Managing ethical behavior essay

Problem: Recent ethical scandals have brought ethical behavior in organizations to the forefront of public consciousness. The general public, the government, and businesses alike began to question the importance of ethics. Today, after learning from the past and understanding the role that ethics plays in running a business, the question is no longer whether ethics is important, but how to maintain ethical behavior in an organization when often times the lines of ethics are blurry and poorly defined.

Employees: Companies lacking an ethical code have a worsened problem of employee fraud than those that do. Also, it fosters distrust between coworkers and/or their supervisors. With this, morale decreases significantly, stress reaches a high, and worker productivity is devitalized. Such low morale, high stress work environments decrease employee job satisfaction, driving many of them to quit. Many employees will be discouraged from reporting misconduct in the workplace to coworkers or managers as the low-trust factor sets in.

As in the case of Enron, many employees may find themselves out of a job or without pension packages. Legal: Whenever unethical business behavior occurs, several legal implications may follow. It can cause civil charges which increase the chances of negative publicity and more severe financial penalties. Criminal charges are another consequence of unethical behavior. Once a company has a public image that is perceived as corrupt, a lot of damage has already been done—the tainted image lives a long life.

Financial: Dishonest behavior amongst employees and employers can cause a company’s financial condition to take a nose-dive. Often, people decide to buy a firm’s goods or services as well as a firm’s stock partly based on their perception of its ethics. As employee productivity decreases due to unhappiness in the workplace, output is debilitated. This would cause a drop in average return on capital employed.

Employee theft costs employers, on average, 20 percent of every dollar earned. Firms not openly committed to practicing ethical behavior had a higher turnover ratio which wastes money on finding and training new talent. Competition: If a company’s unethical behavior becomes public, they lose market share or completely diminish from the market. This creates greater opportunities for new firms to enter the market or for existing firms to take the competitive lead. As discussed earlier, unethical behavior in the workplace can lead to a lack of cooperativeness and job satisfaction and thus, a lack of quality.

As these companies start to slip, opportunities grow for other companies to get started. New companies not only emerge, but take previous companies’ competitive edge. Many employees’ remain with a firm partly due to its concern for ethics. If employee turnover increases because of unethical behavior (as studies show it is), companies will have to invest more time and money on finding and training new employees than developing products and strategies that will help them stay ahead of competitors. Customers: Customers are driven away by unethical behavior because, as stated before, most customers base their purchases somewhat on the ethics of a company.

After Nike was exposed for the harsh treatments of its workers overseas, many people began to boycott the shoe company. If customers feel they are being treated unfairly by a company because of unethical behavior, he or she may want to look elsewhere for goods and services. As output is debilitated, supply decreases and price increases. Customers are paying more for less product. Learning: Ethical issues are not always public and monumental.

Employees face ethical dilemmas in their daily work lives. The need to manage ethical behavior has brought about several changes in organizations. Most center around the idea that an organization must create a culture that encourages ethical behavior. Society expects organizations to maintain ethical behavior both internally and in relationships with other organizations. Ethical behavior is expected in relationships with customers, the environment, and society. These expectations may be informal, or they may come in the form of increased legal requirements.

These challenges are forces that place pressures to change on organizations. There are other forces as well. Legal developments, changing stakeholder expectations, and shifting consumer demands can also lead to change. The clothing industry is almost synonymous with the use of sweatshops, or low-paying overseas factories in which third-world workers (including children) labor for fifty to sixty hours each week for a few dollars in pay.

What sets Gap apart is its candor, beginning with its open admission that none of its 3, 000 suppliers fully complies with the firm's ethical code of conduct. But rather than run from these problems, Gap has chosen to work with its suppliers to improve condition overseas. The firm has more than ninety full-time employees charged with monitoring supplier operations around the world. Solution: ? Put the objective of maintaining ethics first; make them more important than personal gains or losses. This will cause you to make decisions that are in the company's best interest rather than your own.

? Use a common policy of values that is easy to understand throughout the organization. One well-known system is the Six Pillars of Character. ? Make sure your organization lives up to your employees' values. They will come to identify with your company, feel a greater pride in working for you, and thus do better work. ? Develop a code of conduct based on ethics and be sure to enforce it. If you don't, employees will notice and disregard it.

? Make ethics decisions in groups. You will benefit from varied viewpoints, and hopefully make better decisions. Also, people will adhere more to guidelines they helped create. ? Keep employees informed about the organization. ? Ask questions and reward honest responses. As more information flows up and down, people begin to understand the organization better and make more well-informed decisions.

Employees: When taken seriously, ethical codes make employees more aware of moral issues, help them to improve choices, and reduce unethical behavior, such as theft and fraud. Employees would be more likely to report misconduct if they trusted their supervisors and coworkers. Job satisfaction and productivity would undoubtedly increase. Legal: A judge can dramatically cut fines and executive prison sentences for a firm with an ethics program. Having such a program would prevent future court costs, since ethical guidelines are frequently legal requirements.

Companies can avoid the public embarrassment that comes with a lawsuit. Financial: Employee productivity would increase, creating a greater return on capital employed. Employee fraud drops when managers are good role models, thus decreasing the monetary amount lost through such theft. Customers will not hesitate to buy a firm's products, services, or stock due to a question of compromised ethics. They will create greater customer loyalty which will bring in greater revenues and employee loyalty would cut scouting and training costs.

With ethics, a firm is able to build and maintain a trustworthy relationship with customers and employees, which will result in loyalty, employee/skill retention, and finally produce positive revenue. Competition: If a company is not falling behind from bad publicity, they can continue to concentrate on gaining or maintaining a competitive advantage. Fewer firms will be able to crowd them out because less opportunity is available for them. Employee retention will be higher which will allow companies to spend less time scouting and training, and more time on creating or maintaining a competitive edge. Job satisfaction among employees will increase which will increase quality, thus giving the company an advantage over others, or at least preventing a disadvantage. Firms with good reputations are able to attract more job-seekers, making it more likely that they will be able to attract higher-quality applicants, thus hoarding more talent into your firm.

Customers: Company loyalty will increase and they will not feel the need to shy away from beneficial products because of unethical behavior. The market will offer better products at a better price to customers as quality and productivity increased.