

# BUSINESS ETHICS – A QUESTION OF INTEGRITY

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## Abstract

*On ethics there were created many organizational cultures, MBA and PhD courses, but can we live by respecting it, is it worthy to be mentioned in the company's business plan, is it found in the employee's manual or in his job description. There are many view points on ethics and moral and the majority of the population that use the above phrase mean something different from what they understand through ethics and moral. Ethics is an asset of a company, this can become a competitive advantage in the case if you reach a "fine tuning" on the relation between the company and its competitors. This article follows the idea of ethics, moral and integrity as being the long term evolution basis and offers a finite number of solutions for these to be maintained on the long term.*

**Key words: conflict of interest, ethics, integrity, the Sarbanes-Oxley law, strategic planning.**

## Is ethics a part of the business plan?

Do you recycle your bottles and paper? You know you should.

Do you have the tendency to cheat the I.R.S. by rising the companies expenses? You know you shouldn't. Do you know someone that brakes the rule, but you aren't sure and you don't want to find out?...

These are small questions which sum-up into the big question: How ethic are you? We talk about the importance of integrity all the time (a good thing), but how do we truly define it? More: do we walk the walk as well as we talk the talk?

On ethics there were created many organizational cultures, MBA and PhD courses, but can we live by respecting it, is it worthy to be mentioned in the company's business plan, is it found in the employee's manual or in his job description.

There are many view points on ethics and moral and the majority of the population that use the above phrase mean something different from what they understand through ethics and moral. They fallow to take an ethical decision without justifying the wanted way of the academic ethics. It is wrong to redirect the meaning of "ethics and moral" in academic ethics, because their users could:

- Apply only one instinctive idea about wellbeing and value theory that they were thought in their families and that they believe that is the mirror of relating to other partners;
- Believe and transmit farther from the social point of view;
- Use for showing the solution to a compromise between entrepreneurship and social by taking ethical decisions;

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- Believe that a decision is correct or true having the root in a moral or legal code.

### **Avoidance of ethics leads to disasters**

Strategic planning for “integrating” the organization is essential in avoiding, eliminating and surviving in organizational scandals and (un)ethical disasters (HP’s CEO sex scandal).

The resulted disasters from unethical behavior represent a high risk in the developing and surviving of the business. Mass-media represents the downward for the collective integrity level which brings claims of billions of dollars in law suits, financial fraud acts, increased costs, fines, image damages and decreasing customer confidence in the company. No company is immune to this threats. Cautious executed businesses must plan and manage their integrity and continuity through learning their vulnerability on resulted disasters from unethical conduct, taking proactive measures and preparing their organization to advocate and survive from some scandals.

### **Strategic integrity**

Many organizations have lots of knowledge in continuous planning of businesses and this essential in anticipated effective prioritization, militating and surviving natural disasters, losses in their data bases and acts against the company. Many discover now that continuous integrity planning is truly a due diligence. Ethical problems must be transposed into a strategic agenda of the company.

The management of integrity should be a priority not only in a legal way, but in the right way to do point of view<sup>1</sup>. The employees that know that decisions related to the workplace, behaviors and existing decision making processes are taken in an ethical way are more connected and motivated to have an ethical behavior. The employees that perceive these activities as parts that do not belong to ethical conduct are the ones that use their own hierarchical, values and ethical scales (perceived only on a financial basics) and are less conscious on ethical implications and are more motivated to action unethical only to obtain material benefits.

Integrity management is the intersection between organizational culture management and the informal reward/the motivational process that influence decisions and the behavior of the employed personnel in a way that transcends the policy established in an internal conduct code. Common ethics and professional standards include the assumption the idea that decisions and behaviors are honestly led and that employees and managers don’t have the interest to hurt other employees, shareholders, clients, consumers or their own distributors through deception, known misinterpretation, fraudulent reports, means of coercion, conflicts of interest or other malicious acts<sup>2</sup>.

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<sup>1</sup> LeClair, D. T., Ferrell, O. C., and Fraedrich, J. P. - Integrity Management: A Guide to Managing Legal and Ethical Issues in the Workplace, University of Tampa Press, Tampa – FL, 1998

<sup>2</sup> Enron Code of Ethics, Enron Corporation, Houston - TX, 2000, page. 65

## **Disasters resulted from immoral conduct**

Ethical misconduct is specified, unexpected and forms a unethical non-routine from a series of events that create operational crisis and threat or are perceived as threats in the continuity of operational evolution in the organization.

Although, not every unethical decision that is taken creates a crisis for an organization. Actually, businesses that manage their own integrity can systematically absorb, react and to adjust their weaknesses in conduct and in the taken decisions. Faulty choices are made all the time. The solution is that if the organization has adequately planed to militate against lack of ethics in taken decisions through disciplinary actions, communicating with hired personnel (sales force) and the management of the external communication crisis in a way that this gaps not to climb to a catastrophe. Through the severity, the persistence and lack of speed and an adequate answer to the idea of misconduct, a survey of the general public on the organization can show the path that the organization is following, which if it isn't evaluated can lead to bankruptcy.

In the world post "The Sarbanes-Oxley" law<sup>1</sup> everything seems to be different: the immoral and lack of ethics are the true basis of large global businesses and this act wakes-up to reality the legal and American business system and, by default, the global one. This act replaced all the similar federal acts that were in order and had appeared under the leadership of Franklin Delano Roosevelt, then everything was moral and everyone worked for their own partial benefit, but primarily for in the benefit of the American economy and for the global one. Then rough work was important and the collective management through the DoL (division of labor) and the desire of the beginning of automation (Henry Ford, Cornelius Vanderbilt, Rothschild)<sup>2</sup>, none didn't want to cheat the state and to have bigger benefits in the expense of other participants through scam, but through their skills on the markets competitiveness. This law came to meet the meet the stories about immoral conduct that is present in the daily businesses of our days. Examples according to reality are: Martha Stewart, Qwest, Merrill Lynch, Tyco, Enron, WorldCom, Arthur Andersen, Sears, Mitsubishi Motors, United Way of America, Global Crossing, Adelphia, Citigroup, Bear Sterms, Lehman Brothers, Goldman Suchs, Bernard Madoff, British Petroleum and the list can go on... Many of these examples were solved through sentences with hard years of prison for their executives, but with what gain!

However the predication of future scandals from the American business, and the global one isn't an exact science, but an exact number of these it's at 20 ethical crisis per year<sup>3</sup>. The scandals based on lack of ethical conduct can source from any operational level of the company.

The main categories of these crisis models include:

- Harassment or discrimination;
- Criminal or illegal activities;

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<sup>1</sup> Sarbanes-Oxley Act, 30.07.2002 – a federal law on business conduct based on accounting practices.

<sup>2</sup> Burton Jesse Hendrick – The Age of Big Business, Ed. Kindle, New York, 2001

<sup>3</sup> Taub, S. "Crisis of Ethics: Ethics Officers Predict a New Wave of Corporate Scandals," CFO.COM, 19<sup>th</sup> June 2002 - <http://www.cfo.com/article.cfm/3005220?f=search>

- Financial discrepancy;
- Deceiving consumers trust;
- Bribe or influence peddling;
- Violation of standing regulations;
- Conflict of interests.

Lately, companies are searching for persons that “inherited ethics” from their family for their key positions in the organization. The majority of employees underline the idea that they can’t show to the public and to the legal courts these irregularities because they are restricted by the confidentiality policy of the companies for which they work. The idea of “whistle-blower” is not regulated in any economic legislation from this world, the evasion of regulation is a tacit way by which companies show that they will always have the last word in the legal framework.

In the majority of cases, ethical crisis that involve employees who haven’t succeeded to follow the corporative culture of the companies which that they represent. To many scandals in which corporations are involved occurred because the organization wasn’t capable to correct the lack of ethical behavior of employees.

### **The algorithm of keeping the company’s integrity or another kind of conclusion**

The cautious managers can initiate the next proactive ways that can push their organization to the goals and objectives for obtaining and using the integrity.

As a solution and as a kind of conclusion I composed a five steps model to follow for underlining the importance of integrity and ethics in a company:

#### **Establishing the ethical criteria in the company**

Every company should establish detailed codes of ethics and what is expected from them. The codes should include examples about usual and routine situations for expectations to be clearer in given key situations. All this codes of ethics should be distributed in the company, but with the requirement that they are followed by feedback.

#### **The commitment to the ethical criteria in the company**

Managers must show the commitment of top management to the idea of integrity as a strategic purpose of the company. Creating a management team that can create the plan for strategic integrity and to show their commitment for the cause, helps employees to realize the idea that these aren’t empty words from top management. More, the performance growing process must be linked to the rewards system and to the integrity indicators and the same with the ones for measuring productivity. More, it is important that the integrity in the labor framework, of business partners or clients to be consistently rewarded.

#### **Communication of expectations from the ethical point of view**

Every employee, manager and executive director from a company should take part at seminars and trainings on ethics as part of the strategic commitment management in developing the idea of continuous integrity. After the scandals that appeared in the last 4 years, cautious executive directors should determine the ethical training model or adopted

by the accounting and audit company, the suppliers, distributors, sales network and other business partners with whom they collaborate.

### **Personnel monitoring**

It is essential to monitor and audit employees conduct (formal and informal) for having a real image on the types of behavior and decisions that exist and are taken in the organization. Creating and maintaining some arbitration channels, clauses and effective protection for those who report the inadequate conduct in the company.

### **Maintaining a proactive management for integrity**

Creating and maintaining a supportive climate for ethical conduct by recognizing and rewarding acts of integrity and of ethical decisions. The support and guaranteeing the contractual disciplinary terms in the idea of following the ethical way or the right way. Anticipation of potential threats for permanent integrity.

### **Conclusions**

Integrity and organizational ethics must be used, through any distribution channels of messages that are wanted to be issued, to create a synergic model that will improve visibility performance for corporation's employees and clients and corporation networking, as entities, with state's entities (bodies) and with other competitive or complementary components from the global market.

There is a limited offer of reputation and attention in the world at a given moment. This are the new scarcities – and the world of goods and services only exists with the purpose of buying these valuable assets for the good of the business model which will be later identified. The free good shifts the economic focus measured in dollars, Euros or lei to the valuable things that are worthy and valuable today. The immaterial component of the company is going to make the difference between companies and between distribution services; the capitalization of integrity and ethics will be the foundation of the future development of the modern company, the 3.0 company (the ones who survived the 2007-2011 economic crisis).

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