The Role of Ethics in 21st Century Organizations

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Abstract

Business ethics is a highly discussed and debated subject in today’s corporate and business world, as well as in educational and academic circles. There are certain parameters, which influence the extensive level and degree to which ethics has been analyzed by scholars and researchers in recent years, such as globalization, technology, intangible assets, talent management. Meanwhile, organizations that are inclined in performing according to ethical standards, morals, and values, have recognized the importance and significance that ethical procedures and policies are communicated and practiced throughout the entire organization, while at the same time becoming a priority for the administration of the organization. Organizational and educational leadership is responsible for practices such as creating the foundations for the resourceful and ethical performance of the business. It is one of the most powerful and important aspects of human activities in organizations. Given that leaders are the most influential body in any institution greatly impacting the organizational culture, they are the ones who ought to promote and model principles and values in accordance to the objectives, mission, and vision shared with employees. Although ethos as a principle and value was first discussed in the ancient Greek philosophic circles, where it was characterizing the virtuous and moral beliefs, attitudes, and acts, the importance of the principle of ethical behavior had not been “apparent” until recent years that individuals and organizations have been researching to find ways that ethical behavior can be integrated into corporate practices. Moreover, ethics and the notion of ethical behavior and value systems in the organizational setting have become an organizational precedence in the 21st century. While leaders have numerous external factors, which present opportunities and threats, such as keeping up with the technology advancements, globalization’s outcomes, threats of the competition, they also have to keep up with internal tasks and practices such as the alignment of mission, vision with the organizational culture, the strategies designed and the goals pursued for their own organization. Although the role of a leader is a complex and multifaceted one, he/she must also integrate ethical practices in their organizations’ policies.

Keywords: Culture, ethics, leadership, organization

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INTRODUCTION

Business ethics is a highly discussed and debated subject in today’s corporate and business world, as well as in educational and academic circles (Brown, Trevino, & Harrison, 2005). In practice, it is the application of ethical values and morals to everyday business processes, behavior, and policies. Ethics is a practice that applies to everyone employed in the organization, regardless of position, level of responsibility, and range of responsibilities (Paliwal, 2006). As Peter F. Drucker (1981) states ethics is non-negotiable, there is one ethics. There are morality rules and ethical behavior code that applies to all people alike. Ethical behavior and undertakings relate to actions, which are characterized by “honesty, integrity, morality and good management practices” (Paliwal, 2006, p. 4), while earning profits for the business organization.

There are certain parameters, which influence the extensive level and degree to which ethics has been analyzed by scholars and researchers in recent years, such as globalization, technology, intangible assets, talent management (Eryaman, 2007; Frynas & Melahi, 2011; Noe, Hollenbeck, Gerhart, & Wright, 2014; Paliwal, 2006, Picciano, 2011). Furthermore, there are factors, which inhibit ethical intentions and behavior such as increasing competition; pressure for profits and return on investment; political corruption; values and morals not considered important by younger generations; the expectancy of fast money and profits; and disregard for social responsibility, honesty, and integrity (Brimmer 2007; Paliwal, 2006).

Meanwhile, organizations that are inclined in performing according to ethical standards, morals and values, have recognized the importance and significance that ethical procedures and policies are communicated and practiced throughout the entire organization, while at the same time becoming a priority for the administration of the organization (Brimmer, 2007). These standards must be modeled and practiced while having the commitment of the administration of the organization. Moreover, there must have been established a formal code of ethics outlining the policies, regulations, and expectations for all stakeholders. The code of ethics must be thoroughly communicated throughout the organization in formal an informal ways (written and oral communication) while making sure that there is provision for guidance and support in cases of dilemmas or insecurities. The organization ought to provide a thorough training program to prepare the employees for the policies, practices, and expectations in order to increase employee “ethical awareness” and to “define criteria for ethical decision-making within the organization” (Paliwal, 2006, p. 19).

Additionally, when designing ethical programs, it is necessary to assign the leading role for the ethical implementation throughout the organization to an ethics officer who will be undertaking the role of a guide towards ethical decision-making and practices. Moreover, the ethics officer will be encouraging accountability and ownership towards the ethical program throughout the organization. The ethics officer ought to design response and enforcement methodologies through the provision of rewards. At last, investigations and provision of consequences in cases of behaviors, which are in non-accordance to the ethical program, must be reinforced by the ethics officer, while evaluating the program when the need arises for reevaluation and redesigning of sections of the program (Paliwal, 2006).

Values are “what we choose as worthwhile or believe to have merit in a general or broad sense. Issues of right or wrong are related to one’s values. So, values represent a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence. Values are deep-seated ideas and feelings that manifest themselves as behavior or conduct these values. The true reflection of one’s values is his/her action” (Paliwal, 2006, p. 23). Values are unwavering and enduring. They represent the foundations of a person’s character. Moreover, they are the abstract version of what people believe to be right. They guide what actions are proper and meaningful for individuals to pursue. Also, values have intensity which explains how important they are. When an individual experiences his/her values becoming internal, they also become part of his/her character. Moreover, his/her actions become impulsive and constant and intuitive (Hannah, Schaubroeck, & Peng, 2016). The family, the school and the
educational systems he/she attends, recreational activities he/she attends, religion, society and community residing in, form values.

From the analysis of values and ethics above, their significance cannot be overstated. Meanwhile, the implementation of ethical practices and programs in the corporate environment can be challenging. All functions must be included in the design process and policies must be applicable to all employees, with respect to people being hired, fired, as well as respect for and employee privacy. Furthermore, besides the responsibilities that the organization has towards its employees, it is of utmost importance that the employees support their organization, are trustworthy and loyal. In addition to the employees and the administration, there are internal and external stakeholders who affect and are affected by the organization; thus, they must be considered regarding their interests and welfares when designing the ethics program’s policies, and practices (Paliwal, 2006).

Leadership is responsible for practices such as creating the foundations for the resourceful and ethical performance of the business. It is one of the most powerful and important aspects of human activities in organizations. Companies invest tremendous amounts of funds on training effective leaders given that the long term survival as well as growth of organizations starts with ethical leadership. It is common knowledge that integrating ethics into organizations needs true leaders promoting the organization’s ethical mission, vision, goals, and objectives. The ethical leaders ought to continuously assess their follower’s needs and expectations, motivate them and direct them, in an effort to reach and materialize the shared mission and vision (Brimmer, 2007). Ethical leaders are the key to communicate organization’s values and beliefs. To take the organizations on excellence path, a blend of strategy and culture is required which effective leadership can achieve. Strategic thinking and cultural building can be built up by leader’s moral principles and integrity. Leadership makes real difference between success and failure.” (Hoch, Bommer, Dulebohn, H., & Wu, 2018)

**Why is the principle of ethics necessary and significant?**

The importance of the principle of ethical behavior had not been “apparent” until recent years that individuals and organizations have been researching to find ways that ethical behavior can be integrated into corporate practices. Internal and external stakeholders have been pressuring organizations to support ethical practices within and throughout their organizations in order for the latter to be promoting procedures and practices aiming towards common good and benefit (Eryaman, 2008; Child, 2015; Trevino, Weaver, & Reynolds, 2006).

Ethics and the notion of ethical behavior and value systems in the organizational setting have become an organizational precedence in the 21st century. Ethos was first discussed in the ancient Greek philosophic circles, where it was a principle characterizing the virtuous and moral beliefs, attitudes, and acts (Sulmasy, 2013). Ethics are “neither a luxury nor an option. Business ethics is a set of principles that guides business practices to reflect a concern for society as a whole while pursuing profits” (Brimmer, 2007, p. 12).

Ethics as a practice does not merely affect the organizational decision-making but consequently the organizational culture overall. “To achieve this ideal, there must be an alignment process that integrates business ethics with mission, vision, strategies and goals” (Brimmer, 2007, p. 3). Ethical principles have bedrock on social values; thus the alignment will be relevant to relationships while interpersonal anticipations are defined. The outcome, which is an ethical organization, is the utmost gratifying one. Internal and external relationships are built and enhanced. Therefore, all parties involved directly or indirectly are “treated well consistently and an ethical culture emerges. A great opportunity awaits organizations alert to the potential of ethical” practices integrated in the everyday business operations (Brimmer, 2007, p. 3). These notions place Corporate Social Responsibility (CSR) at the very essence of leadership and management providing for the welfare of employees, while ensuring that all stakeholders benefit from the corporate practices (Child, 2015).
What happens when ethics is not implemented

Designing and implementing ethical programs in today’s corporate and business world can be challenging, especially given the degree of corruption in society and loose values and principles governing the intentions and actions of people regardless of position and responsibilities. Furthermore, the extensive number of scandals and lawsuits surfaced has prompted some multi-level and multi-discipline research (Ferrell, 2016). There has been research providing insight about what promotes and dictates unethical behaviors, such as personal backgrounds and character traits, tendencies to act upon hidden agendas, low level of job satisfaction, demographics and gender. These tendencies govern the decision-making process; the younger and the less educated the individual is, the higher the likelihood to make wrong or poor choices (Bolman & Deal, 2017). Unethical practices focus on the egoistic personality characteristics, promoting “an everyone for himself” atmosphere. Furthermore, research has proven that there are cases in which unethical choices, behaviors and actions are the products and outcomes of deliberate and “impulsive automatic pathways” thus showing that they cannot be anticipated and therefore premeditated for” (Kish-Gephart, Harrison, & Treviño, 2010, p. 21).

On the contrary, when the organizational environment supports its employees and guides them to be attentive towards the welfare of all stakeholders, whether internal or external, all parties involved benefit. Employees and administration, together, work towards common goals and objectives, being guided by the shared mission and vision. Additionally, community is appreciative of the caring climate encouraged by the organization, as well as the intentions and supporting actions demonstrated by being loyal customers therefore improving organizational performance, and therefore, success and longevity (Kish-Gephart, Harrison, & Treviño, 2010).

When leadership faces moral and ethical dilemmas

It is often the case that administrations face situations, which are not clearly ethical or unethical. People are used to state that an issue faced is either right or wrong. However, as “a slogan on an ethics poster for Boeing states, ‘between right and wrong is a troublesome gray area” (Leadership: Facing Moral and Ethical Dilemmas, 2017, p. 2). Situations such as loss of trust, growing inequality, avoidance to work for the impersonal environment of a corporation, put strain on the day-to-day operations of an organization (Child, 2015).

Leaders are the most influential body in any institution greatly impacting the organizational culture, promoting principles and values in accordance to the objectives, mission and vision shared with employees (Senge, 2006). Although there are circumstances that leaders fine as challenging to make meaningful and purposeful decisions for the common good, there are guidelines that can be followed as long as their intention is to perform and carry out activities and processes towards the common and collective benefit.

Leaders have the moral obligation to create an environment in their organizations where employees experience security, integrity and trust. When employees feel safe and appreciated they accomplish to their potential. This is a contagious and works in a ripple effect connecting the entire organization in a process that goes beyond materialistic compensations. The objective is to engage all stakeholders to operate in such a way that they accomplish “stated goals and do so in a manner that is consistent with the higher values of the organizational community” (Leadership: Facing Moral and Ethical Dilemmas, 2017, p. 3).

Making ethical decisions

Regarding ethics, the literature and research conducted by scholars at mentioned above is extensive. However, there is also extensive debate on whether ethical behavior is innate or can be learned. Although goodwill, values, and principles are cultured and nurtured, there are processes and
guidelines with clearly designed steps aligned with the organization’s responsibilities and commitments, which can guide institutions through the decision-making process. Furthermore, there are theories and approaches that can “guide ethical decision-making” (Making Ethical Decisions, 2017, para.13).

The theories include the utilitarian approach, the rights approach, the common good approach, and the virtue approach. The utilitarian approach dictates that when there is an overlap of ethical actions that can be undertaken, the primary choice should be the one that will be the most beneficial and least harmful to the greatest number of individuals involved. The rights approach evaluates the level and degree of rights that the parties involved have over a decision and who has the most influential right over the others. The community good approach advocates that the community and its benefits should be directed towards the community in its entirety. The virtue approach targets towards the virtues and “desirable qualities” of the individual undertaking the action and how he/she can reach his/her maximum potential. It is important for scholars, researchers, and professionals evaluating and contemplating on these approaches to take into account that each one has its strengths and weaknesses. In the evaluation process, one must consider the fact that not everyone will agree on what is harmful and what is a beneficial; people from different places and backgrounds share different principles, rights and values; it is not necessary that everyone will agree on the same set of common goods and benefits. Therefore, it is necessary and important that when evaluating the most applicable approach to take into account the circumstances and the situation applicable to (Making Ethical Decisions, 2017).

Implementing an ethical culture in the organization through ethical leadership development

What types of culture promote ethics

“We need leaders who lead with purpose, values, and integrity; leaders who build enduring organizations, motivate their employees to provide superior customer service, and create long-term value for shareholders” (Avolio & Gardner, 2005, p. 316). Given the turbulent times that the business and corporate world faces in the 21st century, it is important that the loss of trust in leadership is restored, while the “organization’s values of justice fairness, and equity” are deeply integrated, while confidence, pride, trust, hope and optimism are enhanced (Leadership: Facing Moral and Ethical Dilemmas, 2017, p. 3).

The most important business responsibility of the corporate world is to create, install, and nurture business cultures, which are based on values and principles. This can be accomplished by taking into account four essential elements. First, leadership must instill “shared core values, such as honesty, respect, responsibility, fairness, and compassion” (Brimmer, 2007, p. 4) which must be the ones driving decision-making within the organization. Second, the organization ought to have a common and shared language that all employees understand and feel comfortable to discuss even sensitive or challenging issues. This language is the language of ethics, which must be deeply integrated in the organization’s infrastructure. Third, leadership commitment for the efficient, effective, and purposeful delivery of the ethical program, while rewarding the individuals who abide by the ethical policies, makes the program stronger while the ethical culture is deeply installed. Fourth, facing up to the challenges that may surface, in confidence that procedures and policies are carried out to satisfy the common benefit of the stakeholders and the organization, while neither leadership nor employees feel intimidated or stressed by the challenge or options available for decision-making to be achieved (Brimmer, 2007).

Modeling Ethical Behaviors Start with Leadership

Leaders have the intrinsic responsibility to promote ethical behaviors by demonstrating them. Some of the core characteristics of leadership as mentioned earlier, are integrity, moral behavior,
honesty, trustworthiness, consistency, “courage in adversity, and wholeness” while ethical leadership is defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown, Trevino, & Harrison, 2005, p.120).

Leaders who set the groundwork for ethical organizations promote employee engagement, while making balanced decisions on fair grounds. Employees adjust to the path set by the administration gaining confidence, pride, self-esteem and self-worth, while they model such behaviors to their colleagues, other members of the organization and community, promoting satisfaction, loyalty to the organization, and acknowledgement, towards the leadership and its behavior. Meanwhile, negative or unethical behaviors are either belittled or vanish promoting value systems that are enriched with ethics and moral principles (Avey, Palanski, & Walumbwa, 2010; Piccolo, Greenbaum, Den Hartog, & Folger, 2010). Ethical leaders empower their followers by power sharing and increase their accountability. Employees are involved in the daily tasks necessary for the fulfillment of the mission and vision of the organization, which are shared across the organization. Leaders in successful companies witness the effect that spreading accountability and discipline by modeling them has on the employees. The latter are encouraged to be effective and trustworthy, while eliminating inefficient behaviors. Once the culture of accountability is embedded in the organization and becomes an irreplaceable part of everyday work and performance, the whole organization in alignment with the objectives set and the goals aimed at (Rogers & Meehan, 2007).

Thus, the ethical leader should act as the role model, scaffolding behaviors designing behaviors while the process and mentality becomes embedded in the corporate DNA. Although it is most efficient to begin the organization implanting accountability throughout all levels and disciplines, it can be a function or element integrated after the initiation of the institution. Ethical behaviors enhanced by accountability need to be enriched with trust and purpose in order to build on performance. If these elements are absent even great ideas cannot be executed as successful as their potential was. (Chassin, Loeb, Schmaltz, & Wachter, 2010).

Linking Ethical Leadership to Employee Performance

As stated above, Piccolo et al. (2010) discovered through their research that ethical leadership increases “task significance” which in return improves performance (Piccolo, Greenbaum, Den Hartog, & Folger, 2010). It promotes performance as well as, the potential of employees; in other words using their talents it improves personal and organizational performance. Engaging in ethical leadership the administration can make significant difference to the organization’s current and future outcomes by achieving high performance and success (Ashton & Morton, 2005).

Ethical leadership promotes the transparency of the organization’s business philosophy and the communication of company’s practices, principles, and values (Effron, 2017). The continual purposeful interactions between management and employees are important in the promotion of ethical tactics, while aiming to increase engagement. (Mougalian, 2016). The promotion of organizational culture, targets to increase engagement leading to productivity, innovation, performance, profitability, and thus customer satisfaction guiding the institutions towards organizational success (Ashton & Morton, 2005).

Ethical Leadership Gains Grounds outside the Corporate Walls

The role of the ethical leader is not constrained within the territories of an organization. More and more businesses and corporations undertake social responsibilities promoting values and principles to the community and society, as a whole. As nations have a declining capacity to regulate business practices, private companies undertake the role of regulation and policy implementation. Furthermore, globalization as well as social changes and challenges, have given the organization of the 21st century an additional role: a political role. The increasing speed of global changes, technology,
and the rise of significance of the business in the political and social context, increases the necessity of ethical leadership (Scherer & Palazzo, 2011).

These changes presuppose that a culture of integrity and respect has been cultivated in the organizations promoting ethical procedures and policies towards the increased need for corporate responsibility. Globalization and mass immigration of populations includes movement of people to new lands. In order for them to feel safe while useful and productive, they must be respected and empowered to engage in professional activities. Given these changes, ethical leaders are called upon to design activities and training procedures to embrace these people and incorporate them in their organizations. Meanwhile, their idiosyncrasies must be taken into account when policies and practices are designed. However, administrations should be “getting the best out of people” instead of “getting the most out of them” (Child, 2015, p. 187).

CONCLUSION

This document is an attempt to connect research studies and scholarly articles to recognize and identify the role of ethics in contemporary business organizations. The outcome of this study is that ethics is “a priority” (Brimmer, 2007, p. 2). While leaders have numerous external factors, which present opportunities and threats, such as keeping up with the technology advancements, globalization’s outcomes, threats of the competition, they also have to keep up with internal tasks and practices such as the alignment of mission, vision with the organizational culture, the strategies designed and the goals pursued for their own organization. Although the role of a leader is a complex and multifaceted one, he/she must also integrate ethical practices in their organizations’ policies (Brimmer, 2007; Leadership: Facing Moral and Ethical Dilemmas, 2017).

People around the globe seem to be losing trust in business and politics. The increased publicized corruption and the continuous downfall of principles and values have given rise to the urgent need for ethics to be integrated in corporate practice. Meanwhile, ethics deals with the development of corporate character where individuals employed and communities in which the organizations function, may flourish (Avey, Wernsing, & Palanski, 2012). More and more business organizations identify this need and institutionalize ethical values. Through this process, all stakeholders benefit. Employees have the sense of pride and belonging because they are satisfied to be working for an ethical organization, the community is positive because an ethical organization is one that provides to its community, and the organization because satisfied and motivated employees are efficient and productive while a gratified and fulfilled community is comprised of loyal consumers (Brimmer, 2007).

“The powerful economic, political social and cultural forces at play” lead individuals and organizations to “weigh their alternatives and make choices in light of personal values and goals, but also with consideration to organizational and professional success” (Leadership: Facing Moral and Ethical Dilemmas, 2017, p. 3). Meanwhile, it is important to observe the culture and social environment in the community, and align them with the corporate culture. This will provide information, which is not readily available or accessible that may guide the organization on how to design strategic plans incorporating ethical policies and procedures (Bolser, 2012). Furthermore, it is significant for organizations to devote time and energy in the development of leaders with ethos, integrity, honesty in order for tomorrow’s corporate world to be less corrupt and more compassionate and ethical. Organizations able to “survive and compete in the ever-changing marketplace will be those that have proactively and strategically prepared themselves for future challenges through effective leadership development programs, practices, and systems” (Leskiw, & Singh, 2007, p. 460).

REFERENCES


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