

Workplace Ethics

Learning Objectives

After reading this chapter, you will be able to understand -

- ◆ The role and importance of ethical behaviour at the workplace
- ◆ Ethical dilemmas of the individual
- ◆ Discriminatory practices and harassment in organisations
- ◆ Measures to ensure ethics in the workplace

It's the action, not the fruit of the action, that's important. You have to do the right thing. It may not be in your power, may not be in your time, that there'll be any fruit. But that doesn't mean you stop doing the right thing. You may never know what results come from your action. But if you do nothing, there will be no result."

MAHATMA GANDHI

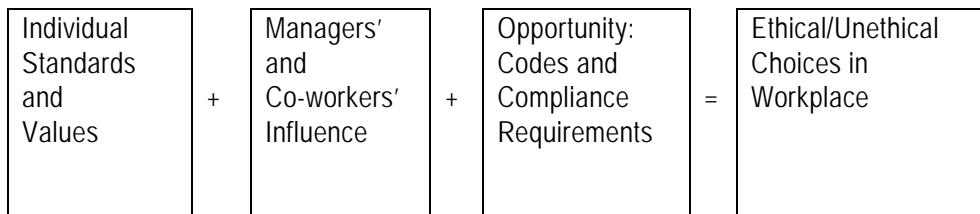
9.1 Introduction

Gandhi's ethics of *khadi* (homespun cloth) is closely linked with *swadeshi*. To him it meant a specific form of home-industry to counter the exploitation inherent in the more imperialistic forms of capitalism. Today industrialisation is an irreversible fact; but in our context *khadi* may certainly be interpreted to mean the intimate relation between a man and his work - the demand that a man should bear responsibility for his work in order to lend it dignity; and that he should share in the fruits of his labour. In other words - no man should be exploited in his work or alienated through his work.

Public concerns about ethical practices in business usually relate to issues like fraud and embezzlement, accepting bribes or lying. Well publicized incidents of unethical activities ranging from financial scams to deceptive advertising of food and beverages to unfair competitive practices strengthen the public perception that ethical standards in business need to be improved. Ensuring the presence of sound values and ethics is a vital and ongoing part of good governance in organizations and an integral part of good management practices. "Workplace ethics" is how one applies values to work in actual decision making - a set of right and wrong actions that directly impact the workplace. They are an extension of the personal standards or lack of them that is intrinsic in the people who comprise the workplace. It is about making choices that may not always feel good or seem beneficial but are the "right" choices to make.

9.2 Factors Influencing Ethical Behaviour at Work

Ethical decisions in an organization are influenced by three key factors: individual moral standards, the influence of managers and co-workers, and the opportunity to engage in misconduct. While one may have great control over personal ethics outside the workplace, co-workers and management through authority for *example*, exerts significant control on ones choices at work. In fact, the activities and examples set by co-workers, along with rules and policies established by the firm, are critical in gaining consistent ethical compliance in an organization. If a company fails to provide good examples and direction for appropriate conduct; confusion and conflict will develop and result in the opportunity for unethical behaviour. For *example* if the boss or co-workers leave work early, one may be tempted to do so as well. If one sees co-workers making personal long-distance phone calls at work and charging them to the company, then one may be more likely to do so also. In addition, having sound personal values contributes to an ethical workplace.



Factors Influencing Workplace Ethics

The Individual: An ethical issue is an identifiable problem, situation or opportunity that requires a person to choose from several actions which could be evaluated as right or wrong. For *example*, should a salesperson omit the fact of frequent replacement of the filter while selling a kitchen chimney to a prospective customer? When does offering a gift to a customer become a bribe rather than a sales promotion? There are no easy answers. An individual's ethical behaviour affects not only his or her reputation within the company, but may also contribute to the way in which the company is perceived by others. Values reflect enduring beliefs that one holds that influences attitudes, actions, and the choices one makes. As individuals, our values are shaped by our personal beliefs. Values developed in childhood and youth are constantly tested and on-the-job decisions reflect the employee's understanding of ethical responsibility. Various socio-psychological factors could be responsible why individuals could develop negative attitudes or lose personal motivation.

- ◆ Negative work or life experiences.
- ◆ Employees failing to respect each others unique personalities.
- ◆ Overly aggressive financial or business targets.
- ◆ Pressures to perform and take quick decisions

9.3 Business Law, Ethics and Communication

Some examples of ethical issues faced by an individual in the workplace are:

- (1) *Relationships with suppliers and business partners:*
 - (a) Bribery and immoral entertainment
 - (b) Discrimination between suppliers
 - (c) Dishonesty in making and keeping contracts
- (2) *Relationship with customers*
 - (a) Unfair pricing
 - (b) Cheating customers
 - (c) Dishonest advertising
 - (d) Research confidentiality
- (3) *Relationship with employees*
 - (a) Discrimination in hiring and treatment of employees
- (4) *Management of resources*
 - (a) Misuse of organisational funds
 - (b) Tax evasion

9.3 Ethical Issues

As discussed earlier, an ethical dilemma exists when one is faced with having to make a choice among perplexing alternatives. Very often, business ethics is depicted as a matter of resolving conflicts in which one option appears to be the clear choice. However, ethical dilemmas faced by managers are highly complex with no clear guidelines due to alternatives that are equally justifiable, and involves significant interest of many "stakeholders" in given situation.

An individual's ethical concerns are about relationships and responsibilities at the workplace where correct decisions are not perfectly clear, and there are no hard and fast rules to follow. One set of relationships and responsibilities is directly related to employees, and include such areas as discipline, performance appraisal, safety, and the administration of reward systems. Another set is concerned with customers and suppliers, and include the intricate aspects of such elements as timing, quality, and price. Ethical dilemmas also arise when there are conflicts in values with superiors or peers over such things as strategy, goals, policy, and administration. Mainly ethical issues can be categorized in the framework of their relation with business associates, conflicts of interest, fairness and honesty, and communications.

Business Relationships: The behaviour of businesspersons toward customers, suppliers, and others in their workplace may also generate ethical concerns. Ethical behaviour within a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically.

Managers, in particular, because of the authority of their position, have the opportunity to

influence employees' actions. For *example*, a manager can influence employees to use pirated computer software to save costs. The use of illegal software puts the employee and the company at legal risk, but employees may feel pressured to do so by their superior's authority. Customer's need should be considered most when it comes to ethical business practices. In the long run, a company will reap great profits from a customer base that feels it is being treated fairly and truthfully. Organizational pressures may encourage a person to engage in activities that he or she might otherwise view as unethical, such as invading others' privacy or stealing a competitor's secrets.

Conflicts of Interest: A conflict of interest exists when a person must choose whether to advance his or her own personal interests or those of the organisation. Seven former executives of Daewoo, a South Korean conglomerate were arrested on charges of fraud and embezzlement. Prosecutors charged that the executives raised \$20 billion by taking out illegal foreign exchange loans and pooling funds from company subsidiaries through falsified import/export documents. A bribe is a conflict of interest because it benefits an individual at the expense of an organization or society. Wal-Mart Stores, Inc., may have the toughest policy against conflict of interest in the retail industry. Sam Walton, the late founder of Wal-Mart, prohibited company buyers from accepting so much as a cup of coffee from suppliers. To avoid conflicts of interest, employees must be able to separate their personal financial interests from their business dealings.

Conflicts of interest need not be financial. For *example*, "if my son is working in a company that manufactures the type of tools that my organisation purchases, I have an interest in seeing him succeed and may be motivated to give him my company's business even although other firms may offer better terms.

Fairness and honesty: Fairness and honesty are at the heart of business ethics and relate to the general values of decision makers. At a minimum, businesspersons are expected to follow all applicable laws and regulations. But beyond obeying the law, they are expected not to harm customers, employees, clients, or competitors knowingly through deception, misrepresentation, coercion, or discrimination. One aspect of fairness and honesty is related to disclosure of potential harm caused by product use. For *example*, Mitsubishi Motors, a Japanese automaker, faced criminal charges and negative publicity after executives admitted that the company had systematically covered up customer complaints about tens of thousands of defective automobiles over a 20-year period in order to avoid expensive and embarrassing product recalls. Another aspect of fairness relates to competition. Although numerous laws have been passed to foster competition and make monopolistic practices illegal, companies sometimes gain control over markets by using questionable practices that harm competition. Rivals of Microsoft, for *example*, accused the software giant of using unfair and monopolistic practices to maintain market dominance with its Internet Explorer browser.

Communications: Communications is another area in which ethical concerns may arise. False and misleading advertising, as well as deceptive personal-selling tactics, anger consumers and can lead to the failure of a business. Truthfulness about product safety and quality are also important to consumers. The Food and Drug Regulatory authorities need to

9.5 Business Law, Ethics and Communication

ensure that customers are told the truth about product safety, quality, and effectiveness claims. Some manufacturers fail to provide enough information to consumers about differences or similarities between products. For *example*, a lawsuit filed by consumers against Johnson claimed that the company's Acuvue and 1-Day Acuvue contact lenses were actually the same product. Consumers were directed by the company to dispose of the 1-Day Acuvue lenses after one day's use. The suit claims that because the two products were identical, the lenses could have been worn up to two weeks. It is estimated that six million people who used contact lenses spent \$1.1 billion on unnecessary replacements because of the company's misleading advertising. Johnson & Johnson agreed to pay up to \$860 million to settle the complaints. Another important aspect of communications that may raise ethical concerns relates to product labelling. It is mandatory for cigarette manufacturers to indicate clearly on cigarette packing that smoking cigarettes is harmful to the smoker's health.

9.4 Discrimination

The root meaning of the term discriminate is "to distinguish one object from another." Discrimination is treating people differently. It is usually intended to refer to the wrongful act of making a difference in treatment or favor on a basis other than individual merit. Employment discrimination is treating one person better than another because of their age, gender, race, religion or other protected class status. Another approach to the morality of discrimination that also views it as a form of injustice is based on the formal "principle of equality".

Discrimination in employment involves three basic elements.

- ◆ First, it is a decision against one or more employees (or prospective employees) that is not based on individual merit, such as the ability to perform a given job, seniority, or other morally legitimate qualifications.
- ◆ Second, the decision derives solely or in part from racial or sexual prejudice, false stereotypes, or some other kind of morally unjustified attitude against members of the class to which the employee/s belongs.
- ◆ Third, the decision (or set of decisions) has a harmful or negative impact on the interests of the employees, perhaps costing them jobs, promotions, or better pay.

Discrimination in employment is wrong because it violates the basic principle of justice by differentiating between people on the basis of characteristics (race or sex) that are not relevant to the tasks they must perform.

It is consequently understandable that the law has gradually been changed to conform to these moral requirements, and that there has been a growing recognition of the various ways in which discrimination in employment occurs. Among the practices now widely recognized as discriminatory are the following:

Recruitment Practices: Firms that rely solely on the word-of-mouth referrals of present employees to recruit new workers tend to recruit only from those racial and sexual groups that are already represented in their labor force. Also, when desirable job positions are only

advertised in media that are not used by minorities or women or are classified as for men only, recruitment would also tend to be discriminatory.

Screening Practices: Job qualifications are discriminatory when they are not relevant to the job to be performed (e.g., requiring a high school diploma or a credential for an essentially manual task.). Job interviews are discriminatory if the interviewer routinely disqualifies certain class of people - for example assumptions about occupations "suitable for women" or the propriety of putting women in "male "environments.

Promotion Practices: Promotion, job progression, and transfer practices are discriminatory when employers place males on job tracks separate from those open to women and minorities. When promotions rely on the subjective recommendations of immediate supervisors.

Conditions of Employment: Many times wages and salaries are discriminatory to the extent that equal wages and salaries are not given to people who are doing essentially the same work. Another issue is related to fair wages and treatment to workers. Companies subcontracting manufacturing operations abroad are now aware of the ethical issues associated with supporting facilities like child labour that abuse and/or underpay their work forces. Such facilities have been termed "sweatshops."

Dismissal: Firing an employee on the basis of his or her race or sex is a clear form of discrimination. Less blatant but still discriminatory are layoff policies that rely on a seniority system, in which women and minorities have the lowest seniority because of past discrimination.

9.5 Harassment

Harassment is "tormenting by subjecting to constant interference or intimidation." Law prohibits harassing acts and conduct that "creates an "intimidating, hostile or offensive working environment" which could be a term or condition of an individual's employment, either explicitly or implicitly or such conduct which has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.

Another type of harassment is sexual harassment - situations in which an employee is coerced into giving into another employee's sexual demands by the threat of losing some significant job benefit, such as a promotion, raise, or even the job. This kind of degrading coercion exerted on employees who are vulnerable and defenseless inflicts great psychological harm on the employee, violates the employee's most basic right to freedom and dignity and is an unjust misuse of the unequal power that an employer can exercise over the employee. Sexual harassment is prohibited, and an employer is held responsible for all sexual harassment engaged in by employees.

According to The Supreme Court definition, in *Vishaka Vs. State of Rajasthan & Others*, sexual harassment is any unwelcome sexually determined behaviour, such as - physical contact, a demand or request for sexual favours, sexually coloured remarks, showing pornography and any other physical, verbal or non-verbal conduct of a sexual nature. In this

9.7 Business Law, Ethics and Communication

judgment, the Supreme Court also held that employers/institutions employing women employees must mandatorily constitute a Sexual Harassment Redressal Committee.

9.6 Importance of Ethical Behaviour at the Workplace

An organization, whether a business or a government agency, is first and foremost a human society. If an employer does not take steps to create a work environment where the employees have a clear, common understanding of what is right and wrong, and feel free to discuss and ask questions about ethical issues and report violations, significant problems could arise, including:

- ◆ Increased risk of employees making unethical decisions
- ◆ Increased tendency of employees to report violations to outside regulatory authorities (whistle blowing) because they lack an adequate internal forum
- ◆ Inability to recruit and retain top people
- ◆ Diminished reputation in the industry and the community
- ◆ Significant legal exposure and loss of competitive advantage in the marketplace.

9.7 Guidelines for Managing Ethics in the Workplace

The focus on core values and sound ethics, the hallmark of ethical management, is being recognized as an important way to ensure the long-term effectiveness of governance structures and procedures, and avoid the need for whistle-blowing. Whistle blowing is the public/private exposure of corrupt, illegal or unethical PRACTICES operating in an ORGANIZATION, usually on the part of an individual member, though sometimes by a body responsible for overseeing the organization which lacks the AUTHORITY or POWER to impose penalties for wrongdoing.

Employers who understands the importance of workplace ethics, provide their workforce with an effective framework and guiding principles to identify and address ethical issues as they arise.

- (1) **Codes of Conduct and Ethics:** A code of ethics specifies the ethical rules of operation in an organization. Codes of conduct specify actions in the workplace and codes of ethics are general guides to decisions about those actions, *Examples* of topics typically addressed by codes of conduct include: preferred style of dress, avoiding illegal drugs, following instructions of superiors, being reliable and prompt, maintaining confidentiality, not accepting personal gifts and so on
- (2) **Establish Open Communication:** Instead of just creating and distributing an ethics policy, it is important that take the time to explain the reasons for the policy and review the guidelines and conduct formal or informal training to further sensitise employees to potential ethical issues. Many of the ethical problems arising in a business are not clear-cut, but involve "grey areas," where the proper course of action may be ambiguous and uncertain.
- (3) Make **ethics decisions in groups**, and make these decisions public. This usually produces better quality decisions by including diverse interests and perspectives, and increases the credibility of the decision process and outcome by reducing suspicion of unfair bias.

- (4) **Integrate ethics management with other management practices.** When developing the values statement during strategic planning, include ethical values preferred in the workplace..
- (5) **Use of cross-functional teams** when developing and implementing the ethics management program. It's vital that the organization's employees feel a sense of participation and ownership in the program if they are to adhere to its ethical values.
- (6) **Appointing an ombudsperson:** The ombudsperson is responsible to help coordinate development of the policies and procedures to institutionalise moral values in the workplace. This establishes a point of contact where employees can go to ask questions in confidence about the work situations they confront and seek advice.
- (7) Creating **an atmosphere of trust** is also critical in encouraging employees to report ethical violations they observe This function might best be provided by an outside consultant, e.g., lawyer, clergyperson, counsellor etc. Or, provide a "tip" box in which personnel can report suspected unethical activities, and do so safely on an anonymous basis.
- (8) **Regularly update policies and procedures** to produce behaviours preferred from the code of conduct, job descriptions, performance appraisal forms, management-by-objectives expectations, standard forms, checklists, budget report formats, and other relevant control instruments to ensure conformance to the code of conduct.. For *example*, we are most familiar with the value of social responsibility. To instil behaviours aligned with this value, organizations often institute policies such as recycling waste, donating to charities or paying employees to participate in community events.
- (9) **Include a grievance policy for employees** to use to resolve disagreements with supervisors and staff.
- (10) **Set an example from the top:** Executives and managers not only need to endorse strict standards of conduct, but should also ensure that they follow it themselves. They must stress to employees that dishonest or unethical conduct will not be tolerated,.

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