in May 2015. The city alleges that the bank has set unreasonable sales expectations of employees, therefore, causing them to turn to unethical practices to meet quotas (Whitehouse, 2015). These actions have caused an adverse effect on the employees and community in addition to creating a negative view of Wells Fargo. However, Wells Fargo is not alone in these unethical practices. It has unfortunately become a norm in today's business world. But, can businesses be fruitful and ethical at the same time and if so, how? This article will address the importance of creating and maintaining ethical practices and recommendations in pursuing the establishment of an ethical organization.

Ethics is defined as a "reflective process" in which one attempts to determine obligations to and with others while maintaining one's personal rights and beliefs (Ciulla, 2004). There are three distinct types of ethics. Descriptive ethics involves discovering how people behave, think and feel in relation to morality (Fedler, 2006). Prescriptive or normative ethics calls for certain actions, behaviors, feelings and mode of thinking. It determines what is "normal" or "accepted." Lastly, metaethics concerns itself with the process of how people make decisions based on their beliefs (Fedler, 2006). In short, one's actions will be based on their personal beliefs, what is accepted within the group and their ability to make decisions within the environment that align with their beliefs (Schnebel & Bienert, 2004).

What Are Ethics and How Do They Affect Organizations?

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Culture is derived from the espoused beliefs and values of the group to include ideals, goals, values and aspirations, along with rationalizations and ideologies that the group shares (Schein, 2010). An organization's culture is primarily determined by the values and ethics that are determined acceptable by the leader. Values and ethics then serve as a template for how business is conducted on a day to day basis (Schnebel & Bienert, 2004). The problem is developing a culture that truly utilizes proper ethical standards and understanding its importance.

Social Responsibility

As mentioned above, ethics involves a combination of determining obligations to others while maintaining one's personal rights and beliefs (Ciulla, 2004). However, in the 21st century, the 'obligations to others' portion of leadership ethics is becoming endangered. Leaders tend to be fueled by greed, selfish ambition and personal advancement rather than adhering to social responsibilities. Social responsibility is an area that goes hand in hand with the implementation of organizational ethics (Balmer, Fukukawa, & Gray, 2007). Society has developed an insatiable greed that often leads to attaining success at the expense of others (Garia, 2014). This insatiable greed is responsible for poor organizational ethics and unethical practices. It is then necessary to first and foremost remember that a leader's true role is to make decisions based on the betterment of society, not one's self (Northouse, 2013). Social responsibility is defined as a "business's obligation to maximize its positive impact and minimize its negative impact on society" (Ferrell & Fraedrich, 2016, pg. 32). While most businesses have a focus on profit, those that have a sole objective of maximizing profit are likely to lose sight of their social responsibilities (Garia, 2014). Leaders must ground themselves once more in their obligations to their communities. This will be the foundation for creating and maintaining an organization with high ethical standards (Adams, 2015). Success will be found in the focus of bettering communities, customer, employees and stakeholders, not in personal advancement.

So the question is, can an organization be profitable and ethical at the same time? Is there a balance between being successful and meeting one's obligations to society? Yes! Organizations such as Google, Kellogg and Xerox are living proof of this concept (Adams, 2015). All three well-known and successful companies appeared on the Forbes' "Most Ethical Companies" list for 2015. The award focuses on organization's that have missions and procedures revolving around environmental-friendly approaches to business practices (Shields, 2013). For example, Google's motto of "Don't be evil" seems to align with their business practices. The company's Google Green Program has donated over $1 billion to renewable energy projects and has decreased its own impact by investing in energy efficient buildings and transportation. The organization is also well-known for its extensive employee benefits package which includes access to free health care and treatment from on-site doctors, free legal advice, and free on-site nursery (Ferrell & Fraedrich, 2016).

Good Ethics Leads to Happy People

Research shows that ethical companies actually have a higher probability of being profitable (Ferrell & Fraedrich, 2016). Why is that? Trust is the key most relationships, even business relationship! One of the first beliefs formed about a stranger is whether they can be trusted or not (Hultman & Gellerman, 2002). In order to successfully maintain a customer base, customers must *trust* that they are being provided with reliable service and a reliable product. Therefore, with ethical practices, customers are more likely to feel that the organization is being genuine in their intentions and less likely to take advantage of them, therefore, creating loyalty (Parkhe, 1999). On the other hand, unethical practices can be demanding and costly in various areas of business (Ferrell & Fraedrich, 2016).

Making ethical choices results in lower stress for manager and employees (Ferrell & Fraedrich, 2016), while making decisions that conflict with personal integrity or beliefs can be highly stressful and unnerving (Schwepker, 2001). When business practices or procedures are setup in such a way where the employee feels that he/she has to choose between doing the 'right thing' or their job security, loyalty will be low, stress will be high and most likely customer service, and production will suffer. People like to feel that they are contributing to something that matters (Schwepker, 2001). Having the ability and support to make decisions that sit well in their spirit and heart will create motivation, loyalty, and dedication among employees (Hultman & Gellerman, 2002).

Maintaining ethical standards enhances leadership (Ferrell & Fraedrich, 2016). Attaining success while maintaining social responsibilities challenges the leader on higher a level than achieving success alone (Kidder, 2001). As a leader learns to create a balance between the two areas, they develop as a leader, person, and community member. The opportunity is then available to grow personally, spiritually and professionally, which is what is required to meet one's full potential. Overall, ethical conduct builds trust among the team and business relationships which will ultimately validate and promote good business practices which will lead to success (Ferrell & Fraedrich, 2016).

Creating an Ethical Organizational Culture

J.B. Ciulla, an expert in the field of ethics, offers that to learn more about an organization's ethics, look at how it treats people- customers, suppliers, and employees (Ciulla, 2004). So, the first step in creating an organization that has a solid ethical foundation is to look at the everyday interactions among people. Interactions that are not authentic in nature, productive or, well, unethical need to be changed. However, employees will need guidelines to understand the expected standards of behaviors.

Leadership must establish ethics policies and standards in order to provide a formalized set of rules for employee expectations pertaining to ethical decision making (Ferrell & Fraedrich, 2016). Keep in mind that everyone has their own set of morals and ethics (Parkhe, 1999), what may be acceptable to one person may be wrong for the person next to them. Therefore, the organization needs to be clear about what the specific requirements are for business practices and what behaviors are deemed acceptable. There must also be a sense of responsibility placed on the leader

and the team as individuals, to meet the obligations outlined in the policies. This *responsibility* comes from accountability (Ciulla, 2004).

Employees must embrace the idea of social responsibility for themselves (Garia, 2014). This is a concept that needs to be enforced immediately upon joining the team. Promoting and displaying a vision that enables the community to grow and prosper with the company will bring a sense of ownership to the employees (Garia, 2014). People will begin to understand that they are not just there to make a profit, but to better the world. As employees display ethical behavior consistent with policies, they should be visibly rewarded. In turn, those that make decisions that are unethical must have repercussions (Schnebel & Bienert, 2004). This offers a level of personal accountability for decisions.

Ethics training should be implemented through seminars, workshops, and programs to reinforce standards of conduct (Balmer, Fukukawa, & Gray, 2007). Training should address what actions the team is to perform (Wallis, 2010). Part of the training needs to focus on *how* to make ethical decisions. Not everyone knows how. The five suggested steps in making ethical decisions are 1) recognize a moral issue 2) get the facts 3) evaluate the alternative actions for different perspectives 4) make a decision 5) act, and then reflect on the decision (Ferrell & Fraedrich, 2016). Leaders should make themselves available to assist in reflecting and debriefing decisions, good or bad. This allows for learning and growth on everyone's behalf while giving the opportunity for positive reinforcement when appropriate.

Furthermore, protective mechanisms need to be in place that allows for discussion and reporting of ethical dilemmas (Wallis, 2010). Employees must know and feel that they will be supported when needed to maintain an ethical environment. When situations are reported, they must be handled in a manner that does not breed a fear of punishment or loss of job security (Schwepker, 2001). This is a significant portion of creating an environment that allows employees to make the 'right' decisions.

Ethical standards set the tone for organizational performance. Despite training and enforcement, many employees will look to see if the organization "walks the walk" as well as "talk the talk." It is, therefore, important that leadership model the expected behaviors during all interactions. This is one of the major factors missing in the 21st century. Leaders will say the right words, but their actions do not match (Garia, 2014). If employees see leaders do not take ethics seriously, then they will not either. Leaders then need to be a role model and be visible to show the importance of taking the ethical high road (Wallis, 2010).

Conclusion

Business ethics is a factor that has become scarce in 21st-century business practices. However, it is one that is needed in order to attain success and longevity for any organization. One must take the time to fully understand ethics and its importance in meeting the requirements of social responsibility. Then, it must be integrated into the organization's culture in such a way that it is at the forefront of all interactions and decisions. Through education, support modeling and enforcement, leaders can assist their teams in becoming an ethical organization that focuses on the betterment of people and communities while working towards the company's mission.

Organizations do not need to decide between being successful or ethical, but rather become successful by being ethical.

About the Author

Dr. Natacha Dolson is, first and foremost, a Christian, mother of three and Navy wife. She holds a master's degree in administration from Fairleigh Dickinson University and a Doctor of Strategic Leadership from Regent University. Natacha has over a decade of experience in leadership serving as a director various organization's that serve adults with intellectual disabilities. She is also the co-owner of Partners for Change, LLC – a consulting firm that is dedicated to ensuring organizations are functioning at their full potential. Natacha believes that by putting ethics at the forefront of organizational culture, not only is success attainable, but making a positive impact on the world is possible. People always say, "it's not your job to save the world." but Natacha always answers, "you're right, it's all our jobs." Questions or comments regarding this article may be directed to the author at: Natacha.Dolson@gmail.com.

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