



A Business Case for Training in Business Ethics

- Dr. Ruth D'Souza



The views on both sides of the debate are strong. The question of whether ethics should be taught remains. Read on to get deeper insights on this issue.

The fiscal year 2010-2011 will go down in the annals of Indian history as a year of 'scams'. What began with the discovery of the biggest corporate scandal involving the inflating of profits of the IT global major -- Satyam dubbed by leading economists as 'India's Enron', has turned into a virtual tidal wave of expose's on corruption.

The corporate scandals appear to be a direct consequence of widespread greed. Managers and their lawyers, investment bankers and accountants simply lied to investors for their own avaricious gain. But the root of the problem is not just human nature. It stems from the overriding objective of a company's management to maximize shareholder value, with a philosophy that ends justify the means!

A fact not discussed widely is that the financial crisis has also been driven by widespread ethical lapses. Recklessness also features among the sins underlying the financial turmoil. Then there is the rampant materialism "I-want-it-all-now" mentality. Thus, at the heart of the banking, housing, credit card and job crisis and in general the economic crisis is a crisis in ethics.

There is clearly a trust deficit in leadership in India as well as around the world and a growing sense of frustration at the increasing lack of ethics in public life. Ethics is a real problem which needs to be addressed.

Business Ethics - An Oxymoron?

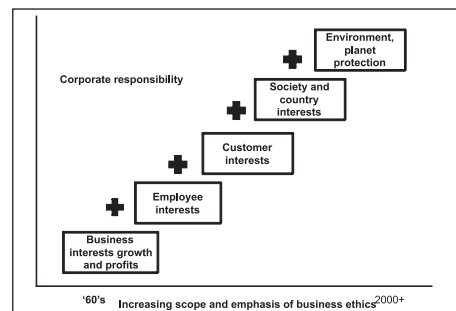
Most large organizations have explicit business values and ethics policies, a key element of which is a code of ethics. Yet on a daily basis the media is full of examples of serious violations involving many of these companies. What are the causes of the apparent gap between having published ethical principles and their becoming embedded in the bloodstream of an organization? Is it true that business ethics is truly an oxymoron?

The term 'business ethics' is generally used to portray two different concepts. First, it

describes the relationship of civil society to the business sector. Second, it involves the interaction of business entities with their main constituents: employees, customers, suppliers and shareholders.

Ethical issues often arise when the desire for short term profit affects the way a business is run. However, these arguments cannot be used as an excuse for business to be unethical. Business does not operate in a vacuum. It operates within the thick of the social environment.

In the face of worsening social and environmental problems, consumers, investors and society in general have begun to call on companies to assume their portion of social responsibility and to conduct their businesses in an ethical manner.



A Problem of Choice– Conflict of Interest

Ethical problems arise not because of people's tendency to do evil, but because of the conflicting nature of standards and interests, which are valid in themselves. Problems in ethical decision-making and behavior occur only when individual interests and social norms conflict with each other.

Research has already shown that ethics do pay. Since unethical practices cost industries billions of dollars a year and damage the images of corporations, emphasis on ethical behavior in organizations has increased over the recent years.

Why Is Business Ethics Needed?

The major reasons behind ethical business practices are:

1.To prevent businesses from abusing the rights of the general public.

2.To protect employees from being subjected to unethical practices.

3.To ensure businesses remain economically viable by complying with the value system of a society in which they operate.

4. To protect business itself from unethical practices of employees.

5.To act as major motivator for ethical employees to achieve a high degree of productivity.

A business cannot afford to have a reputation for not behaving ethically, which can in turn be damaging to its business interests.

What's Driving Business Ethics Today?

The *AMA/HRI Business Ethics Survey 2005* clearly illustrates that businesses view ethics as having a big impact on their brands and reputations as well as on customer trust and investor confidence. Business ethics isn't only about “doing the right thing” or even avoiding the kind of scandals that can utterly devastate a company. It's about good business.

Some of the key findings in that survey on what is influencing ethics in today's organizations, and how business ethics may evolve over the course of the next 10 years are given below:

1. Reason for running an ethical business, today and in the future, is the imperative to protect a company's reputation.

2. Maintaining an ethical business environment has become more important and more challenging in today's fast-changing global marketplace.

3. The pressure to meet unrealistic business deadlines or objectives is the factor most likely to cause people to compromise ethical standards in companies.

4. Business scandals have had a major

impact on business ethics issues in recent years but, in the future, globalization and competition will be the top business drivers of ethics.

5. Laws and regulations are, and will remain, the most influential external drivers of corporate ethics, but issues related to the environment are expected to become considerably more important in the next 10 years.

6. As technologies grow ever more powerful and pervasive, they will raise difficult ethical questions which companies will have to deal with.

7. Globalization brings many ethical challenges, especially in developing nations where issues related to forced labor, child labor, and working conditions are top concerns.

8. Corporate culture is crucial to creating and maintaining an ethical environment, but culture is notoriously difficult to shape and change. Doing so requires a systems framework approach.

9. Leaders who support and model ethical behavior and communicate such values are critical to a company's ethics.

10. Establishing codes of conduct and training programs are seen as the most important corporate practices for contributing toward an ethical culture. Also important are ombudsmen to provide confidential and informal guidance and help lines to officially report malfeasance.

11. Having the right measurements and indicators is necessary to gauge the corporate ethics environment.

12. The companies with best-in-class ethics practices will increasingly gear their strategies toward “external” stakeholders.

13. In terms of serving customers and investors, ensuring transparency is key.

14. The best way of encouraging ethical conduct among suppliers is through codes of conduct and audits.

15. In the near future, companies will seek

ways to become more proactive in terms of dealing with problems that pose, or may soon pose, ethical challenges.

Can Ethics be Taught?

Recognizing the danger of students carrying unethical and wrong beliefs into the corporate world, and in response to the increasing number of corporate scandals, management institutes like the IIMs have now made it mandatory for students to take a course in business ethics.

Yet, the debate is: Can business ethics be taught? Many people feel that ethics is simply something you must learn at a young age. If one subscribes to this view, then ethics education is a waste of time and money. On the other hand, many also feel this is not true. Each of us has faced numerous ethical dilemmas.

The broader question about the source of ethical and unethical behavior is based on the “nature/nurture” debate in psychology. Are we more the result of our genes (nature) or our environments (nurture)? Most studies find that behavior results from both nature and nurture. When it comes to unethical behavior, the answer is not either/or, but and.

The above proposition makes it clear that ethics can indeed be taught. Ethical behavior relies on more than good character. Although good upbringing may provide a kind of moral compass that can help the individual determine the right direction and then follow through on a decision to do the right thing, it's certainly not the only factor determining ethical conduct. In today's highly complex organizations, individuals need additional guidance. They can be trained to recognize the likely ethical dilemmas in their jobs; the rules, laws, and norms that apply in that context; reasoning strategies to arrive at the best ethical decision; and an understanding of the complexities of organizational life that can conflict with one's desire to do the right thing. For example, businesses that do defence-related work are expected to comply with a

multitude of laws and regulations that go far beyond what the average person could be expected to know.

The ethical decision-making process involves three basic steps:

- Moral awareness (recognizing the existence of an ethical dilemma),
- Moral judgment (deciding what's right), and
- Ethical behavior (taking action to do the right thing).

All of these steps are influenced by two types of factors:

- Characteristics of individuals and
- Characteristics of organizations.

The question of whether ethics should be taught remains. Many still believe that ethics is a personal issue that should be left to individuals. They believe that attempts to teach ethics are inappropriate efforts to impose certain values and to control behavior. But this does not negate the responsibility of employers to teach employees what they need to know to recognize and deal with ethical issues they are likely to face at work. Failing to help employees recognize the risks in their jobs is like failing to teach a machinist how to operate a machine properly. Both situations can result in harm, and that's just poor management.

Individuals do come to organizations with predispositions that influence their behavior, but the work environment can also have a large impact. Making ethical decisions in today's complex organizations isn't easy. Good intentions and a good upbringing aren't enough. The special knowledge and skill required for making good ethical decisions in a particular job and organizational setting may be different from what's needed to resolve personal ethical dilemmas, and this knowledge and skill must be taught and cultivated.

Therefore, organizations that neglect to teach their members “ethical” behavior

maybe tacitly encouraging “unethical behaviour” It is the management's responsibility to provide explicit guidance through direct management and through the organization's formal and informal cultural systems. The supervisor who attempts to influence the ethical behavior of subordinates should be viewed not as a meddler but as a part of the natural management process.

Conclusion

Educational institutions and work organizations should teach people ethics and guide them in an ethical direction. Ethical problems are not caused entirely by bad people. They're also the product of organizational systems that either encourage unethical behavior or merely allow it to occur.

While individual characteristics are a factor in determining ethical behavior, good character alone simply doesn't prepare people for the special ethical problems they're likely to face in their jobs or professions. Special training can prepare them to anticipate these problems, recognize ethical dilemmas when they see them, and provide them with frameworks for thinking about ethical issues in the context of their unique jobs and organizations.

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