Ethical Values & Culture in Organisations

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Introduction

The UNO's 'Universal Declaration of Human Rights[1] is the most important international attempt to articulate human values that transcend culture. The document proclaims the inalienable (exceed limits of go beyond; excel) rights of all humans to freedom, justice and peace. There are universal moral principles that apply to people in all cultures. Leadership is the art of shaping values, and also the art of exploiting the values and beliefs of a culture or several cultures[2]. Culture refers to the rules, customs and standards transmitted from generation to generation as guidelines for appropriate conduct. Values between cultures and within cultures may clash, but objective values such as liberty and equality are valued by people.

A set of primary values are : Do no harm, Do good, Respect autonomy, Ensure justice, Faithfulness, Maintain good faith, Respect the dignity of human life and Seek the common good.

Some philosophers argue that Human Values emanate from Virtue Ethics, which has the following components: courage, self-control, generosity, magnificence, high mindedness, gentleness, friendliness, truthfulness, wittiness and modesty. In International Business, some of the ethical values observed are: Justice (fairness), Stewardship (Trusteeship), Mutual aspect (love and consideration) and Honesty (faithfulness). In Global Ethics, the commitments for values are: Non-violence and respect for life, Solidarity and a just economic order, Tolerance and a life of truthfulness, and Gender equality Commitment is also an integral part of a good value system. When our value systems are clear it will be a lot easier to make decisions and commitments. Lack of commitment destabilizes relationships and leads to insecurity. As per Shiv Khera[3] 'commitment' implies: Dependability, Reliability, Predictability, Consistency, Caring, Empathy, A sense of duty, Sincerity, Integrity and Loyalty. If any one of these ingredients is missing, commitment loses strength.

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Ethical Landscapes

More than 20 years after Enron's ethical debacles, businesses of all size, type and ownership show little meaningful reduction in their enterprise risk of unethical behavior. More and more corporate scandals are taking place. India is not trailing behind. It was Satyam scandal in 2009. Three years before, it was 2G which came to light much later. Much more severe were Spectrum scam and CWG frauds! The Ethics Landscape is Treacherous all over the world. Two equations explain all: (i) High Rates of Misconduct + Low Management Awareness + Few Ethics & Compliance Programs lead to high Treacherous Ethics Landscape, and (ii) Strong Ethical Culture and Well Implemented ethical Programmes, Increased Reporting and action result in Reduced Ethics Risk

National Business Ethics Survey 2021[4] of Ethics Resources Centre, US, reveals some interesting facts. A gist of the survey is given in the table below. Five key metrics that are indicative of the state of work place ethics & cultures in organisations around the world are highlighted. They are: ethical culture strength; pressure to compromise ethical standards; observation of misconduct; reporting of misconduct, and, retaliation perceived by the employees after their misconduct was reported.

Parameters	Pressure to compromise ethical standards	Observations of misconduct	Reporting of misconduct	Retaliation for Reporting misconduct	Strong Ethical Culture
Year of survey	2015 / 20	2015/20	2015/20	2015/20	2120
Country					
USA	20/45	51/49	66/86	33/61	21
Global	22/29	33/33	58/81	74/90	14
India	41/50	40 /39	81/91	40/61	28

Important findings are:

- Pressure to compromise on ethical standards has increased everywhere.
- Misconducts observed remain generally constant.
- Reporting of workplace misconducts has substantially increased.
- Even retaliation for reporting misconduct has increased

Ethical Organization and Ethical Culture

Kirk O Hanson, Executive Director of Markkula Center for Applied Ethics[5], Santa Clara University, USA, outlines the most important dimensions of managing ethics in an organization towards an ethical culture. Hanson's Flow Model and the best practices are explained as below: The values of the organization are visible not only in the overall corporation, but also within each unit of the

corporation. The critical element is to have the executives to model those values. By communicating the values, the company creates systems to embody those values. The values are aligned through escape valves like hotlines or a helplines or a committee that talks about difficult cases. Audit enforcement on the compliance side is also necessary. To emphasize his model, Hanson discussed the best practices and also what can go wrong. Those elements included: Value statements, Codes of conduct, Executive modelling, Training and communication, Systems that embody values, Mechanisms to discuss difficult cases, Hotlines and help lines, Audit, enforcement, and discipline, Governance of ethics and values, and Renewal process.

Value statements: These need to grow out of the experience of the company. An organization can not just have a few words as value statements. The concepts need to go along with the value statements. It is not just words, but values in action need to be captured in phrases and sentences.

Codes of Conduct: The ideal code of conduct is organized, comprehensive, and applies to all employees. While a typical values statement runs about a page, a code of conduct is usually a booklet that includes a background on policies, gives details needed to apply the policies to different departments, and includes instructive Q & As. Even a well-written code of conduct is useless if it is merely a document that sits on the shelf or has unclear application.

Executive Modeling: The management team need to not only walk the walk, but also talk the talk. The CEO has to tell stories about putting values to work. Stories like 'how I faced last week' or 'here is a problem our head of operations faced', and 'here is how it was resolved' are frequently told. This can go wrong if an executive's private behavior is inconsistent with the values or if he misuses himself with corporate funds. Another potential stumbling block can be when the executives never mention values or show disdain for their employees.

Training and Communication: Constant communication and intensive training about values for new hires and also on a regular basis with all employees, is a good practice. Training can come up short if it is obvious that trainers and executives are only paying lip service to the values, or make snickering references to them.

Systems that embody values: The systems created in the company need to embody values. In particular, the performance evaluation system should have explicit references to values, and values need to be integrated into operating systems. Key decisions have to be examined within the scope of values. But if the systems are ignored or if performance pressure or financial criteria overtake values, the ethics get lost.

Mechanisms to Discuss Difficult Cases: Transparency needs to exist regarding tough cases. Employees need to be confident that they can take a tough case to the boss, even if the cost is high and that they do not know what to do. Mechanisms, such as a corporate committee, need to be in place to vet cases. Most importantly, employees need to be confident that they will not be penalized for implementing values. These mechanisms are

worthless, if there is a "do not ask" culture or an unwillingness of executives to share the burden.

Hotlines and Help Lines: The hotlines and help lines are credible ways of reporting. Anonymity of such calls are preserved and the possibility of retributions are avoided. Hotline calls need to be followed-up effectively. If those are lacking, if employees do not understand the purpose of the hotlines, or if the people who answer the phones lack empathy, a hotline goes cold quickly.

Audit, Enforcement, and Discipline: Some of the thumb rules in this category include auditing everything that is important, putting compliance into focus, investigating thoroughly and respectfully, and disciplining appropriately and justly. Conversely, companies can run into problems if compliance is the only message of the values, if compliance and discipline are softer on executives than on other employees and if the compliance system merely protects the company.

Governance of Ethics and Values: Some of the best practices for governance of ethics and values are: Involve a senior executive to oversee the ethics effort, Have a dedicated ethics officer for day to day supervision, Have an active audit or ethics committee, and Periodic reporting to the Board. The governance will be ineffective if ethics is assigned to a lower-level executive, the ethics officer is not respected, the audit committee is uninterested, or and the reporting is merely eyewash.

Renewal Process: The revised values and standards need to be rolled out periodically, may be every

three years. A freshness of the message with each renewal and an engagement of the organization with each fresh message is expected. A renewal can be unsuccessful, if the message remains stale and unchanged, if there is no effort to seek input from the organization, or if recent incidents are either ignored or over-emphasized.

Ongoing Process:

Developing best practices in creating ethical cultures is an on-going process. The whole issue of individual empowerment and how we build in our senior people the sense of ethical backbone, ethical courage, personal responsibility and accountability need to be ingrained in the developmental curriculum. How to address the issue of conveying bad news to the top management, getting people to recognize the urgency of ethical issues and to somehow build into best practices the collegial, collaborative and inter personal relationships need to be emphasized.

Murray David indicates six main areas[6] where business leaders need to focus.

a) Business Benefit: To create a unity in the organization where the members of the organization share their values to create maximum value for shareholders.

b) The Right Thing: To build an organization with true integrity, where besides obeying state laws, provision of best quality of life for its people and action for customer satisfaction is continuously provided.

c) Changing attitudes & aspirations: People wish to live their lives as consistent 'wholes' rather than in 'compartments'. People do not want to leave their personal values behind them when they arrive at the offices or workshop. Murray says that, 'The concept of an ethically distinct world of work, where different values hold sway, is increasingly unacceptable to many people.

d) Changing patterns of work: Workplace environment changes slowly from blue to white collar. More people work with their minds than with their hands. Educated

people articulate and pressure slowly arises to change the old- fashioned value systems within the company.

e) Positive encouragement rather than a negative prohibition: Nowadays people resent 'Thou shall not' philosophy and morality in organizations. Value development enables management to focus on positive messages of improvement and empowerment than prohibitions.

f) An urgent need for value in education: In Western countries, the traditional foundations of moral education and standards are moving very fast away from values. Dejected younger generations are unaware of the basic codes which make a civilized society sustainable. Industry need to play an increasing role in respect of literacy and standards of behavior since schools, churches and families are failing in their corporate responsibilities.

A Research Survey on some MNCs and Indian Companies [7]:

As a part of the research, the author conducted a survey on ethics in a few MNCs & comparable Indian companies at Bangalore, at the level of senior managers, middle managers and employees. The responses for various ethical and cultural factors are indicated in percentages in Table I.

Table I - Survey Results on Ethical Cultures in the company :

	Mid Management		Senior Management	
	Indian Cos	MNCs	Indian Cos	MNCs
Do you think that ethics culture is embedded in your company's overall culture?	62%	68%	85%	47%
Do the employees and managers feel that the ethical culture is the right thing to do for the long term viability of the company?	71%	72%	90%	71%
Do you agree that ethical leadership should be pushed down to the mid management and supervisor level?	71%	55%	80%	76%
Do the employees freely raise issues and concerns without fear of retaliation?	38%	72%	35%	47%
Does the management take necessary actions to identify and remedy the areas	60%	77%	65%	82%
Has the assessment of the present culture ever made in your company?	26%	47%	40%	59%
Does the management provide an incentive for ethical courage?	19%	32%	50%	41%

From the survey as summarized in Table 1, it is to be noted that the degree of responses from MNCs and Indian companies are varying. Mid managers of MNCs generally have higher inclination for ethical cultures whereas the Sr. Managers of Indian companies have a higher orientation for ethical cultures.

Table 2 – Survey Results on Cultural Behaviours & Cultural Gap

	Mid Management		Senior Management	
	Indian Cos	MNCs	Indian Cos	MNCs
Do you say that standards of behaviour laid down and the actual behaviours match?	26%	51%	35%	41%
How is the company's central environment or the foundations of company's corporate culture?	60%	60%	45%	53%
Do you think/agree that the company's leaders are aware of their attitudes, abilities and actions for bridging the gap?	57%	75%	80%	71%

In the area of 'cultural behaviours' and 'cultural gap', the performance of the MNCs are generally better than Indian companies. In the area of 'foundations of company's corporate culture' and its effects on 'cultural behaviours and gap', both MNCs and Indian companies fairly match. The mid managers of MNCs and Sr. Managers of Indian companies are more 'aware of the attitudes, abilities and action for bridging the gap'.

Table 3 - Aristotelian Ethical Cultural Factors

	Employees		Mid Management		Senior Management	
	Indian Cos	MNCs	Indian Cos	MNCs	Indian Cos	MNCs
Respect	65%	91%	79%	94%	95%	88%
Honesty	76%	89%	79%	89%	95%	76%
Compassion	64%	67%	71%	66%	80%	35%
Responsibility	67%	76%	81%	64%	85%	71%

In the level of employees, the ethical cultural factors in MNCs are better. For 'Responsibility' and 'compassion' the mid level managers of Indian companies score better. For 'Honesty' & 'Respect' the Sr. Managers of Indian companies are much ahead of the Sr. Managers of MNCs.

Conclusion

Managing ethics in organizations is not just about managing formal ethical programs. Researchers suggest that a broader ethical climate or culture is important than specific ethics/compliance program goals or characteristics. The elements of ethical culture that guide employers' thought and action include leadership, reward systems, perceived fairness, ethics as a topic of conversation in the organization, employee authority structures and an organization's focus that communicates care for employees and the community.

Middle level managers of MNCs generally have higher inclination for ethical cultures

whereas the Sr. Managers of Indian companies have a higher orientation for ethical cultures. In the area of 'foundations of company's corporate culture' and its effects on 'cultural behaviours and gap', both MNCs and Indian companies fairly match. The middle level managers of MNCs and Sr. Managers of Indian companies are more 'aware of the attitudes, abilities and action for bridging the gap'.

References:

1. Universal Declaration of Human Rights, UNO publication, 1948

2. Ciulla Joanne B, 'The Ethics of Leadership', Thomas Wadsworth, 2002

3. Khera Shiv 'You can Win', Macmillan, 2002

4. Ethics Resource Centre, US – National Business Ethics Survey 2021

5. Hanson Kirk, www.scu.edu/ethics

6. Murray David, 'Ethics in Organizations', Coopers & Lybrand, 1997

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As soon as you die, your identity becomes a "Body". People use phrases like: "Bring the Body" "Lower the Body in the Grave". "Take the Body to the Graveyard", etc. People Don't Even call you by your Name whom you tried to impress whole Life... Live a Life to Impress the Creator not the Creations

Death is not the great loss in life…. Loss is when life dies inside you while you are alive…. Celebrate this event called LIFE. Life is a Gift from God… with your family and friends, professional colleagues and people of the Society and Nation doing your duties to the best of the ability, trusting, loving, and helping each other.