

# Ethical behavior in the hospitality sector



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Simply put, ethics involves learning what is right or wrong, and then doing the right thing — but “ the right thing” is not nearly as straightforward as conveyed in a great deal of business ethics literature.

Business ethics can be defined as written and unwritten codes of principles and values that govern decisions and actions within a company. In the business world, the organization’s culture sets standards for determining the difference between good and bad decision making and behavior.

In the most basic terms, a definition for business ethics boils down to knowing the difference between right and wrong and choosing to do what is right. The phrase ‘ business ethics’ can be used to describe the actions of individuals within an organization, as well as the organization as a whole.

## **What is Ethical Behavior?**

Different people have different beliefs about what constitutes ethical behavior. The law defines what is and is not legal, but the distinctions between moral right and wrong are not always so clear. In many situations lines between right and wrong are blurred. Such situations can lead to ethical dilemmas.

When faced with ethical dilemmas, it’s important to consider outcomes of the decision-making process. One way of dealing with ethical dilemmas is by using the four way test to evaluate decisions. This test involves asking four questions:

Is my decision a truthful one?

Is my decision fair to everyone affected?

Will it build goodwill for the organization?

Is the decision beneficial to all parties who have a vested interest in the outcome?

When these four questions can truthfully be answered with a “ yes,” it is likely that the decision is an ethical one.

Another way of making sure decisions are truly ethical is by using the publicity test. Ask yourself how you would feel if your actions were published in your hometown newspaper. If you would be comfortable having your parents, grade school teachers, and other people find out what you did, chances are that your decision is an ethical one. However, if you would not want these individuals to learn about your actions, you probably need to rethink your decision.

### **How ethics affect the managerial decision making process?**

Ethics affect the managerial decision-making process in several ways. Hiring, evaluation, discipline, and termination are all part of the managerial decision-making process that can be affected by ethics. A manager has many duties, and although a manager may not realize it, ethics play a role in many managerial duties and decisions.

Hiring is a common managerial decision-making process, and this process can be affected by ethics. Ethically it seems right to hire a candidate with the ability to get the job done, but everyone has biases. It is ethically wrong to hire people because they fit a physical profile that is suitable for the company, but it is also questionable to hire an individual that will be

scrutinized by employees and customers because they do not fit the physical profile that is common in a company. Hiring should be based on experience, knowledge, and what an employee can bring to the company. Discrimination is a way that ethics can affect the managerial decision-making process of hiring.

Performance evaluation of employees is a managerial decision-making process that occurs often. This managerial process can be affected by ethics. Discipline is another area of the managerial decision-making process that can be affected by ethics. Many managers will put off methods of discipline in hopes that situations will get better on their own. This decision-making process is ethically affected because lack of discipline encourages slacking off. It also shows employees that ethics are not important because they are not being upheld.

### **Whether companies consider ethics before decision making?**

Most people involved in business-whether functioning as a small business owner, employee, or chief executive officer of a multinational company- eventually face ethical or moral dilemmas in the workplace. Such dilemmas are usually complex, for they force the person making the decision to weigh the benefits that various business decisions impart on individuals (including him or herself) and groups with the negative repercussions that those same decisions usually have on other individuals or groups.

Entrepreneurs and small business owners wield great influence in determining the ethical philosophies of their business enterprises.

Employees often follow the lead of the owner in executing their duties and

attending to their responsibilities, so it is incumbent on the owner to establish a work environment that embraces moral standards of behavior. There are exceptions to this, of course; dishonest and unethical employees sometimes work in otherwise ethical companies, just as honest and ethical workers can be found in organizations with a prevailing culture of duplicity and selfishness. But a business owner or manager who wishes to establish an ethical mind set in his or her company can help the cause by being proactive.

Therefore a company must consider ethics before decision making.

### **Why ethics is included in the process of decision making in hospitality sector?**

The hospitality industry is considered one of the largest industries worldwide. As it covers the fields of travel, tourism and leisure, the industry is indeed one of the important economic contributors to most countries around the world. In order to maintain the strong status of the industry, it is essential that its operators and managers employ the appropriate business tactics. In terms of decision-making, this process in tourism-oriented companies is important as it determines the success or failure of developed business strategies. Conventionally, decisions are based on objective and technical matters; however, over time, certain qualitative factors have already been integrated to make the decision-making process more adaptable to the dynamic nature of the industry. In addition, the concept of ethics had been stressed not only in the hospitality industry but to all forms of businesses.

## **Ethics in hospitality sector**

Hospitality industry is among the fastest growing economic sectors worldwide. The industry by itself is recognized as multi-billion dollar and still progressing industry (1998). It basically involves hotels and other forms of accommodations, fast food outlets, bars, retail stores, restaurants. These diverse segments of the hospitality industry made the business grow and eventually into a highly competitive global business (2003). While this industry enables the provision of vast services for the clients, work opportunities are also diverse. Indeed, the provisions of the industry for the customers are as unlimited as its opportunities for employees. People are able to work in different areas of interest while still be in a job within the industry. At present, more workers are employed in service provision than in manufacturing, indicating the continuous growth of the hospitality industry. In fact, about eight out of ten workers in the United States are in various sectors of the service industry including education, entertainment, retail, transportation and health care.

In the United States, seventy percent of the country's gross national product is covered by service industries. By 2012, it is expected that this percentage will increase to ninety percent (2004). Likewise, hospitality industry is among the major economic forces in the UK as it enables growth and creation of job opportunities. According to the (2002), the business has employed over 1.8 million workers who were distributed within 300,000 hospitality establishments, totaling to revenue generation of more than £64 billion. From these records, hospitality has indeed become one of the most competitive businesses in the world.

Business ethics on the other hand is defined as the study that deals with evaluating businesses' decision-making processes based on moral principles. This concept basically aims to promote the business practice that operators should maintain balance between honest or fair operations and profitability. The application of this concept in business had eventually become complex as companies expand their operations to foreign countries; ethics-related issues appear to vary depending on the business site or location ( 2006). Nonetheless, ethics had been recognized as an important element of successful business operations. This had been emphasized further by scandalous business cases due to lack of business ethics. A concrete example was the Enron scandal. The company started out successfully; however, due to insufficient practice of ethical business operation, the company eventually failed and went bankrupt. Furthermore, the management's poor decisions due to inadequate critical thinking skills also led the organization to become financially unstable (2001).

Business ethics is essential in the hospitality industry for a number of reasons. One of which is the issues typically encountered in this type of business. Accessibility, health and safety issues including fairness, equal treatment, contingency planning, individual and institutional responsibilities, emergency response mechanisms and informed consent are some industry matters related to business ethics ( 1999). Furthermore, the factors and operations surrounding tourism-oriented businesses require ethical actions and practices. For instance, considering that its main objective is to serve people or tourists, a service that is morally acceptable should be delivered. This form of business also makes use of natural or environmental resources

for its operation; the protection and conservation of these resources on the other hand require ethical protocols.

These then stresses the strong relation of the hospitality industry with business ethics. However, it is yet to be determined whether ethical consideration is relevant to the decision-making processes conducted by operators and managers. The decision-making system in the industry actually has two types: the hard and soft systems.