

The Value of Ethics in Organizations

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Abstract

Many organizations overlook the need and value of strengthening ethics because they have a code of conduct statement or occasional ethics training. However, these have proven to be ineffective in some cases.

There are barriers throughout the organization that make it hard to consider stronger ethics and even harder to take effective actions. Unethical business practices are gaining more and more attention in various industries. Codes of ethics are being revisited with attention being placed on what may be missing. With unethical practices on the rise, companies are asking themselves if they have ethical leaders.

Over the last decade, organizations have experienced its share of ethical dilemmas. The behaviors leaders have appropriated have resulted in one scandal after another. Headlines have been ripe with allegations of unethical behavior daily.

Unethical behavior isn't associated with one organization or industry. It spreads across organizations and people at the local, state, national and international levels. Betrayals by leaders seem to have catapulted to a larger scale and year after year the same betrayals continue. People have become weary and untrusting of organizations and for good reason. It seems that basic values have been regulated to an afterthought or no thought at all, behind profits and promotions.

According to Agbim et al. it is important to explore how spiritual values influence one's perception, choices, actions and relationships with others positively. The question this paper explores is, "Does one's spirituality influence how leaders act at work?"

Agbim et al. argue that the internalization and practice of spiritual values by leaders will ensure spiritually virtuous and ethical organizations.

Keywords: Ethics; Organizations; Ethics codes; Moral courage; Whistleblower; Ethics enforcement; Institutional betrayal

Introduction

Some would never attribute the lack of ethical behavior in organizations to a lack of spiritual connectedness. However, one could argue that very point. Spirituality lies at the heart of what sets the moral compass of individuals and those individuals set the tone and establishes the culture of the organizations they lead [1]. As scandals increase, public distrust also increases. Scandals range from discrimination, sexual harassment, unfair labor practices, cheating, fraud and the establishment of programs that profit the leaders while at the same time hurting the customers they serve [1].

Well before the scandals of the 20th century with Enron, WorldCom, and Tyco, corporations had struggled with their leaders behaving ethically. As the 21st century dawned and other scandals came to the forefront, there continues to be a repeat of unethical practices. In fact, because of leadership greed, laws were enacted to help protect the public. Although additional laws were established decades earlier due to unethical practices, they seem to have very little influence in changing behaviors. One such law was the Sarbanes-Oxley Act of 2002 [2].

This is also known as the "Public Company Accounting Reform and Investor Protection Act" and "Corporate and Auditing Accountability, Responsibility, and Transparency Act". This is a United States federal law that set new or expanded requirements for all US public company boards, management and public accounting firms with several provisions that apply to privately held firms also. Sarbanes-Oxley was enacted as a reaction to several major corporate and accounting scandals, including Enron and WorldCom.

Yet, after all the attention given to the biggest scandals of the 20th century, we continue to see a rise in bad behavior. One of the largest corporate scandals of 2018 came from the sovereign wealth fund, Malaysia Development Berhad, which was created to attract foreign investment. Instead, criminal and regulatory investigations revealed embezzlement on an industrial scale. The scandal was shocking, but even more so when the perpetrators were to be the former Prime Minister, Najib Razak and his inner circle. This scandal was of epic proportions with an estimated \$4.2 billion in that fund embezzled. Also, there were three senior Goldman Sachs bankers, one of which was the Goldman's Southeast Asia chairman and managing director. Not only were bankers involved, but an attorney trust account of two of the nation's largest law firms, Sullivan and Cromwell, and Sherman and Sterling, were used to conceal the embezzlements [3].

Uber Technologies' former CEO, Travis Kalanick, did not help build the confidence of the public when he directed Uber drivers to continue working during a taxi worker stoppage, thus taking advantage of the taxi protest. What further exasperated the public about the lack of moral leadership at Uber was when claims of widespread sexual harassment, began to emerge. The public became so incensed with Uber that at least a half-million users deleted their Uber accounts.

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United Airlines was not that far behind on the list of corporate scandals over the last couple of years. The most notorious involved the forcible removal of a passenger on an overbooked flight. Although the CEO came forward and made a statement denouncing the customer's treatment, the public was outraged that anything like this could happen in the first place. Protestors and disgusted customers had a huge influence on the call for better leadership oversight. Their voices and actions were so loud that the federal government got involved and the CEO ended up being grilled by Washington lawmakers regarding policies and practices of United States.

Finally, the Wells Fargo scam of 2017, which began in 2011, demonstrated how easy it is for leaders' goals in a corporation can create an atmosphere of greed, fraud, and dishonesty. Under pressure, employees had to meet steep sales goals and incentives. Thus, Wells Fargo employees created over a million fraudulent accounts in customers' names. The schemes of Wells Fargo aren't new. Wells Fargo has been caught in several scandals. Mostly due to hitting targets, employees routinely created workarounds to meet the demands placed on them by senior management. The culture established by senior management provided the breeding ground for unethical behavior to not only evolve but to thrive. Senior leadership's sales goals were extreme and the incentives for compensation and employment also added to the stress for employees in that environment.

These companies are only a few of the top scandals over the last decade that points to how leadership either actively engaged in unethical behavior or turned a blind eye to it when it was clear that it had become woven into their organizational culture.

Organizational Culture and Ethics

Organizational culture refers to the beliefs and values that have existed in the organization for a long time, and to the beliefs of the staff and the foreseen value of their work that will influence their attitudes and behavior [4,5].

Leaders must adjust their leadership behavior to accomplish the mission of the organization, but not to the extent of using unethical means in doing so. Leaders must model ethical behavior but the question becomes, "how?" and "what informs their moral core?"

Organizations are not unethical; leaders in scandal-ridden organizations are Enciso [5] posited that business organizations should strive to create ethical cultures to win consumer loyalty. They should do so to safeguard long-term success.

To provide ethical leadership is one of the most important responsibilities of a leader. When leaders fail to carry out this task, it puts the organization, as well as careers, at-risk.

Ultimately, the leaders bear the responsibility of promoting ethical behavior. People imitate what they see the leaders do. Therefore, when leaders act badly, it is only a matter of time before others follow suit. When leaders learn to reward good ethical behavior and punish bad, this sends a strong message to others regarding the guiding principles of the company. Leaders must reinforce morally upright behavior and hold accountable those who do not follow the ethical code. In doing so, they create and cultivate positive company culture.

Ethical Leadership

Effective leadership occurs when ethical leaders are in place. Ethical leaders understand how their behavior sets the stage for how employees and others will do business. If organizations want ethical

employees, leaders must model ethical behavior. Leaders establish the organizational culture and thus, the need for ethical leadership and how it is manifested in organizations must be an intentional endeavor.

Kanungo and Mendonco [6] proposed a three-component ethical leadership model: the ethics of the leader's motives, influence process strategies, and the nature of the self-transformation needed for ethical leadership. Kanungo [6] posits that before one can answer the question of how can we judge leadership in an organization to be ethical or unethical, one must define what is meant by 'leadership' and 'ethical'. These researchers define leadership as having two dimensions, a set of role behaviors and an influence process. Ethical implies morality. What is considered morally right may conflict with what is legal. Thus, morals go beyond what is legal or procedurally right. To capture the essence of Kanungo's definition, he turned to Thomas Aquinas and found that for leadership to be ethical, they must be correct in three factors: the objective act, the motive, and the context.

Leaders are responsible for the actions of those in the organization; however, they are also responsible for the moral climate. If the leader is not developed morally, that leader may restrict the moral development of his or her followers. Leaders develop morally from character formation which is the direct result of practicing virtuous habits. Followers can be developed morally if the right strategies and tactics are put in place by the leader and if those strategies and tactics are guided by a moral compass. Kanungo argues that ethical leadership is manifested in three dimensions: the leader's motives; the leader's influence strategies; and the leader's character formation [6].

Bass and Steidlmeier [7] postulated that underlying ethical leadership are three pillars: (1) the moral character of the leaders; (2) the ethical legitimacy of the values embedded in the leader's vision, articulation, and program which followers either embrace or reject; and (3) the morality of the processes of social ethical choice and action that leaders and followers engage in and collectively pursue.

There are many ethical theoretical models for organizations to use if they find their leaders are coming up short in the area of ethical decision making. However, research indicates that current ethical decision-making models may not be all that they are represented to be and may not yield comprehensive answers or lead to improved ethical decision making. It is posited that these models are not theoretically grounded. As such, one could argue that the missing component of these models rests with the spiritual foundation some attribute to the moral fiber of society.

Spiritual Connection

The moral compass many people have stemmed from a spiritual tradition, whether they practice that tradition or not. That tradition or its principles have been passed down from one generation to another.

It is argued that spirituality can support the workplace and can create a caring organization that will benefit from employees who are strong in personality traits, committed, productive, and also willing to engage in spirituality in the workplace.

Spirituality is not religion *per se*; therefore the idea of it should not tie to the notion of conversion or any other religious practice.

Giacalone and Jurkiewicz [8] argue the need for a spiritual connection has become important to a wider audience, partly because of an ongoing upheaval in organizational structure, which often results in feelings of insecurity regarding one's place in the system. The character and ethical underpinnings of corporations are questioned and

organizations are asking themselves, “are our leaders ethical?” because there continue to be issues with corporate finances, corporations ignoring generally accepted accounting procedures, a disregard to do the right thing concerning people, business, and the environment.

The link between spirituality and work is not new. For centuries, people have tried to interpret their work through religious lenses. Since the 1990s workplace spirituality has gained momentum partly due to the enormous cost of disregarding human resource standards as they relate to business practices [9,10].

Spirituality operates on two levels simultaneously: Individual and Collective.

Individual spirituality evolves from the values, feelings, and practices of each person in the organization. This is the culture of the organization. Leaders who engage in spiritual behaviors commonly nurture their inner selves and they strive to get in touch with their deep desires and feelings, seek purpose, and establish deep connections with others and with a power greater than themselves.

A leader who pulls from a spiritual connection generally cultivates a collective spirituality also. That collective spirituality should positively influence the workplace. Thus, affecting change in the organizational culture and fostering shared meaning and connection throughout the organization. Spirituality should impact values and these values play an important role in our lives, helping one to recognize, understand and articulate one’s values set becomes critical in sound decision-making. When employees find meaningful alignment with their values and those of the employer, a powerful connection is made. This connection creates opportunities for the person and the organization to produce and manifest growth in a variety of ways.

Collins [11] argues that spirituality motivates individuals to behave in a consistently ethical manner, maintain humility, and treat others fairly. The repeated practice of spirituality affects and fuels positive character traits of integrity, humility, and justice.

According to Collins [11], spiritually motivated people seek to live by a set of universal principles. Leaders, who follow the principles of love, truthfulness, and respect for human rights and dignity, are more likely to be people who act as moral persons. Collins argues that these people do not fall to greed, ego, or destructive motivations that undermine their careers as was the case for former Enron CEO Jeffrey Skilling, former Tyco CEO Dennis Kozlowski, and former WorldCom CO Bernie Ebbers. They act honorably and honestly.

Integrity refers to how one lives up to their values and if they deal honestly with others. Integrity also informs ethical behavior and contributes to how others perceive the leader.

Jim Collins, the author of *Good to Great*, conducted initial research that identified certain traits of highly effective leaders; not only were the people of high morality, but they were also humble. Humility has been studied both as a separate entity and as seen within various forms of ethical leadership. Collins [11] describes ‘Level 5 leadership’ as one where the leader combines intense professional will with personal humility. Humble leaders place the needs of the followers above the organization, and this humbleness allows an organization to move forward

Caldwell also conducted a study of 12 ethical perspectives and

found humility as an ethically-relevant leadership construct that helped leaders build followers trust and commitment Caldwell [12] also posited that great leaders were known for “ethical stewardship” because they believed in creating committed relationships that maximized stakeholder value over the optimization of wealth [13].

Conclusion

Ethical standards are the principles and values of our society. In the western world, these principles can be based upon a particular religious tradition or believing in someone greater than oneself. It can also be based on valuing others and making sure the organization and its followers’ needs are met before one’s own. In large part, in western societies, ethical standards are based, in part, on Judeo-Christian principles. Generally, these ethical standards are what the majority of society views and accepts as good. It is also the way we behave without laws or regulations imposed to make sure we act appropriately.

Within society, sanctions are often imposed on those who fail to follow ethical standards, and laws dictate consequences for those found guilty of unethical behaviors.

Ethics reaches far beyond the law. Does one wonder if ethics can be taught or are they innate? This is a question that remains. However, there are limitations as to what can be taught as is seen through the years of ethics training and we continue to see bad results. Do honesty and character come as a result of one’s upbringing influenced by some sort of spiritual component? The answer remains unclear. Although most psychologists and researchers agree that ethics can be taught, why isn’t it sticking? Is it perhaps the lack of a spiritual foundation?

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