SUSTAINABLE ETHICAL PRACTICES IN CONTEMPORARY ORGANIZATIONS: A PANACEA FOR ORGANIZATIONAL SUCCESS

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ABSTRACT

The concept of sustainable ethical practices in contemporary organizations has become the extensively studied area of research for the emerging scholars, academicians and corporate professionals. The existing literature in business ethics reveals that corporate leaders have tried to use one set of ethics for their professional responsibilities, another for their personal activities and still another for their family responsibilities. This phenomenon of situational ethics has put many leaders into trouble. Business ethics is not a separate moral standard, but the study of how the business environment poses its own unique challenges for the moral person who acts as an agent of the business. The approach of classical organizations towards business ethics was that ethical issues in business is only a term used to define administrative rules and regulations that everyone must adhere or a standard that must be followed. However today, top level management and small business owners have now realized that it is more than that. Business ethics has made important strides over the past decades, but it has also suffered significant failures as witnessed by the long line of business scandals in the past half century. This paper discusses different forms that business ethics has taken in relation to the goal of businesses acting ethically. The present paper concludes that ethical practices are vital in determining the thriving progression as well as sustained growth and success of an organization.

Keywords: Sustainable Ethics; Organizational Success; Contemporary Organizations

INTRODUCTION

Managing ethics in the work place is all about how the values, ethics and moral principles are essential for sound growth and success of an organization. Ethics is defined as that characteristic which constitutes good and bad human conduct and that which decides what is good and evil, right and wrong, and thus what we ought and ought not to do. The ethical sense of right and wrong is derived by a set of social values through which our actions can be tested. In a social group, the ethical standards are set keeping the social values as the base. Values are the central desires of individuals in any social group. They are the choices that an individual makes to enhance the quality of his or her existence.

The word 'ethics' comes from the Greek word ethos, meaning 'character' or 'custom' and the derivative phrase ta ethika, was used by the philosophers Plato and Aristotle to describe their own

studies of Greek values and ideals (Solomon, 2005). Ethics is first of all a concern for individual character, including what we call 'being a good person'. It is also a concern for the overall character of an entire society. Ethics is participation in and an understanding of an ethos- the effort to understand the social rules which govern and limit our behaviour especially those fundamental rules, such as prohibitions and requirements to respect the rights of others, which we call morality. According to Solomon (2005), ethics is that part of philosophy which is concerned with living well, being a good person, doing the right thing, getting along with other people and wanting the right things in life. Ethics is essential to living in society with its various traditions, practices and institutions. Those traditions, practices and institutions determine many of the rules and expectations that define the ethical outlook of the people living within them. In ethics, a person engages in a consideration that what is right and what is wrong (Wicks and Palmer, 2008).

Ethics is important not only in corporate world but in all aspects of life. It is the vital part and the foundation on which the society is build. A business/society that lacks ethical principles is bound to fail sooner or later. According to International Ethical Business Registry, there has been a dramatic increase in the ethical expectation of businesses and professionals over the past 10 years. Ethics refers to a code of conduct that guides an individual in dealing with others. Accordingly, business ethics is a form of the art of applied ethics that examines ethical principles and moral or ethical problems that can arise in business environment. It deals with issues regarding the moral and ethical rights, duties and corporate governance between a company and its shareholders, employees, customers, media, government, suppliers and dealers.

Ethics is related to all disciplines of management like accounting human resource management, marketing and sales, information technology, production, intellectual property knowledge and skill, international business and economic system. The ethical issues in business have become more complicated because of the global and diversified nature of many large corporation and because of the complexity of economic, social, global, natural, political, legal and government regulations and environment, hence the company must decide whether to adhere to constant ethical principles or to adjust to domestic standards and culture. It is obligatory for the managers to remember that leading by example is the first step in fostering a culture of sustainable ethical practices in the organizations. As rightly said by Robert Noyce, "If ethics are poor at the top, that behavior is copied down through the organization", however the other methods can be creating a common interest by favorable corporate culture, setting high standards, norms, framing attitudes for acceptable behavior, making written code of ethics implicable at all levels from top to bottom, deciding the policies for recruiting, selecting, training, induction, promotion, monetary / non-monetary motivation, remuneration and retention of employees.

Developing Ethics of Sustainability

The concept of sustainability has emerged as the most widely used phenomenon in organizational growth and success. The best known definition of sustainability is the one stated in Our Common Future, more commonly known as the Brundtland Report: "meeting the needs of the present without compromising the ability of future generations to meet their needs." Present people have an obligation to future generations to provide them an intact and functioning planet in at least as good state as they received it. The application of the sustainability framework therefore requires a better understanding of the ethical concepts which support it. The sustainability of successful growth and development of an organization requires an integrated approach where all the stakeholders need to be taken into considerations that have a direct or indirect impact on the organizational functioning. In organizational framework, one person's concept of what is ethical may be completely different from another person's concept, and so it's important to establish a collective set of ethics that represent the entire organization rather than just adopting a piecemeal approach. This can be installed through training, through creating business policies and even through careful selection at the HR stage, although it's important that there are also enforcement mechanisms within the business concerned, and that ethics remain a forefront consideration in day-to-day trade to ensure a unified, morally sound approach to doing business.

Table 1. Dynamics of Business Ethics Model

|		Company's View	
		Acceptable	**Unacceptable**
Other's Views	Acceptable	Congruence	Positive Dissonance
	Unacceptable	Negative Dissonance	Congruence

Source: Goran Svensson and Grey Wood (2003). Emeralds' Databank

Putting Ethics into Business

Many leading businesses no longer debate the legitimacy of the role and importance of ethics; rather, they are forging ahead, finding new ways to put ethics into practice. A few recent examples highlight the acceleration of firms taking initiative in developing sustainable ethical practices in business e.g., Nestlé's Water Management Report (2006) on sustainable water management and signaling a company commitment to this issue; CEO's of 10 industrial companies (including Caterpillar, Inc., Deere & Company, and DuPont) publicly advocating for major reductions in greenhouse emissions; GE's Ecomagination, investing in technology and innovation toward environmentally sustainable business ideas; and Business Roundtable's training program for over 20,000 construction workers in the Gulf Coast states. Successful and sustained businesses, at their cores, share a universal trait-they are focused on providing value to and sharing values with the societies in which they operate. In many cases, the members of these societies are directly involved with the companies as customers, employees, suppliers, and shareholders. Fundamentally, business is about creating value for stakeholders. Companies also embed ethics into business in a very basic way by adding value to people's lives. Examples of this include developing products that make life more enjoyable like Apple's iPod or offering progressive employment practices like PepsiCo's flexible work programs. The interests of companies and their stakeholders are, and should be, inextricably linked. Ethical principles provide the foundations for various modern concepts for work, business and organizations, which broaden individual and corporate priorities far beyond traditional business aims of profit and shareholder enrichment. Ethical factors are also a significant influence on institutions and public sector organizations, for whom the traditional priorities of service quality and cost management must now increasingly take account of these same ethical considerations affecting the commercial and corporate world.

Relationship between ethical practices and organizational success

Although ethical management practices may not be linked to specific indicators of financial profitability, there is no inevitable conflict between ethical practices and making a profit. Ethical business or investment is concerned with how profit is made and how much profit is made, whereas traditional profit centered free-market based business is essentially only concerned with how much profit is made. The ethical approach to business and investment seeks to maximize profit and return on investment while minimizing and avoiding where possible negative social effects. Ethical practice must occupy a significant role in development of an organization. Building brands is all about enhancing relationships with the customer and building loyalty based on reputation and trust.
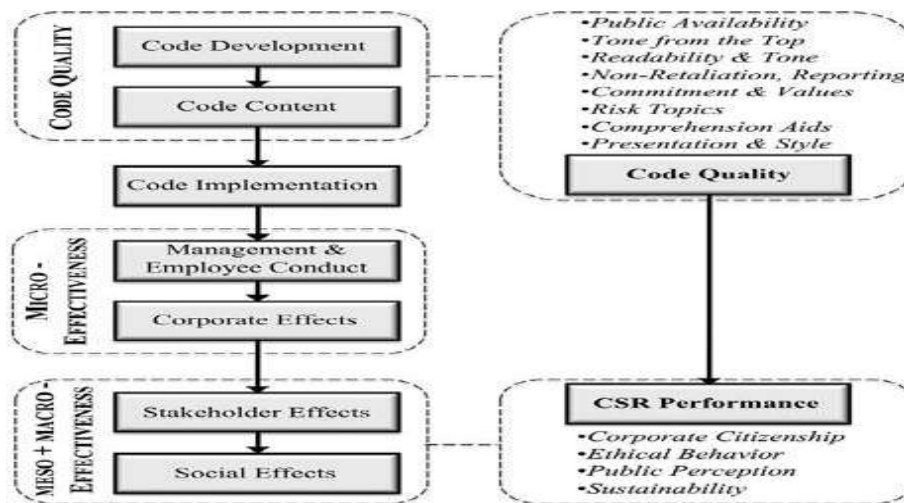
Fig.1. Theoretical framework and research model on the effectiveness of codes of conduct

The modern concept of ethical organizations encompasses many related issues including:

- Corporate social responsibility (CSR) - or simply social responsibility
- The 'triple bottom line'
- Ethical management and leadership
- 'Fair-trade'
- Globalization (addressing its negative effects)
- Sustainability
- Social enterprise
- Mutuals, cooperatives, employee ownership
- Micro-finance, and
- Well-being at work and life balance, including the Psychological Contract.

REVIEW OF LITERATURE

Ethics is inevitable in organizations. Research has shown that ethics does pay. Since unethical practices cost the industries billions of dollars a year and damage the images of corporations, the emphasis on ethical behaviour in organizations has increased over the recent years (Trevino, 1986). To extend this stream of inquiry, researches in the area of ethical behaviour and its determinants in organizations have been carried out in the recent decades (e.g., Trevino and Youndblood, 1990; Witkin and Goodenough, 1977; Blasi, 1980). These researches are based on different models of organizational ethical decision-making and behaviour (Dubinsky and Loken 1989; Hunt and Vitell, 1986; Jones, 1991; Trevino, 1986; Zey-Ferrell and Ferrell, 1982; Beu and Buckley, 2001). Yet, these frameworks have not been able to guide the managers adequately owing to the complexity of issues. The issue-contingent model of Jones (1991) synthesized ideas and constructs from eight previous models as well as a new construct called moral intensity. Wimbush (1999) argued that supervisors can play a major role in influencing the ethical behaviour of the employees who are in their first and second stages of cognitive moral development. For these individuals, their observations about the ethical climate of the work group and personal ethics of the supervisor are critical because they are still developing a sense of what is right and what is wrong. Similarly, when situations are ambiguous, these employees may

engage in feedback-seeking behaviour (Wimbush, 1999). These findings underline the need to increase training on ethics for managers and subordinates, hold managers more accountable for ethical behaviour (Gupta and Sulaiman, 1996; Jones and Kavanagh, 1996), and increase socialization between superiors and subordinates.

A morally educated leader is one, who is equipped with ethical awareness, ethical reasoning skill and is postured to shoulder the duties and rewards of stewardship, including consideration of multiple stakeholder's concerns, before making decisions and using power responsibility (Jackson, 2006). Badaracco (1992) noted that leaders have four spheres of ethical responsibility; as a person, as a company leader, as an economic agent, and as acting beyond the firm's boundaries. Ethics programs are, as is expected, effective in improving the ethical culture of organizations (Trevino and Brown, 2004; Kaptein and Avelino, 2005; Kaptein, 2008 and Kaptein, 2009). Ethical code development issues include consistency with stakeholder values and expectations (Stevens et al., 2005; Weaver and Trevino, 1999) and corporate values and objectives (Kaptein and Wempe, 1998; Webley and Werner, 2008). Furthermore, leaders who are perceived as ethically positive influence productive employee work behavior (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009) and negatively influence counterproductive work behavior (Brown & Trevino, 2006b; Mayer et al., 2009).

Recently, there has been a surge of empirical research seeking to understand the influence of leaders on building ethical work practices and employee behaviors (Brown & Treviño, 2006). Initial theory and research (Bass & Steidlemeier, 1999; Brown, Trevino, & Harrison, 2005; Ciulla, 2004; Treviño, Brown, & Hartman, 2003; Trevino, Hartman, & Brown, 2000) sought to define ethical leadership from both normative and social scientific (descriptive) approaches to business ethics. The normative perspective is rooted in philosophy and is concerned with prescribing how individuals "ought" or "should" behave in the workplace. For example, normative scholarship on ethical leadership (Bass & Steidlemeier, 1999; Ciulla, 2004) examines ethical decision making from particular philosophical frameworks, evaluates the ethicality of particular leaders, and considers the degree to which certain styles of leadership or influence tactics are ethical.

OBJECTIVES OF THE STUDY

1. To study the existing scenario of sustainable ethical practices in the contemporary organizations.

2. To identify the need of practicing sustained ethical behaviours in the present business dynamics.

3. To provide valuable recommendations to enhance the scope of sustainable ethical practices with regard to growth and success of organizations.

RESEARCH METHODOLOGY

The present study is an endeavor to add fresh insights to the existing knowledge of sustainable ethical practices in the contemporary organizations. This has been done by the extensive review of literature in the concerned research area. Therefore, the study is conceptual in nature. The secondary data collected from journals, books, published and unpublished research material, prominent internet search engines, magazines etc. has been subjected to secondary review in order to identify the key elements of sustainable ethical practices and sustained growth and success of an organization.

DISCUSSION AND CONCLUSION

The present day organizations have shifted from functional to amorphous structures and the employees have to behave in an ethical way which creates a dilemma in the minds of the employees. They seem to be so rigid that they resist any new change in their work and organization. So the 21st century organizations have group members, department wise work out ways to incorporate change and facilitate training, reorganized teams, open channels of communication, scientific appraisal system, production oriented and creative teams, information devised on need to know basis and realistic

targets. Hence, there is a need for building consensus among different stakeholders (Government, labour, management) in order to move forward with a positive and pragmatic attitude and face the ethical dilemma. Changing market needs lead to a change in the concept of work. Today, the concept has changed from life time employment to employability life time, from individual to team, from employee as a servant to employer as a partner, from directing to empowerment, from loyalty to competence and from permanent to contract. The feelings and commitment for jobs have changed. The lack of cohesion is seen in the individual. The negative impact entails for a fear of being incompetent and leads to individual stress. This can be overcome with human values and ethics.

Organizations in 21st century have world class ambitions and have to equip their workforce with new management approaches and conduct their business profitably. Thus, the requirement is not only to generate a competitive edge but also cope with uncertainties as the challenge is to grow with profitable revenue and stay alive amidst competition. Only the innovative organizations are going to be in a position to exploit the opportunity. Thus for the 21st century, the change process has to be linked to strategic business objectives of the company. Ethical practices are the essential criteria for attaining sustained growth and success in the 21st century. As the cut throat competition is leading to survival of the fittest one in the market, it requires restructuring of the organization. Organizations have become more conscious of quality, customer expectation, size, empowering employees, seeking strategic alliances with transnational and domestic companies retraining managers and workers and treating employees as the most important entities in an organization. On the other hand, delayering is the process of removing specific organizational structural levels from the existing hierarchy of an organization. It results in flattering of the organization's vertical boundaries. The managers should make clear that it is an effort to weed out inefficiencies and work flow redundancies so that resources can be channelized effectively and organization will thus, add advantage of promoting team work, focus task orientation, cost reduction, effectiveness, improved communication, speed in decision making, simplicity, increase in autonomy, empowerment and increased responsiveness to environment, market and competition.

According to Weaver, Trevino and Colhram (1999), formal corporate ethics programmes are very useful in creating a positive ethical climate in the organization and typically include some or all of the following elements:

- Formal codes of ethics which articulate a firm's expectations regarding ethics

- Ethics committees charged with developing ethics policies, evaluating company or employee actions, and/or investigating and adjudicating policy violations

- Ethics communication systems providing a means for employees to report the abuses or obtain guidance

- Ethics officers or ombudspersons charged with coordinating policies, providing ethics education, or investigating allegations

- Ethics training programmes aimed at helping the employees to recognize and respond to the ethical issues

- Disciplinary processes to address unethical behaviour.

- Ethical leaders must be appointed to positions of authority to start influencing people

- Education programmes to raise the level of awareness and the importance of ethical practices in a society must be established

- Ways to punish unethical practices must be instituted and must be seen to work. The war against unethical practices must adopt a systemic approach rather than a legalistic one.

From the present study, it is relevant to mention that ethical practices are the determinants of overall sustainability of an organization. No organization can achieve growth and success without having

primary concerns towards employees, employers, customers, shareholders, society and so on. Ethical practices become a podium for an organization to achieve its desired goals.

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