

# An Analysis upon Various Challenges of Embedding Ethics in Value-Based Organization

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**Abstract –** The current talk on modernizing organizations and leadership has regularly put a solid accentuation on values and ethics. This article explains on the advantages and difficulties in the integration of values into leadership and organizational actions, most prominently with respect to examinations of values-based leadership (VBL). It is suggested that if the basic achievement factors and the difficulties in executing value-based organization are not recognized, this would prompt unintended outcomes in organizations, for example, immaterial value-articulations, wrong utilization of values, and ill-conceived leadership practices. The talk manages intra-organizational leadership prospects and difficulties, to be specific changes in organizational structures and authority, participation, communication, image and perceptions, and the integration of values.

Ethical principles constitute a urgent territory of civil argument and talk in the worldwide discussion around advances to supportability, and of specific importance to the commitment of businesses and different organizations. Scholars in business ethics have as of late recognized a few difficulties around there, for example, issues of estimation, thoroughness, and seriousness to specialists; corporate social responsibility; and institutionalization of ethics in businesses. In this paper, the effects of a pragmatic values-based assessment approach initially created in another field—instruction for economic advancement—are appeared to unequivocally add to a large number of these difficulties.

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## INTRODUCTION

Values and ethics are at the heart of organizational behavior and leadership. It is becoming increasingly apparent that the full integration of ethical standards and values into business practice is not only preferable, but also necessary for long-term organizational survival (Parry & Proctor-Thomson, 2002). Accordingly, while efficiency and profitability are viewed as a leader's primary objectives, there is a long held view that leaders also have the responsibility for ensuring standards of moral and ethical conduct (Resick, Hanges, Dickson, & Mitchelson, 2006). Moreover, scandals throughout corporate America and Europe have encouraged many organizations to seek leaders who can sustain profitability and embody ethics and positive values within the organization (Reilly & Ehlinger, 2007). The overall consensus seems to be that values are an important factor in the successful leadership of large organizations (Hofstede, 2005) and in creating a competitive edge. Organizational values have been known to partially define the organizational culture and to serve as a bonding mechanism between workers, but in the recent past, values have served as a critical component of the organization's perspective regarding strategic direction, mission determination and visioning (Williams, 2002).

Yet, to introduce organizational values and to integrate values into managerial work as well as organizational procedures and processes is often a complicated and challenging task. At the bottom level, the scandals in which CEOs and other top leaders have demonstrated a severe lack of ethical conduct in businesses have also demonstrated the enormous impact of leaders on their organizations, the conduct of others and on organizational performance and effectiveness, both through their direct actions as well as by creating a climate that sanctioned ethically questionable practices (De Hoogh & Den Hartog, 2008).

There are several studies representing the introduction of value-based organizations as well as suggestions to improve leadership by taking organizational values into account (e.g. Buchko, 2007). However, a systematic analysis of thresholds which we face in executing organizational values and especially, Values-Based Leadership (VBL) is missing.

It is acknowledged that the definition, pursuit and assessment of "sustainability" is not only a technical and political issue, but also a moral and ethical one. Ethical values such as compassion, integrity, justice and respect, and ethics-based decision-making,

underpin every aspect of sustainability, including several that are not fully encompassed by the traditional threefold definition comprising environmental, social and economic aspects. A number of authors propose a “missing pillar” or neglected dimension of sustainability. It has variously been characterized as “cultural/aesthetic” or with a focus on Indigenous communities; “religious/spiritual”; and “political/institutional”. The concept of “ethical values” has been suggested to offer some common ground between these complementary perspectives, and argued as a fourth dimension of sustainability of at least equal importance, inseparable from the others.

Difficulties in articulating and measuring the values dimension have been cited as a reason for its neglect, but recent work claims that these can be overcome. There have also been a number of high-level calls for the establishment of a global ethical framework for sustainability such as by the Earth Charter, the United Nations Millennium Declaration and the Earth Systems Science Partnership. More recently, the Club of Rome’s “Values Quest” program, linked to the United Nations Culture, Creativity and Values Initiative, has explicitly sought to embed ethical values as a key concern in international development discourse.

Thus, dimensions of values are increasingly being developed in sustainable development. Organizations and businesses have a central role in the challenge of developing sustainable societies. Already at the turn of the century, Carroll predicted that ethical approaches to business would become a central concern, and emphasized the need for normative approaches to understanding values rather than mere values clarification or “ethical relativism”. Over a decade later, mission statements, guiding principles, moral standards and Corporate Social Responsibility (CSR) practices and policies, have become commonplace and core to business activities and within them, activities related to values have become increasingly popular. Nevertheless, challenges to the application of ethical values in organizations remain. In 2013, Holland and Albrecht surveyed 3600 members of business ethics societies and networks to identify key future challenges for the academic field of business ethics research. The results included CSR; perceived challenges with legitimacy and credibility of the field; problems of measurement, rigor, and meaningfulness to practitioners; decline of ethical behavior; and the institutionalization of ethics in businesses.

We return to these issues later in this paper, but here note the overlap of several current issues in wider sustainable development, such as the actual application of ethical behaviors and developing measures for values dimensions.

## A VALUES AND ETHICS (V&E) STRATEGY

Considering its importance<sup>2</sup> it always comes as a surprise to me that many organizations do not have a V&E Strategy—a real *raison d’être* for their V&E

program. Something that states what the expected outcome of having a V&E program is beyond, perhaps, a legal requirement. The CFIA’s V&E vision, for example, is “to establish itself as a values-based organization that fosters continued public confidence in its ability to deliver its mandate”.

A V&E Strategy should clearly articulate the organization’s V&E objectives such as: supporting and helping good people do the right thing; developing a culture in which people can perform at their best, focusing not only on what is done but also, as importantly, on how it is done; integrating the organization’s V&E into all aspects of the organization’s work; and/or, ensuring that processes and systems are in place to allow and facilitate this integration, among others. It should define the roles and responsibilities of all employees with respect to V&E within the organization. It should provide guidance and tools (see below) for ethical decision making in the work life of everyone in the organization, regardless of their level, location or type of work. And it should ensure that the values are integrated into all aspects of the business with a comprehensive action plan in place to support this. Once drafted I can assure you that the Strategy will seem incredibly ambitious but, to quote Robert Browning, “Ah, but a man’s reach should exceed his grasp—or what’s a heaven for?”

If an organization wants to help its employees to do the right thing, then it has to provide the guidance and tools to support them to do so.<sup>3,4</sup> In Canada’s federal government there is a Values and Ethics Code for the Public Sector which contains the values that form the foundation for Public Service and guide all public servants in all activities related to their professional duties. Some organizations have an additional Statement of Values (ours does) which provides more specific guidance based on the organization’s role/mandate. Organizations also need a Code of Conduct that contains the rules and standards of conduct considered necessary to achieve the goals and objectives of the organization. And, as explained later in this article, an organization should have a well-articulated Conflict of Interest (COI) and Post-Employment Policy (COI Policy) containing the rules designed to maintain and enhance public/client confidence in the integrity of the organization, and its employees, by minimizing the possibility of conflict arising between the private interests and public/organizational duties of employees. Policies on the Prevention and Resolution of Harassment in the Workplace, Violence Prevention in the Workplace, Occupational Health and Safety, Use of the Informal Conflict Management Systems, among others, also provide important guidance to employees. Many of these latter policies are referenced in the organizational Code of Conduct.

## **IMPORTANCE OF VALUES-BASED ORGANIZATION AND LEADERSHIP**

We may start with a citation from Messick and Bazerman (1996, 9) who underline that: "Executives today work in a moral minefield. At any moment, a seemingly innocuous decision can explode and harm not only the decision maker but also everyone in the neighborhood." In other words, how can they ensure that their decisions will not backfire? It is obvious that leaders of organizations are in a position to make strategic choices and tough decisions, and they cannot please everyone in the organization. Partially, organizational values can be used as a source of legitimization, establishing creditability and trust, or alternative criteria for controlling and rewarding, and communicating the organization's mission and goals. Moreover, a key question for 21st century organizations is how executives can improve their proficiency in value-based organizations?

Of course, moves towards values-driven organization and values-based leadership in modern organizations are cultivated by instrumental thinking and the desire to obtain more efficient performance (Pruzan, 1998, p. 1380). It is said that it is important for businesses to display ethical behavior in order to attract and retain staff, increase profits, attract investors and government funding, and to enhance their reputation within the corporate world. Additionally, as McDonald (1999, pp. 143–144) notes, organizations are looking for material of a more pragmatic nature that will assist them in making values operational and mechanisms by which values can be integrated

into their organizations. However, a values-based environment would offer an alternative, especially in terms of better stakeholder value and the legitimacy of the organization's activities and managerial actions (Brytting & Trollestad, 2000).

At the same time, value-based organizations and VBL are believed to guide organizational members towards goals which benefit the organization, its members, stakeholders, and society (Kanungo, 2001). VBL is often positively related to satisfaction with the leaders, perceived leader effectiveness, and followers' job dedication and willingness to report ethical violations (Brown, Treviño, & Harrison, 2005). Some also refer to the fact that VBL foster greater accountability, increased organization valuation, and gaining the competitive edge, attracting and retaining staff and investors, and enhancing the organization's reputation within the corporate world (Buckley et al., 2001; Pruzan, 1998). In this vein, value-based organization as well as VBL is also criticized, because sometimes for instance, top executives might see ethics as "good business" in terms of enhanced image, reputation, and as a source of competitive advantage (Buckley et al., 2001).

The anecdotal perspective tends to tell stories about or provide case studies of various leadership practices on introducing values, then infer that values are essential components of the organizations' success. Such discussions conveniently ignore the fact that some very unsuccessful companies – such as Enron, Arthur Andersen, World.Com – had a well-defined and well-articulated set of core values (Buchko, 2007, p. 37; Graber & Osborne Kilpatrick, 2008, p. 179).

Yet, despite the negative sounds of the prominent ethical scandals of the past several years, scandals have brought values to the forefront of the business world and organizational behavior (McCuddy, 2008).

## **VALUES AND ETHICS TRAINING AND AWARENESS BUILDING**

If I had to pinpoint one activity that accelerated and increased the awareness of the importance of V&E within our organization it was, and continues to be, an effective V&E training program.

Courses can be live or online, or both. Research has demonstrated, though, that for V&E, live classroom training is preferable. One employee said that while they enjoyed the on-line course that we offer, being able to discuss ethical issues with their colleagues face-to-face, and to be able to get immediate answers from the live trainer for their ethical questions, was "great" and much more effective. We offer live V&E courses every year.

Courses can be for all employees, for managers and supervisors, for senior executives, or for specific risk groups.

Our first course was developed for managers and supervisors and included our senior executives. We structured it this way because we realised how critically important they were to the successful implementation of our V&E Strategy/ Program and the ongoing ethical dialogue that would be needed (see below).

Training courses can cover values, ethics, ethical decision making, ethical dialogue, internal disclosure (whistleblowing in the US), conflict of interest, and conflict resolution, among other topics. Regardless of what is covered, to be effective, courses must make extensive use of organization-based scenarios. It is these scenarios that resonate with employees and allow them to see how the values of the organization can help them make decisions to resolve the scenario.

Courses should be followed up by a "Level III Diagnostic" after 6 months to a year. It's not really to retest the knowledge retained, but to determine if the behaviours discussed have translated back into the workplace.

Additionally, courses should always be complemented by on-going V&E awareness building activities, to keep the ideas fresh—perhaps a monthly quiz on the organization's website or a new video (there are lots of free ones out there).

### **A VALUES AND ETHICS LEADERSHIP TEAM (VELT)**

A VELT is comprised of members from each area of the organization. These are regular employees representing all levels and types of jobs within the organization, and are not employees of the organization's values and ethics office. The VELT promotes, builds, and reinforces a strong values and ethics culture within the organization; provides energy and a strategic focus for values and ethics within the organization; serves as an extension of senior management on values and ethics, as members represent the different groups within it; encourages values and ethics dialogue throughout the organization; promotes awareness at all levels of the organization of employee roles and responsibilities with respect to values and ethics; and serves to facilitate culture change within the organization.

In our organization the VELT, with members across the country, meets monthly through conference calls and has two full-day, face-to-face retreats a year.

### **THE CRITICAL SUCCESS FACTORS IN EMBEDDING VALUES-BASED ORGANIZATION**

As mentioned above, organizations are seeking routes to introduce and integrate values in their business, actions and leadership. Thus, on the basis of positive yields as well as critical notions, the suggestions for value-based organization and leadership are critically discussed in terms of elaborating on the critical success factors. The elaboration of the critical success factors also reveal what is happening in modern organizations and what issues are essential for successful leadership in 21st century organizations.

In this section, the critical success factors of values-based organization can be listed as follows.

1. Traditional power is becoming powerless in flat and professional organizations.
2. The participation of stakeholders is suggested to be intensive and extensive.
3. New forms of control and feedback are needed.
4. The communication of values should be clear and straightforward.
5. Leadership stands for fostering a good image and perceptions.

All these five critical success factors are discussed in detail in the following subchapters. First, the critical success factor for the value-based organization is presented in each subsection. Then, the needs, preconditions, and arguments for finding solutions are rationalized and justified – why it is necessary to solve and what leaders should consider. And, what additional benefit do we gain from introducing organizational values into leadership and organization?

Additionally, it should be recognized that the approach in this article to organizations is leader-centered. This approach is encouraged by the hypothesis and research findings that the ethical orientation of the leader is a critical issue to consider in understanding the ethical and values-based practices in organizations (Hood, 2003). Also, leadership and how it is practiced in the organization have a considerable effect on the organization's success, and the ways in which the organization reacts to changes in the competitive environment, as well as how people, customers and stakeholders are motivated, engaged, and treated.

Thereby, organizational structures and managerial functions are seen as issues that could be affected by leadership, and thereby, the introduction of the critical success factors as well as challenges revealed in the subchapter can be solved by leadership activities. The alternative approach would be, for example, to represent that leadership is a complex interaction between the leader and the organizational environment, when leadership is partially determined by the changes in both the environment and leadership itself.

### **CHALLENGES AND PRESENTATION**

Particular elements to this kind of organization and what leaders have to solve are: 1) plurality of the value-basis, 2) bargaining hinders the achievement of mutual and shared values, and 3) leadership does not contain role-modeling in regards to and linked to organizational values. Solutions or steps to create an integrated value-based organization, on the basis of these three points are that, firstly, if value-basis seems to be too plural, leadership efforts should be concentrated on developing value-congruence. Secondly, creating neutral platforms for negotiations and invoking the organization's strategy are probably the best ways to avoid unnecessary bargaining in an organization. Thirdly, a kick-off for the role-modeling is to try to increase trust and lead by practical example.

As discussed above, there are great pressures and multifarious opportunities as well as challenges for leaders to assess or reassess their organization's strategic moves, to develop roadmaps for personnel and production, to make operational plans detailed, and to evaluate projects and process implementation. Organizations are more dynamic than ever with increased global competition, complexity, rate of



change, new technologies, economic uncertainties, and the movement towards a service-oriented economy (Millick, 2009). The integration of organizational values into an organization's practices and leadership often helps to tackle the challenges. But what do leaders have to do and how can they cope with the diversity of requests present in their organizations?

We might use the five success factors for a value-based organization which were analyzed above. In order to reveal the challenges, and especially the future of this organization, the discussed challenges are summarized here and several alternative strategies to overcome the challenges are presented. In this paper, the key arguments of this article are repeated (left column), then the particular challenges that each argument creates are expressed in the middle column.

Furthermore, to depart the limitations and the challenges of VBL, some alternative strategies to overcome the explicated VBL challenges are presented in the right column. challenges is not simply a matter of 'ethical policing'. Rather, it opens up the possibility to rethink the organization, strategy, and operative goals, and to motivate and reward people. Also, recognizing challenges contributes to the personal and professional development of leadership via promoting increased harmony and awareness between individual and organizational values.

## CONCLUSION

So there you have it, ten practices that I have found to make a difference especially to employee awareness of values and ethics and the ethical culture of the organization. For us, value-based organization and especially VBL has represented conscious actions in leadership where organizational values are put into practice in terms of achieving organizational goals and efficiency. In this sense, VBL embodies profound and principle-oriented leadership acts in which daily and technical questions of management are merely left in the background.

Of course, it is fair to say that VBL is not purely an alternative approach; it is complementary to other leadership efforts such as strategic leadership and Human Resource Management. As Treviño Brown, and Hartman (2003) conclude, ethical leaders do many of the things 'leaders' do, but within the context of an ethics agenda.

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