

# Understanding Organizational Ethics

## Defining Ethics

At first glance, the very idea of defining ethics seems a bit ridiculous and overblown. Ethics, in its abstract, philosophical form, may need study and debate, but in practical use, ethics seems self explanatory: do the right thing; follow the golden rule. Within the milieu of an organization, however – whether the organization is academic or corporate – the definition of ethics is not so easily apparent.

By the commonly embraced definition, ethics is doing what is right. In a personal context, the set of decisions that form one's ethics are based on a personal code and reflect the convictions of the individual. Personal ethics are relatively simple on a practical level. They are connected to concepts of right and wrong, and personal choices and sacrifices are linked to a sense of ethical correctness instilled by religion or society. Among the many images ingrained in our imaginations by Loony Toons is the soul in an ethical dilemma with the proverbial angel and devil seated on her or his shoulders. The image may be silly, but the implications are clear: there is a *right* choice and a *wrong* choice in ethics. The trick is making the right choice for the greater good, a choice that leads to a clear conscience and intangible reward.

Ethical decision making is not, however, so easily evaluated within an organizational structure. Decisions in an organization or business with a complex management structure, a profit needed for survival, and a concern for success (financial or otherwise) are more complex with

wider reaching implications than those under the purview of most cartoon angels and devils. The long-reaching effects of a decision may be profound. The choice may deeply affect other parts of the organization – jobs, policies, customer perceptions. More often than not, ethical decisions must be made, not between right and wrong, but between right and right; the difficulty lies in whose right represents the appropriate choice for that situation. Ethics within the context of an organization is a complicated idea desperately in need of definition and clarification.

## The Emergence of Organizational Ethics

The entire notion of "organizational" or "business" ethics emerged in the post-World War II era and reached its height in the 1960s and 1970s. During that time, a concept called *corporate social responsibility* was popularized. In essence, the idea of organizational ethics proposed that in order to be successful in an increasingly public world, businesses had to be responsive to the social concerns of their customers – they had to willingly undertake socially responsible actions without any legal compulsion. In the end, it was proposed, the potentially costly but socially responsible decisions would actually increase an organization's success. People would respond to the good will of the organization with their time and money. Good ethics would create a positive image and promote success.

Time and practical experience, however, called the notion of corporate social responsibility into question. Some socially responsible decisions, although ethically necessary under that paradigm, were disastrous for an organization in terms of cost and competition. Other choices were so damaging to the organization's structure or morale that they were impossible to successfully implement. From the concept of corporate social responsibility gradually grew a complex and contentious field of study examining the meaning of ethics within an organizational context and attempting to train students, managers, and executives in ethical decision making and the application of ethics to the complexity of modern organizational structure.

The problem with the organizational ethics in the modern world is essentially the same difficulty that has always arisen in addressing ethics. Taking moral and social ideals and applying them to an organizational structure that demands the maintenance of authority and the acquisition of a profit (even if that is merely time or operating costs) is a difficult task. Organizational ethics requires one to take an abstract, philosophical set of codes or ideas and translate them into practical actions which may be adapted to an almost infinite set of choices and situations. Putting lofty ideals into the muck of corporate reality isn't just difficult. It's practically impossible.

### **Why Worry about Ethics?**

So, if the transition from ideal to reality is so difficult, why do academic councils, business schools, and corporate management continue to emphasize ethics? Why not simply drop the difficult subject and move on to the more accessible business of running an organization and maximizing resources as efficiently as possible? There are a myriad of answers to those questions, ranging from the invocation of a moral imperative to the concept of enlightened self interest. Ultimately, however, the majority of those examining organizational ethics return to a broadly defined, but definite answer: relationships.

On both the personal and organizational level, moral decisions are guided by relationships – relationships with society, relationships with friends and family, and relationships with self. Those relationships rely upon trust and upon transaction. In order to maintain a successful relationship, there must be a sense of trust. One must be able to depend on the other(s) in the relationship to live up to expectations. Good relationships rely on clearly defined roles and expectations and keeping those relationships healthy often means living up to those standards. The trust that someone will live up to those expectations creates a transaction – a sense of confidence that if you put another's well being before your own, they will reciprocate in some way. Good relationships are rarely so cut and dried, but the basic principle holds true. Relationships last because they are built on the trust that there is mutual respect, care, and reliability. Ethics within a relationship is not built merely on a short-term profit or a tit-for-tat favor trade. It is built on a long-term confidence and a sense of care built through an extended record of trustworthiness and actions.

The continuing study of organizational and business ethics has come to a similar conclusion. Business ethics applied only for purposes of self-interest is hollow and likely to crumble under the weight of profit loss. Business ethics applied only on the basis of a philosophical moral imperative is illogical, impractical, and unsatisfying at a real manager/employee level. The creation of ethics as a form of relationship, both within an organization and between the organization and its customers, however, creates a strong, practical basis for ethical behaviors. If an organization can nurture a sense of transactional trust between its employees, moral decisions will result more frequently; a concern for doing what is "right" and understanding the "more right" of two correct decisions in a specific context is far easier when there is a sense of care and expected reciprocation.

Similarly, working toward a similar type of trust with customers improves ethical decision making; customers gain a sense of loyalty to a company, expecting it to hold moral standards. The company expects that customer loyalty in return. Put simply, ethics is simpler when we care and when we are assured that the person on the other end of the decision cares as well.

That transactional relationship is increasingly the focus of organizational ethics. The problem with it, however, is that it is a delicate concept that requires at least 2 willing participants. (That's frequently the problem with relationships). The real-world practice of organizational ethics is not easy. Media reports of CEO's behaving badly and the crumbling of giant corporations are constant reminders of the consequences of ignoring ethics. But the creation of a way to apply ethics, from student government and academic organizations to the multi-million dollar boardroom is difficult.

## **Making Ethics Work – For Real**

Many organizations and their members see ethics as yet another layer of bureaucracy. Attempts to discuss or train organizational ethics or establish an ethical code are met with skepticism or derision. Others see the organizational ethics as synonymous with community involvement or social responsibility. Many organizations set up a token ethical code or public set of ethical values and proceed to ignore them. Doubt about the value (or lack of value) of organizational ethics is viable. Many organizations are caught up in the trend of ethics without truly considering its importance and the risks and hard work associated with its application.

The real application of business ethics to any organization requires risk and empowerment. Employees must understand that the commitment to ethical decision making is a serious one. They must also understand that ethical mistakes are a part of a process. Creating the kind of internal relationships that encourage ethical decision making is as problematic as any other type of relationship. Mistakes will be made, and if a company is not willing to

encourage personal responsibility without radical punishment in dealing with those mistakes, ethics will never be meaningful. Authorities must be willing to model the behavior that is ethical within the organization, and they must be willing to teach those who work under them how to make ethical choices in difficult, practical situations.

Understanding that ethics are used and applied within an organization is also vitally important. Business ethics is essentially different from personal ethics in that it is frequently not a decision between moral rights and wrongs. It is a decision about what is morally right in terms of the ideals and goals of a particular organization. A code of ethics that is imposed by an authority figure and then abandoned creates a sense that the so-called commitment to ethics is only lip service. Ethical codes and standards must be living documents, constantly being changed and evaluated, and constantly being put into practical application. Until an organization is willing to make that kind of investment, binding ideals into real actions, ethics cannot become a meaningful part of their activity. Posted lists and signed pledges mean far less than day-to-day applications.

In the modern context, ethics is an essential component of any organization or business. Yet in spite of its almost universal acceptance, organizational ethics remains difficult to define and apply. Understanding that organizational ethics is about prioritizing moral values in a particular organization and then pulling behavior into coordination with those values is a first step in ethical behavior. Understanding how to apply that definition to an organic, constantly changing workplace is an even bigger challenge. In the end, however, understanding organizational ethics and learning the skills to apply them in academic and business situations is a vital part of success. It is a skill that must be cultivated, but it is one worth nurturing.

# Sources and Resources

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*"This article is based on an evaluation of published original research related to ethics education in disciplines supported by professional education, including education, nursing, allied health, journalism, social work, public health, engineering, and LIS. The study considers data related to research design, methodologies used, populations studied, approaches to measuring impact, levels of impact, and publication in the journal literature."*



***Integrity without knowledge is weak and useless,  
and knowledge without integrity is dangerous and  
dreadful.***

— Samuel Johnson