

To what extent does
an organisation's
culture influence its
ethics?



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In order to investigate the extent to which an organisation's culture influences the ethical climate of the organisation and its employees, one must initially seek to find a common understanding of the concepts of organisational culture and ethics with regard to business.

Louis (1980) defines culture as " a set of understandings or meanings shared by a group of people. The meanings are largely tacit among members, are clearly relevant to the particular group, and are distinctive to the group." Similarly, Schein (1996) views organisational culture as " the basic tacit assumptions about how the world is and ought to be that a group of people are sharing and that determines their perceptions, thoughts, feelings, and their overt behaviour" (Schein, 1996). It is clear from these definitions that organisational culture encompasses the values of a group, often implicit or inferred.

Business ethics can be described as " the application of our understanding of what is good and right" (Velasquez, 1998, p. 1). Ethical behaviour was defined by Ronald Sims (2003) as " that which is morally accepted as " good" and " right"". As such therefore the concept of ethical behaviour is a subjective one and is determined by the leadership and culture of an organisation.

When discussing how an organisation's culture influences its ethical climate, it is clear that " the business of business is business" (Milton Freidman 1962) is an influential opinion. My interpretation of this would be that that the main aim of a business is to create profit and that its culture is set by this aim.

Freidman believes that businesses should only engage in activity that will

make them profitable and this should be the sole vision of a company and as a consequence, ethics are discarded.

Kleiman (2005), discusses the downfall of this theory and explains that Friedman suggests that this would result in businesses operating in activities that were “morally disgusting, as long as they are not actually illegal”. Businesses would only adhere to law, which would result in corrupt behaviour. He claims ““It might be legal, but it would be wrong,” is a perfectly comprehensible sentence, and cannot be converted into a self-contradiction merely by creating a corporation”. In summary of both views on ethical business activities, I believe that businesses do have to be aware of business ethics and that this in turn is derived from an organisation's culture. Operating business from an ethical organisational culture can not only be profitable but can also have a positive impact the organisation's perception.

As Velasquez (1998, p. 2) quotes in Business Ethics Concepts and Cases, “there's no better way to begin an investigation between ethics and business than by looking at how real companies have attempted to incorporate ethics into business.” In order to establish the extent to which an organisation's culture influences the ethical behaviour of its employees, at this point comparing organisations with divergent standpoints would be useful.

Anita Roddick, founder of the Body Shop prided herself on running a company that had a positive reputation for its ethical and environmental behaviour. The organisation's mission statement stated that the business should operate in a way that “balances economic, social and environmental

needs” (The Body Shop 2009). The Body Shop is “ a global manufacturer of naturally inspired, ethically produced beauty and cosmetic products”.

Roddick’s vision was “ To succeed you have to believe in something with such a passion that it becomes a reality”. Roddick’s opinion on ethical behavior and how a business should operate would challenge that of Milton Friedman’s. She claimed that “ the business of business should not just be about money, it should be about responsibility” and that businesses can be operated profitably without neglecting the ethical climate. Her own vision was that “ business should be a force for good and that profits can be made without compromising principles”(The Body Shop 2009).

The Body Shop has 10, 000 employees across 60 countries and aims to “ keep them motivated and passionate” about the ethical mission of the company whilst ensuring that all members have intentions “ aligned with universal The Body Shop values”. The Body Shop’s culture and values clearly affect its ethical climate and the way the company is run. Their values are key to the company’s operation and employees conform to the ethical behaviour that is expected of them as operations within the Body Shop all adhere to the same vision. The Body Shop promotes its ethical value to its staff by encouraging training and development and through schemes such as paying all staff on the same level the same remuneration.

In contrast, Ryanair is a company that is renowned for its lack of ethics and moral values. They have no stated mission statement. Ryanair (2004) objective has been to establish themselves as “ Europe’s leading low-fares scheduled passenger airline.” This statement in itself, clearly indicates what the business focus is. “ Low-fares” implies that the customer is going to get a <https://assignbuster.com/to-what-extent-does-an-organisations-culture-influence-its-ethics/>

good deal, good value for money. It says nothing about the wider business environment in which it operates, or its ethics.

Ryan Air has a " Code of Business Ethics Conduct", but in spite of this, Ryan Air appeared in the bottom 10 of " ethical ranking" companies 2010. The ranking index, which was commandeered by Covalence, (a Geneva-based organisation) ranked Ryan Air as 575 out of 581 companies based on its corporate responsibility, information provided to customers and environmental performance. This would appear to corroborate the viewpoint that " it is not enough to have good intentions to follow an ethical path" (Shawn Smith 2003).

Investigation of employee' feelings (through Personnel Today - January 2005) revealed that there was a " shocking catalogue of misery, low pay and oppression" amongst Ryan Air's workers. This does seem to be reinforced by the fact that in almost every instance, the " Code of Business Ethics Conduct", refers to what an employee must not do. Rules regarding trade union membership for example state that unless there is a majority of staff willing to join a trade union, staff are not allowed to do so. This would appear to back up Vittell and Davies' study (1990) in which they conclude that " A climate that ensures

that all employees strictly obey company rules, procedures, and policy ... has no effect on job satisfaction"

It is clear therefore that " Ethical climate and ethical behaviour are two distinct concepts." (Deshpande 1996). One can have a document outlining the ethical climate of an organisation but this is not sufficient to impact upon <https://assignbuster.com/to-what-extent-does-an-organisations-culture-influence-its-ethics/>

the ethical behaviour of that organisation. Unless the principles of the document permeate into all that the business does, the ethical principles will merely be words upon a page.

The link between culture and behaviour in regard to ethical business is leadership. It is paramount that for an organisation's culture to be truly ethical, leaders must strive to generate the appropriate conditions for the ethical behaviour of both its staff and the organisation. McNamara argues that there are three interlinked elements to developing a leader of an ethical business. First that leader must have a code incorporating both the overarching ethical aims of the business but also the daily application of this code. This application is dependent upon the character of the leader. The leader needs to be visible and communicate the ethical expectations of the organisation - they need to "make the code live" (Carter McNamara n. d). The third element is conversation. The leader must make sure that the code is apparent at all times - ethical behaviour and culture must be integrated into everything the business does. The business cannot be separate from the ethics and it is up to the leader to make sure that ethical behaviour is recognized and rewarded.

Newell discusses how the culture and actions of senior managers and organizational cultures influence and mould the behavior of employees. "It is very clear that organizations vary in the ethical climates they establish for their members. What is important is what top managers do, and the culture they establish and reinforce. This will influence the way lower level personnel act and the way organization as a whole acts when ethical dilemmas are faced" (Sue Newell, 2002, p. 215).

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The ethical behaviour of employees within a company is shaped by the organisation's culture and its main values. Velasquez (1998, p. 429) describes how "the employee's main moral duty is to work towards the goals of the firm and to avoid activities which might harm these goals". He also believes that as an employee, "to be unethical, is to deviate from these goals". This is a theory that supports the fact that although an organisation's culture can affect the ethical behaviour of its employees, employees bring their own culture and beliefs into the workplace that may conflict with a business culture.

To conclude, businesses have a range of cultures which underpin their operations. It is my conclusion that rather than culture impacting upon ethical climate and employees' ethical behaviour; ethical climate has to be an integral part of an organisation's culture. However, the organisation has to live that ethical climate. It is not sufficient to merely produce documentation; leaders must live and breathe the organisation's ethical culture and implement it in day to day operations if it is to impact on the ethical behaviour of employees.

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