

Nkf ethical case

Business



An ethical dilemma 'arises when there's a conflict between moral rules or when one is violated' (Gale, 2010). National Kidney Foundation (NKF) is a Voluntary Welfare Organisation (VWO) which most of the funding's come from the general public who are the 'principles' while Mr TT Durai is 'agent' engaged by 'principles' to make managerial decisions of NKF, according to Agency theory (Jill, 2010, p. 9). Conflict of interest arises when Mr TT Durai maximised his self-interest by falsely reported financial statement and using funds donated by various stakeholders to reward him with high perquisite.

His action conflicted with original mission of NKF to 'raise awareness of issues and problems with ESRD and deliver low cost palliative dialysis' (Beng Geok and Yvonne, 2009). The controversy is that attractive perquisite has its' role of motivating leaders of organisation to achieve organisational goals. Mr TT Durai may argue he enjoys individual right to choose the types and amount of perquisite and his contribution in leading NKF to become 'Single largest non-profit dialysis organisation in the world in 2005' (Beng Geok and Yvonne, 2009) justifies his perquisite, using Resource Egalitarianism Principle (Julian, 2007). However, his argument is fallacious as his purpose is to serve self-interest and his actions have negative consequences on various stakeholders. Majority of Singaporeans who are donors, fundraisers and other non-profit organisations funding NKF operations are enraged to be deceived of their income and efforts when ESRD patients are not fully benefiting from government and society assistance in the form of lowest cost of dialysis treatment with greatest ease possible. Furthermore, reputation and credibility of corporate partners and local media is at stake.

Legitimacy of governance and regulatory boards are also questioned as they failed in their function of realising NKF leadership crisis. Hence, TT Durai contravened the Utilitarianism principle, failing to recognise the moral intensity of his action by not maximising overall societal benefits. If Mr TT Durai was running a profit-oriented private enterprise in countries ranking high on human rights and freedom, his action will not be perceived as morally unethical assuming the financial statements have reflected his perquisite fairly. Exceptions such as in desperate you-or-me situation may be considered. However, it still does not justify unethical behaviour.

Hence, Mr TT Durai's action is perceived as inherently morally unethical to the majority of stakeholders NKF is accountable to. To avoid similar ethical issues in the future, incentive system can be rewarded to employees who whistle blow any potential unethical behaviour without exposing their identity. Conflict of interest is reduced as employees at NKF under TT Durai leadership may have spotted signs of unethical behaviours but not dare to challenge his superiority due to the moderately high power distance culture in Singapore as reported by Prof. Geert (2009). However, high power distance culture is deep-rooted in Singapore society making this incentive system impractical to be implemented.

Employee may falsely report to gain incentive. Thus, it is more appropriate in Singapore for a party with larger power and legitimacy such as government bodies to intervene and regulate the activities of VWO. An independent regulatory board – The Charity Council is established and has drafted Code of Governance. By imposing rules for all VWOs to follow, it made it clear to VWOs what they are expecting from them and use it as yardsticks to

supervise and measure its' operations. Conformance of VWOs to interests of key stakeholders is ensured.

In fact, stricter rules and control has been imposed after the NKF incident to minimise the possibility of VWOs leaders maximising self-interest. To further improve the relationship between VWOs and key stakeholders, charity organisations need to ' communicate its mission, programmes, or activities to key shareholders' (Charity Council, 2007, p. 7). Chances of source of conflict due to communication breakdown with key stakeholders are prevented as a trust and rapport is established in the process. However, the large scale of VWO makes it difficult for The Charity Council to monitor and control as there are large number of financial transactions with hundreds of corporate partners, grassroots organisations and non-profit organisations. Strictness of enforcing the Code of Governance in reality is unknown as Singapore government is unlikely to devote much resource to the enforcement of the Code of Governance as there is little or none payback.

VWOs can ' ensure that operations and programmes are directed towards achieving the stated outcome, mission and vision' (Charity Council, 2007, p. 14). To maximise shareholders' interest according to stakeholder's theory, amount of remuneration for board of directors should be minimised so that ESRD patients receive ' high- quality service' while donors ' receive value for money' (Jill, 2010, p. 290). However, ' agents' receiving lesser perquisites may be less motivated to achieve organisation goals.

Stakeholders especially ESRD patients may lose out in the long run due to lesser financial aids receive. A solution will be to engage agents who are

intrinsically motivated by sharing the same purpose of the charity organisation to serve the public. Therefore, any possible conflicting values between the 'agent' and the 'principle' are aligned while maximising the interests of all stakeholders. 'Promote values for the whole organisation and demonstrate the value of good governance through behaviour' (Jill, 2010, P. 290).

Leaders of VWOs must lead by example through instilling values-driven organisational approach to guiding the entire organisation. One must achieve espoused –enacted value congruence whereby acts of donating personal wealth and active personal involvement in community work will further reinforce the spoken philosophy of the VWOs. Employing workers whose dominant values are similar to the organisation and ensuring that the value of organisation adopts is similar to the widespread values of the community. VWOs need to conform to the general conservative mentality of Singaporeans by 'being prudent in entering into co-ventures' (Charity Council, 2007, p. 26). Hence, implementing these 3 value congruence practices reconcile conflicting values between employees, the leader and the organisation.

However, there are other more vital factors in determining whether people engage in ethical behaviour. Many unpredictable situational factors may compel people to go against their values. In conclusion, the NKF scandal has tremendous impacts on Singapore society causing a widespread debate on the corporate governance of VWOs. A variety of measures should be implemented to prevent a reoccurrence of this issue but its successfulness cannot be guaranteed. References Retrieved October 2, 2010, from Effects of <https://assignbuster.com/nkf-ethical-case/>

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