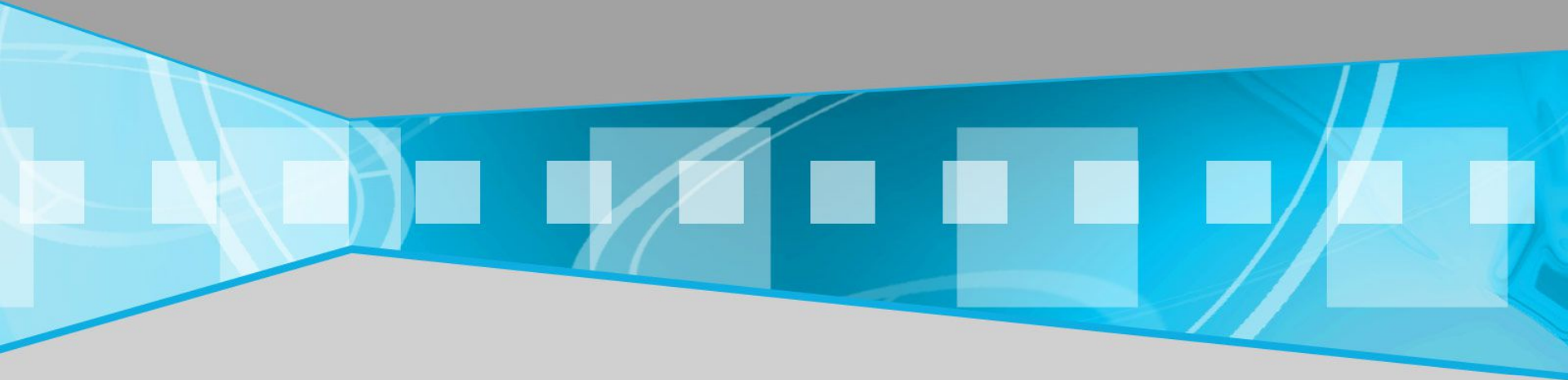


Organizational/Business Ethics

The Integrity Based Strategy

By
Charles D. Little, Ph.D.



Organizational/Business Ethics

A Crisis!

Conflict of Interest

Deceptive Advertising

Social Injustice

Discrimination

ENRON

Theft

Misuse of Technology

Charles Keating (S&L scandal)

Insubordination

Adelphia

Health South

Tom Delay

Dick Grasso (N.Y.S.E)

Dishonesty

Environmental Abuse

Romantic Involvements

Microsoft

Inside Trading

Illegal Business Practices

Defective Products

Sexual Harassment

Kickbacks

Governor of Connecticut

Misuse of Information

Fraud

Martha Stewart

Abuse of Resources

James Traficant (U.S Congressman)

Hewlett-Packard

Falsifying Records and Documents

Organizational/Business Ethics

What is it?

If *ethics* deals with the choices (the morality of right vs wrong) that individuals make in their personal and professional lives, then.....

Organizational business ethics is the application of these morality related choices as influenced and guided by values, standards, rules, principles, and strategies associated with organizational activities and business situations.

“Business ethics deals with choices about what laws should be and whether to follow them, about economics and social issues outside the law, and about the priority of self-interests over the company’s interests.”

Laura Nash, Ph.D.
Harvard University.

Organizational/Business Ethics

Why is it important?



Ethics influence and contribute to:

- Employee commitment.
- Investor and customer loyalty and confidence.
- Legal problems and penalties.
- Customer satisfaction.
- The ability to build relationships with stakeholders.
- Cost control.
- Performance, revenue, and profits.
- Reputation and image.

“One of an organization’s most prized assets is its reputation.”

S. Waddock, Ph.D.

Organizational/Business Ethics

The “Ethical Dilemma”

 The ‘ethical dilemma’ involves all associates in an organization and a multitude of issues:

- Individual morality and integrity.
- Daily choices by every organizational participant.
- The use of power and authority.
- Interpretations of rules and standards from one individual to the next.
- Anything from inconsequential to organizationally and socially significant scenarios.
- Social influences.
- Character.
- Attitudes.
- Personal Values.
- Judgment.
- Opportunities.
- The use of information.
- Ambiguous guidelines.

Plus.....

Organizational/Business Ethics

The “Ethical Dilemma” (continued)



Plus!

1. Laws don't cover everything.
2. Free market and regulated market mechanisms don't describe how to respond to complex issues that have far reaching ethical consequences.
3. Complex problems often require an intuitive or learned understanding and concern for fairness, justice, due process to people, groups, and communities.
4. Consequences.

“To companies and employers, acting legally and ethically means saving billions of dollars each year in lawsuits, settlements, and theft.”

David Callahan, Ph.D.

Organizational/Business Ethics

Ethics starts at the top!



Thus, two things become apparent:

1. Organizational/business ethics are the responsibility of organizational leadership; and
2. The challenge of leaders to create an ethical organization is....*difficult!*

“Leaders play THE key role in developing the ethical organization as they confront balancing operational and profit goals with corporate moral obligations to internal and external stakeholders”.

Teresa Yancey Crane
Issue Management Council

Organizational/Business Ethics

Ethics starts at the top!

 Key Questions for Leaders as they build the ethical organization:

- What are my core values and beliefs?
- What are the core values and beliefs of the organization?
- Whose values, beliefs and interests are impacted by my actions and decisions?
- Who will be harmed or helped by my actions and decisions and those of my organization?
- How will my core values and those of my organization be affected or changed by my actions or decisions?
- How will I and my organization be affected by my actions and decisions?
- Do my actions and decisions represent a consistent set of values?
- From this, how will I approach the creation of an ethical organization?

“The ethics of the organization reflect the ethics and skills of leaders.”

Lee Hartman, Ph.D.

Organizational/Business Ethics

The Role of Leaders



Develop ethical behavioral influences.



Provide sound ethics training



Instill strong organizational values



Implement plans and strategies to achieve ethical excellence



Build an integrity based organization

“Leading an organization begins by identifying and enacting purpose and ethical values that are central to internal alignment, external market effectiveness, and responsibility toward stakeholders.”

**Joseph W. Weiss, Ph.D.
Bentley College**

Organizational/Business Ethics

The Role of Leaders



Develop Ethical Behavioral Influences:

Objective

Code of Ethics

Policy Guidelines

Standards of Ethical Performance

Training

Punishment/Consequences/Discipline

Peer Reporting

Subjective

Moral Development

Appearance of the Act

Intensity of the Choice

Ethical Climate

Culture

Management and Leadership

“Where does freedom of behavior stop and managed (ethical) behavior start?”

James Collins, Ph.D.

Organizational/Business Ethics

The Role of Leaders



Provide Sound Ethics Training:

- Provide rationale for ethical behavior.
- Help associates make sense of abstract ethical priorities (policies, procedures, ethical performance standards).
- Provide intellectual weapons to support ethical standards.
- Enable associates to recognize issues that may result in ethical dilemmas.
- Sharpen sensitivity and conscientiousness of moral issues and moral solutions.
- Strengthen moral courage.
- Improve the moral climate of the organization.

“Leaders define and lead the social, ethical, and competitive mission of organizations.”

N. Tichey, Ph.D.

Organizational/Business Ethics

The Role of Leaders



Instill Strong Organizational Values:

- Strengthens the pursuit of better ways to guide employee decisions and behavior.
- Increases awareness and sensitivity to ethical differences across cultures.
- Coincides with legal and social pressures.
- Ensures that all organizational participants understand and are in close touch with organizational/ethical values.
- Influences the personality, reputation, and image of the organization.

“Leadership requires involvement in stakeholder relationships.”

**John Kotter, Ph.D.
Harvard University**

Organizational/Business Ethics

The Role of Leaders



Implement Plans and Strategies to Achieve Ethical Excellence:

- Set an example.
- Identify ethical weaknesses.
- Look to introduce and rebuild ethical values.
- Assess compliance programs.
- Get commitment of top managers.
- Align ethics with organizational systems.
- Ensure consistency in implementation.
- Monitor and assess.
- Pursue continuous improvement.
- Design an ‘integrity based strategy.’

“The moral decisions of strategy are based and built around ethics. People are motivated to implement strategies that they believe in, have the ability to enact, and produce results worth pursuing.”

G. Hammel, Ph.D.

Organizational/Business Ethics

The Role of Leaders



Build an Integrity Based Organization:

- Starts at the top....leadership!
- Set an example of integrity, honesty, and consistent behavior and reinforce it with associates.
- Be involved.
- Pursue a culture of ethics and raise ethical awareness.
- Establish a system of rewards tied to organizational values.
- Make ethics and integrity a core value, *and* a ‘core competency.’
- Create faith in the integrity of common purpose.
- Inspire! Empower! Build trust!
- Value ownership and entrepreneurship.
- Respect individual creativity.
- Understand socio-emotional behavior.
- Develop emotional intelligence/moral consciousness.

“Leaders monitor and establish the values they wish their company to embody with stakeholders.”

P. Quinn and T. Jones
“Academy of Management Review”
January, 2000

Organizational/Business Ethics

The Integrity Based Strategy

- Not a compliance strategy--more than a code of conduct.
- Provides a firm foundation for ethical behavior.
- Taps into powerful human impulses for moral thought and action.
- Defines and gives life to an organization's values that guide behavior.
- Instills a sense of shared accountability.
- Serves as a frame of reference for all associates.
- Unifies the organization.
- Defines what an organization is: its culture, its values, its integrity, its image, its reputation.
- In line with a contemporary leadership styles.
- Enables responsible behavior and guides self-management.

“The integrity based organization involves a culture of ethics that is not demanded, but desired by all associates.”

Charles D. Little, Ph.D.

Organizational/Business Ethics

The Integrity Based Strategy

CHARACTERISTICS OF A COMPLIANCE STRATEGY

CHARACTERISTICS OF A INTEGRITY STRATEGY

Etho:	Conformity with Standards	Self Governance
Objective:	Prevent Misconduct	Enable Responsible Conduct
Leadership:	Lawyer Driven	Management Driven
Methods:	Education; Auditing; Penalties	Leadership; Accountability; Systems Decision Processes
Behavioral Assumptions:	Autonomous Beings Guided Material Self Interest	Social Beings Guided by Values and Ideals

“The need to be ethical is viewed as a positive aspect of organizational life, rather than one more unwelcomed restraint imposed by the authoritarian culture.”

Unknown

Organizational/Business Ethics

Ethics! Important to *A//* Stakeholders



In Conclusion, High Ethics Companies...

1. are at ease interacting with internal and external stakeholders;
2. are obsessed with fairness, honesty, and integrity;
3. see actions and decisions driven by values;
4. are confident with the ethical activities of individuals and work groups;
5. value ethical purpose; and
6. can make ethics a core competency in strategic planning.

“Ethics in business and organizations result in investor confidence and loyalty, customer satisfaction, and high performance and profits.”

Shelley Groves, Ph.D.

Organizational/Business Ethics

Questions?

Comments?



NORDSTROM



WAL*MART

Microsoft



IBM

P&G



SONY



YAHOO!



THANK YOU

Charles D. Little, Ph.D.

Seminars for Professional Development

Phone

817/531-4297 (Office)

817/281-1716 (Home)

817/944-9825 (Cell)

Email

clittle@txwes.edu