Ethical dilemmas in a business

Introduction

Ethical Dilemmas often occur in business situations as well as everyday life. These could be simple problems such as whether to lie about deadline requirements in order to get work done faster, or something complex such as manipulation of facts and figures in financial statements. The core value system of the person making any such decision plays a huge role in the extent of his or her ethical manipulation.

Competitve pressure on the other hand can force people to make ethical decisions radically different from what their value system might relay. This is a problem that is widespread in today’s business environment, where stepping on someone else ensures an easier platform for growth. The model of “ The ends justify the means” has overwritten a lot of the value based ethics which was heavily ingrained in our psyche.

This report hopes to make simple guidelines which will allow one to make decisions keeping a humane as well as ethical approach which emphasizes the “ Right” decisions, not the “ Easy” ones.

Business Scenarios Entailing an Ethical Dilemma

Some of the best learning regarding any Ethical dilemma occurs when one experiences it firsthand. These problems occur when we are unprepared for it, thus a pre-determined framework would prove extremely useful.

Ethical decision making deals with moral issues: A moral issue is present where ever individual actions, when freely performed, may harm or benefit others (Jones, 1991, p. 367). An ethical decision is defined as “ a decision that is both legal and morally acceptable to the larger community” whereas an unethical decision may be regarded as “ either illegal or morally unacceptable to the larger community” (Jones, 1991, p. 367).

Thus let us have a look at some examples of Ethical Dilemmas which would require such Ethical Decision Making.

Company Bankruptcy and Employee Loyalty

Lehman Brothers which was a premium investment bank until its Chapter 11 bankruptcy declaration in September 2008 was a preferred employer for over 25000 people and their families. The company evoked a vehement sense of loyalty and pride, but bankruptcy changed all that.

Lehman Brothers Services India LTD, which is the outsourcing and knowledge center in India received the news on a Monday, employees which included the author himself resolved themselves to jumping ship before even trying to see if they could do anything to help the firm. This is an ethical dilemma since on the one hand the employer has helped support the families of its employees, however on the other hand the employee has to decide quickly about the future course of action which will affect his or her family.

A possible solution which would have been feasible was for the employees to provide their utmost support to management in order to steer the company out of rough waters. This is a difficult decision to make since it may even involve no pay during the period of bankruptcy, and hence almost no employee chose this decision.

Service Bonds in Companies

A widely used vehicle in corporate culture today is service bonds, issued by the company against almost all its new employees. These simply state that the employee must stay within the employ of the company for a certain duration before switching companies and/or leaving the job, failing which he or she would be penalized a certain amount of money.

The Ethical Dilemma appears here mainly when the employee gets hired by the company while he or she may have an offer or opportunity in the near future. A prime example is when freshers are hired out of college, but they are waiting for an MBA admission. The job is just a failsafe option, and as soon as said MBA admission goes through, the employee will leave the firm. This is an Ethical Dilemma on both fronts, from the point of view of the employer as well as the employee.

On the one hand, the bond is in itself a vehicle which does not hold any value in a court of law. Thus most companies will harass the employee but ultimately they are unable to recover any of the amounts mentioned in the bond, however they do withhold experience and relieving certificates. On the other hand the employee himself signs up for the training knowing full well that he or she may be leaving the job early, it is a very hedonistic approach, and is done only for self benefit, he or she does not care whether the company hired him or her keeping in mind requirements, and does not bother about the damages the company may incur due to a sudden loss of an employee.

A possible solution here, which is unfortunately infeasible is a full disclosure on the part of the employee while joining up a company, this would usually result in the employer not hiring said employee to prevent any problems should the employee suddenly leave.

Credit Sharing in the Workplace

As rational human beings most of us understand the value of teamwork. The workplace however emphasizes this in order to have smooth and uninterrupted functioning. Teamwork is a prime requirement for any employee who joins any firm.

One of the biggest ethical dilemmas faced both as an employee as well as a manager is how best to recognize individual contribution in a team based environment. It would be wishful thinking to assume that all employees contribute equally to the success of a project, thus the emergence of performance rewarding was born in the workplace.

Here employees are gauged on individual performance in a team context, their contributions, mistakes as well as ideas are all assessed and suitable reward systems are kept in place. This however results in what is known as " Credit Sharing" whereby employees try to gain credit for work that they had a minimal contribution in. This usually happens when the work itself provides a sizeable benefit to the project, either in terms of revenue generation or cost minimization. Employees who were unrelated to this work still try to leverage it since it could provide a boost to their immediate future in terms of salary raise, or promotions.

A possible solution to such a problem unfortunately cannot be found, this is simply because it is highly dependent on individual ethics to determine how low he or she may be willing to stoop to gain credit where credit was never due. Management unfortunately also cannot efficiently monitor this since it might result in inefficiencies in overall management of the project.

Guidelines for Self for Dealing with Ethical Dilemmas

An easy way to create a guideline for self to deal with Ethical Dilemmas, one needs a reference model of some kind which will allow for such a guideline to be created in the first place. Moral Dilemmas and Ethical Dilemmas both share a common thread in that they deal with moral issues at their core. Thus for a decision maker to act ethically he or she must (a) recognize a moral issue, (b) make a moral judgment, (c) give priority to moral concerns and establish a moral intent, and finally (d) act on the moral concerns (Selart and Johansen, 2010, p. 3).

Thus logically it would be a necessary condition that the moral agent in this case the decision maker should be able to recognize a moral dilemma. This is highly relevant since pressure or competition usually dull our senses in this regard, since profits or immediate gains will be present and must be decided upon. However the severity of the moral dilemma elicits a moral impulse which could be radically different from what rationality tells us to pursue. What this means is that we may be more prone to making moral/ethical decisions, when we are able to identify the severity of the problem at hand. This is referred to as moral intensity and is a prime candidate for allowing ethical decisions to be made.

Let us have a look at how some external factors could influence decision making and use them to form a basic guideline for dealing with ethical dilemmas.

Effect of Stress or Competition on Ethical Decision Making

Stress is deemed as having a negative effect on leaders' decision making by preventing them from recognizing ethical/moral dilemmas which their decisions could entail. Time related deadlines have an effect which could result in limited focus and to cognitive biases. It also makes leaders have less access to external information sources (Selart and Johansen, 2010, p. 11).

Thus a primary rule of thumb which we should ensure while dealing with any decision that could involve moral issues is

Prevent or reduce stress while making a decision, since studies have shown that stress influences ethical decision making primarily through its effect on pro-social behavior or the willingness and motivation to take others' interest into account (Jex et al., 2003)

Studies also show that a root cause of stress related problems comes from the reward or lack of thereof which results in stress related ethical failings in managers (Selart and Johansen, 2010, p. 12).

Effect of Globalization on Ethical Decision Making

Globalization is the new mantra by which today's company's move. It ensures competitive advantage by reducing costs and promoting more profitable sales opportunities, it also results in a diversified and distributed workplace. This is one of the prime causes of ethical dilemmas.

Being distributed could result in marginalization of branch employees when decisions affecting corporate culture or financials get made; this is often seen in the case of a lot of the leading multinationals which operate with an IT arm in India. Another great challenge for managers in global business is the misunderstanding of their decisions due to conflicting moral compasses of their stakeholders from different cultures, which could result in their best decisions being, confounded (Thompson, 2010, p. 1).

An effective tool suggested to counter this is the Global Moral Compass which allows for managing complex moral challenges that business leaders cannot ignore, as well as providing an adaptive framework which allows for linking diverse value propositions and wisdom traditions (Thompson, 2010, p. 1).

This is the global moral compass for business, its 4 parameters include.

Vision

Moral vision is the ” true north” of the moral compass; the spiritual, affective aspect of moral identity expressed in the power of myth, narrative, and images representing core values.

Code

it is the moral code by means of which one lives one’s life, this code is enhanced by personal experience and is ever changing.

Fitness

Moral fitness is the symbolic aspect of moral agency; it is ritualized action that expresses and reflects the vision and values of moral identity.

Performance

Performance is the ” proof of the pudding” – the intentional aspect of moral agency demonstrated in concrete decisions and behavior (Thompson, 2010, p. 13-14).

Thus some more rules of thumb can be generated via the means of globalization and its effect on ethical decision making

Globalization requires a more complex set of moral principles which guide decision making; this is enhanced by the use of the global moral compass which can be used to point decisions to the right direction.

Globalization requires that the culture, socio-economic situations, geographies as well as history of stakeholders involved be understood to a certain degree, before a decision benefitting them all can be made.

True value addition can be had when all the stakeholders are in almost full or full agreement with decisions made, thereby we may need a certain degree of inclusivity to be incorporated in decision making to ensure that stakeholders are completely in sync with the decisions being taken.

Effect of Monetary Gain in Ethical Decision Making

In recent times a lot of unethical decision making has been uncovered in terms of financial misreporting done by CEOs and other top ranking officials of various companies. The lure of money is thus viewed as a serious barrier in ethical decision making; this is something even laymen can understand. Simple financial incentives like bribes given to government officials influence how fast they perform work, and as such is an ingrained habit in the minds of people today especially in a corrupt bureaucracy like India’s.

However studies have found that it cannot simply be narrowed down to the lure of financial incentives that lead to such behavior, other factors including CEO’s narcissism, shareholders’ expectations and subordinate silence as well as CEO’s dishonesty could all be possible causes for such unethical decision making (Chen, 2010, p. 1).

Now the study also aims to look just beyond financial remuneration as a source of ethical failing on the part of the CEOs, since a lot of them have contributed to charities of some kind or the other (contributions themselves being significant). Thus this evidence suggests that simply CEO’s character flaws cannot conclusively be used to resolve this ethical failing (Chen, 2010, p. 2).

Some factors which could influence this include Moral or Ethical standards present in the country of origin, cultural norms which influence managerial behavior, corporate and individual corruption levels in the country of origin and incorrect assessment of information due to inflated self expectations in terms of performance. All of these factors can lead to unethical decisions being taken mainly in regards to financial reporting of the firm’s performance.

However we must also identify the effect that stakeholders can cause on mangers when it comes to financial reporting or ethical decision making. Ever increasing expectations, continuous percentage improvement requirements and unrealistic targets all have a direct influence on managers and CEOs making the decisions that they do. However most people are ready to brush this aside as it would result in the blame being spread across people rather than rest squarely on a single person, this unfortunately is a “ Scape-Goat” mentality and is highly ingrained in the psyche of the general populace as was amply demonstrated by the victimization of Mr. Kalmadi in the Commonwealth Games scandal in India.

More attention needs to be paid to the responsibilities of shareholders, financial analysts and the financial press in setting realistic expectations for companies. Simply focusing on improving the ethical behavior of individual CEOs without removing this root cause is unlikely to have much effect on the level and frequency of misreporting (Chen, 2010, p. 15).

Thus the rules of thumb which we can garner from the above include.

While making financial decisions, it is better to make it keeping multiple trustworthy people in the loop, this ensures that decisions although signed off by a single entity (the CEO) would still be ratified by multiple people.

The key point here is that decisions made collectively have the possibility of dissonance among stakeholders making said decisions, which would lead to further questioning of the decisions and thus a more refined and correct decisions can be made.

Altruistic perspectives aside, stakeholders themselves should be able to handle negative results and management must have enough moral fiber to take the right decision in letting the stakeholders know of any failings without fear of castigation.

Effect of Communication in Ethical Decision Making

In today's competitive environment, communication or a lack of thereof can lead to decisions being made which may seem unethical. Information is a powerful tool which can prevent decisions which can negatively affect people. Thus communication of this information from the holders to the decision makers becomes paramount to ethical business decisions being made effectively and efficiently.

Communication on corporate culture itself can have a positive impact on ethical decision making in the workplace, we thus explore the use of a " Business Code of Ethics" or BCE which is a pre-requisite in recent times for any company in operation. The BCE simply conveys acceptable behavioral norms and rules which are active in the workplace, and could prove to be an efficient tool in curbing unethical decision making which managers might make in the absence of such an instrument.

Studies however show that such a BCE comes with several limitations, this could include, frequency of communication of the BCE, quality of communication used, reinforcement of the BCE via actions of top management, level to which the BCE is ingrained in the decision making of middle and lower level management and finally overall adoption of the BCE via the general populace in the workplace.

Communication in this regard is mainly seen via the means of this code of ethics. Now this could result in certain limitations with respect to achievable targets, or patterns of behavior which can be deemed acceptable to meet said targets, however in the long run it is observed that this has a positive impact on both the quality of work culture ingrained in the organization, as well as individual ethical standards which permeates through the employee base (Kaptein, 2010, p. 16).

Thus some takeaways from communication and BCE include

Effective communications of acceptable ethical standards have a significant positive impact on both workplace culture as well as individual ethical/moral standards improvements.

Although a certain degree of compromise must be made in terms of performance for enforcing said ethical standards, it will have a positive impact in the long run and will allow the company to overcome any future negative impacts which may have occurred had such a provision not been in place.

Conclusion

Thus all throughout we have seen that just external factors alone cannot be used as the final determinant of ethical decision making abilities of an individual. He or she can also influence the surroundings and make decisions which can be both “ Right” as well as beneficial to the maximum number of people, not just his or her organization. This is illustrated by the use of effective communication, utilizing the moral compass, reduction the impact of stress and financial incentives and finally realizing that the individual has to take the ultimate responsibility of his or her decision, and although redemption may be found by attributing any fallacies to external factors, the price will still have to be paid by the individual who made the decision.