



GNITED MINDS
Journals

*International Journal of
Information Technology
and Management*

*Vol. VII, Issue No. X,
November-2014, ISSN
2249-4510*

ROLE OF ETHICS AND ITS STANDARDS IN ORGANIZATIONAL EFFECTIVENESS

AN
INTERNATIONALLY
INDEXED PEER
REVIEWED &
REFEREED JOURNAL

Role of Ethics and Its Standards in Organizational Effectiveness

Sharad Kumar¹ Dr. Abha Purohit²

¹Ph.D. Scholar, Jodhpur National University, Rajasthan

²Dean Faculty of Management, Jodhpur National University, Rajasthan

Abstract – Organizational cultures are complex combinations of formal and informal systems, processes, and interactions. Formal organizational culture components are comprised of leadership, structure, policies, reward systems, socialization mechanisms and decision processes among other things.

Keyword: Ethics, Organizational Culture, Leadership

1. INTRODUCTION

The discussion of complex issues, associated with ethical or unethical behavior in business organizations, has become prominent in human resource development (HRD) literature in recent years. Hatcher and Aragon (2000a; 2000b) have provided a compelling rationale for development of standards on ethics and integrity for HRD research and practice. This initial discussion was followed by a special issue of *Advances in Developing Human Resources*, devoted to an in-depth analysis of theoretical and practical challenges of developing such standards, and the reporting of empirical studies and/or practical work related to the implementation of ethical HRD practices (Hatcher & Aragon, 2001). More recently, several articles in AHRD journals have reported results of empirical research or provided theoretical frameworks, related to the study of ethical behaviors in various segments of HRD work. McDonald and Hite (2005) have discussed ethical issues in mentoring and the role of HRD; and Douglas (2004) has conducted empirical case study-based research to identify ethics challenges, associated with attempts to create shifts in values and behaviors in organizations. Russ-Eft (2003) pointed out the scarcity of empirical studies on factors leading to ethical or unethical behavior in business organizations. Furthermore, according to Russ-Eft, HRD scholars need to concentrate on researching the role of learning and development in creating ethical business cultures, and the role and effectiveness of HRD interventions aimed at developing ethical cultures.

Though the objective of this study is to identify components of ethical business culture, empirical research, reported in business ethics, organizational psychology and management literature, suggests that

ethical or unethical behavior in organizations is a function of both individual characteristics and contextual factors (Meyers, 2004). Among these contextual factors, organizational culture is considered to be one of the most important influences (Trevino, 1986; Cohen, 1993; Meyers, 2004). In recent years, a number of research studies have attempted to link various attributes of organizational cultures to ethical behavior (Frederick, 1995; Trevino & Nelson, 2004). However, to our knowledge, none of the published studies propose comprehensive models of characteristics of ethical corporate cultures. Therefore, the goal of the reported study was to identify characteristics attributed to ethical business cultures by business practitioners. In this paper, we first briefly summarize the results of our review of literature on ethical corporate cultures and formulate the research question. Second, the study design, methodology, and sample are explained. Next, we present and discuss the study findings, including the list of attributes of ethical corporate cultures. Finally, implications for further research and HRD practice are discussed. Broadly defined, ethics is the study of human behavior viewed through a set of distinctive values and rules as it pertains to moral right and wrong (The Internet Encyclopedia of Philosophy, 2007). In anthropological literature, culture is defined as accepted behavioral standards within the confines of a specified group as guided by a pattern of shared learned beliefs, traditions and principles (Bolman & Deal, 1997; Trevino, 1990b). Schein defines organizational culture as learned responses where “basic assumptions and beliefs that are shared by members of an organization... define in a basic “taken-for-granted” fashion an organization’s view of itself and its environment” (1985, pp. 5-6). For the purposes of this paper, ethical business culture encompasses for-profit

organizations comprised of individuals working reciprocally with internal and external stakeholders. Though the objective of this study is to identify components of ethical business culture, from a holistic perspective an ethical business culture fosters an organizational environment guided by shared values and beliefs (Trevino, 1990b). Furthermore, it is an environment where employees are not only expected to discern right from wrong, a basic minimum, but more importantly are expected to go beyond the minimum to explore and implement ethical decisions when all choices seem right.

An ethical culture is associated with a structure that provides for equally distributed authority and shared accountability. It also has policies such as an ethical code of conduct that is clear, well communicated, is specific about expected procedures and practices, thoroughly understood, and enforced (Trevino et al., 1999). In addition, incentive systems are deliberately and clearly tied to behaving in concert with the code of ethics and accomplishment of non-economic goals in addition to economic outcomes (Trevino & Weaver, 2001). The socialization process of an organization with an ethical culture reinforces the practice of the values in a mission statement on a daily basis, so behavior is focused on issues of health and safety of employees, customer and community responsiveness, and fairness. In fact, employee perceptions of fairness or justice in an organization have been found to have central importance in creating an ethical culture (Trevino & Weaver, 2001). In addition, the decision-making processes in an ethical culture are designed to consider the ethical ramifications of business decisions instead of cost-benefit analyses alone.

The informal elements of a cultural system are less tangible aspects of organizational behavior. Such aspects include norms for behavior that are consistent with the ethical standards or the code of conduct, mission, and decision-making processes (Trevino & Brown, 2004). Consistent role modeling of such behavior forms the basis for a strong culture where everyone understands what is appropriate for the company. Other elements of the informal culture include the communication and belief in heroes and role models, along with myths and stories about how ethical standards of the organization have been upheld and revered by members (Trevino, 1990a). Such heroes and stories transcend the formal organizational culture and inspire others to behave in an ethical fashion. Organizational rituals also help to bolster this informal culture by sustaining the ethical values of the members over time. Finally, the language used by organizational members plays a crucial role in shaping behavior in the informal ethical culture. Use of moral or ethics "talk" to address problem-solving and decision-making situations creates an awareness of the ethical dimension of such processes. Ethical cultures have leaders and members who engage in ethics talk regularly in pursuit of organizational activities.

2. REVIEW OF LITERATURES:

Informal culture components include implicit behavioral norms, role models, rituals, historical anecdotes and language (Trevino, 1990a; Cohen, 1993; Frederick, 1995; Schein, 2004; Trevino & Nelson, 2004). Organizations possessing ethical cultures create and maintain a shared pattern of values, customs, practices and expectations which dominate normative behavior in the organization (Trevino, 1990a). Leadership is often mentioned as one of the most important elements of an organization's ethical culture (Trevino, 1990a; Brown & Trevino, 2006). Leaders who are perceived as being able to create and support an ethical culture in their organizations are those who represent, communicate, and role model high ethical standards (Brown et al., 2005), emphasize attention to goals other than economic, engage in "ethics talk" (Bird & Waters, 1989) and maintain a long-term view of relationships within and outside the organization. These top managers create and maintain an ethical culture by consistently behaving in an ethical fashion and encouraging others to behave in such a manner as well.

The study was designed based on the grounded theory approach (Creswell, 1998). Grounded theory studies are focused on discovering a theory or a framework, describing or explaining a phenomenon under investigation, by analyzing data collected via field investigations. In grounded theory approach, researchers are not making an attempt to develop a set of testable hypotheses or propositions. Instead, only a general question about the phenomenon is formulated with a goal of leaving sufficient space for emergence of patterns, which could be used in formulating a new explanation of the phenomenon (Grbich, 2007). While grounded theory provides a general framework for designing studies, specific data collection and analysis methods can vary depending on preferences and expertise of individual researchers. In this particular study, data collection was based on qualitative key informant interview method, proposed by Kumar et al. (1993), and the data analysis was based on qualitative data clustering method, developed by Miles and Huberman (1994). According to Kumar et al. (1993), key informant interviews are used when the researchers intend to obtain the data not from a random sample, but from a purposefully selected sample of individuals, who are likely to possess the most relevant information due to their key positions, experience, or expertise in industries or organizations of interest to the researcher. For the purposes of this study, the key informants were defined as top-level business executives, who were likely to have in-depth knowledge of practices (including ethics-related practices) of a variety of business organizations. A number of prominent academics, specializing in business ethics research, were included in the key informant group. The initial group of key informants for the study was nominated by members of the Board of Directors of the Center

for Ethical Business Cultures. Subsequent nominations were obtained through snowballing technique, when study participants were asked to provide additional names of qualified individuals. In addition, some interviews were conducted at a national business ethics conference by one of the researchers and several associates of the CEBC.

Table 1. Industry Affiliation of Study Participants

Consulting & information services	5
Energy sector	7
Finance and Insurance	18
Health sector	2
Law firms	3
Manufacturing	8
Non-profits, foundations, churches	6
Retail	5
Academia	13

Participants were asked to think about business organizations they would classify as having exemplary ethical business practices. Then participants were asked to generate a list of statements descriptive of these organizations' ethical practices and behaviors. Overall, participants nominated 86 companies from nine industry sectors (see Table 2), and generated 389 descriptive statements.

Table 2. Nominated Companies by Industry Sectors

Basic Materials and Commodity	5
Conglomerates	2
Consumer Goods	18
Financial Services	12
Health Care	6
Manufacturing and Technology	18
Service and Retail	27
Transportation	4
Utilities	1

Data analysis included clustering of the 389 statements with a goal of generating a short list of major clusters and representative statements under each cluster. As suggested by Miles and Huberman (1994), "Clustering is a tactic that can be applied at many levels to qualitative data: at the level of events or acts.

3. EFFECTIVE BUSINESS ORGANIZATION

Effective organizations have effective leaders. In an ethical business organization effective leaders "talk the talk" and "walk the walk." In describing Leadership Effectiveness, the overarching theme was that "ethical culture starts at the top and is conveyed by example," the "CEO and senior management live their lives with great personal integrity" and they "do what they say

they're going to do." Leadership, most notably senior management, must embody the organization's values in their own behavior and must articulate those values in a way that is compelling for employees and all other stakeholders. Ethical organizational culture is a nonstarter if senior management refuses to engage and to function as role models for the rest of the organization. Another critical aspect of leadership in an ethical culture is the issue of retaliation. Respondents expressed a belief that an ethical culture is "when ethical issues arise, [the] CEO does not 'shoot the messenger', but gathers facts and takes action." However, building and sustaining an ethical culture is also a two-way street. It depends on "senior management [demanding] ethical conduct at every level of the [organization]." It must permeate throughout all aspects of the business from top management to the frontline employee and throughout all functional systems of the firm.

4. ETHICAL PRINCIPLES

1. Serve the Good of the Whole and the Good of Individuals

This encompasses the affirmative dimension of our ethics. Note the relationship among moral rules (variations of "do no harm"), the moral ideals (variations of "prevent or lessen harm"), and this central principle ("serve the good of the whole"). The moral rules require us to cause no harm, and that applies to everyone. The moral ideals encourage us to prevent or lessen harm regardless of who causes it, but in contrast to the moral rules, we realistically cannot be expected to do that with regard to everyone. However, to serve the good of the whole encourages us to act in ways that manifest our values. Because of our systems perspective, we see the whole as being more than the sum of its parts and thus we look to a composite value that is more inclusive than the greatest good for the greatest number.

2. Always Treat People as Ends, Never only as Means

This principle requires that we respect people for who they are and not merely for what they do. Never treat people as means to organizational ends. Rather, acknowledge and celebrate the importance of their personal life. Do not focus on people's positions, such as "CEO", "manager", "engineer", "accountant", "clerk", or "employee". Rather remain sensitive to the individuals who occupy these positions.

Accept responsibility for the consequences of our actions. Make every effort to ensure that our services are properly used and for the good of the people who are the target of our organizational intervention. Be ready to terminate our services if they are not

properly used or used to the detriment of those we are supposed to help. Make all efforts to see that abuses of power or abuses of persons are named and corrected.

Respect the customs, beliefs, morals, and values of the various communities and countries in which we consult. Constructively confront the counterproductive aspects of those cultures whenever feasible, being alert to the effects our own cultural orientation may have on our judgments.

5. ETHICAL AND PROFESSIONAL STANDARDS

The process by which systems and organizations function and make decisions is as important as the content of discussion in producing results. Another way of saying this is: a group applies process to content in order to make decisions that lead to actions which result in the completion of a task. When a group works on decision making, process includes the following behavior: how people listen, argue, fight, withdraw, and generally support, confront, or undercut one another. Process refers to the emotional ambience, what is implied, and the organizational culture. Whereas, content refers to the communication content specific to the problem-solving or planning behavior. In this field, both process and content are valued, rather than either process or content. Our contribution is primarily in the direction of improving process, whereas our clients tend to primarily value content and tend to focus on the task, and consequently, ignore process. Our challenge is to help clients awaken to the value of process and the way it can help us successfully complete a task. We see ourselves as part of a global community and recognize that our accomplishments as individuals and colleagues in the field are interdependent; that our responsibilities to each other are mutual; and that the fullest use of our potential shall be realized when we coordinate our efforts in the service of a common vision for humanity. To that end, we understand that our values and ethics are both personal and professional. We are in a service profession in which we make ourselves and our expertise available. With clarity we are willing and able to discuss with colleagues and clients the way we practice our profession.

The specific fundamental rights we value include:

- 1) Life, liberty, and security of person
- 2) Freedom of thought, conscience, and religion
- 3) Freedom of opinion and expression
- 4) Freedom of choice. We accept the United Nations'

CONCLUSION

The final list of clusters and statements, associated with each of the clusters, is presented in Table. The five clusters that have emerged are: Mission- and Value-Driven, Stakeholder Balance, Leadership Effectiveness, Process Integrity, and Long-Term Perspective. Each cluster is represented by five to seven descriptive statements. Many of these statements are taken verbatim from interviews with study participants. Others are a result of rewording or combining statements made by different participants, but which had essentially similar meaning.

REFERENCES:

- Bird, F., & Waters, J. (1989). The moral muteness of managers. *California Management Review*, 32(1), 73-88.
- Bolman, L. G., & Deal, T. (1997). *Reframing organizations: Artistry, choice and leadership* (2 Ed.). San Francisco: Jossey-Bass.
- Brown, M., & Trevino, L. (2006). Ethical leadership: A review and future directions. *The Leadership Quarterly*, 17(6), pp. 595-616.
- Brown, M., Trevino, L., & Harrison, D. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97(2), pp. 117-134.
- Cohen, D. (1993). Creating and maintaining ethical work climates: A in the workplace and implications for managing change. *Business Ethics Quarterly*, 3(4), pp. 343-358.
- Creswell, J. (1998). *Qualitative inquiry and research design: Choosing among five traditions*. Thousand Oaks, CA: Sage Publications, Inc.
- Douglas, D. (2004). Ethical challenges of an increasingly diverse workforce: The paradox of change. *Human Resource Development International*, 7(2), pp. 197-210.
- Frederick, W. C. (1995). *Values, nature, and culture in the American corporation*. New York: Oxford University Press.
- Freeman, R. E. (1994). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly*, 4(4), pp. 409-421.
- Friedman, M. (1970). The social responsibility of business is to increase its profits. *New York Times Magazine*, September 13, 1970.
- Grbich, C. (2007). *Qualitative data analysis: An introduction*. Thousand Oaks, CA: Sage Publications, Inc. Hatcher, T., & Aragon, S.

(2000a). Rationale for and development of a standard on ethics and integrity for international HRD research and practice. *Human Resource Development International*, 3(2), pp. 207-219.

Hatcher, T., & Aragon, S. (2000b). A code of ethics and integrity for HRD research and practice. *Human Resource Development Quarterly*, 11(2), pp. 179-185.

Hatcher, T., & Aragon, S. (2001). Academy of Human Resource Development standards on ethics and integrity. *Advances in Developing Human Resources*, 3(1).

Kumar, N. Anderson, J., & Stern, L. (1993). Conducting interorganizational research using key informants. *Academy of Management Journal*, 36(6), pp. 1633-1641.

McDonald, K. S., & Hite, L. (2005). Ethical issues in mentoring: The role of HRD. *Advances in Developing Human Resources*, 7(4), pp. 569-582.

Meyers, C. (2004). Institutional culture and individual behavior: Creating an ethical environment. *Science and Engineering Ethics*, 10(2), pp. 269-276.