

# The Role of Ethics in 21st Century Organizations

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**Abstract** The twenty-first century has seen its share of ethical failures, which brings into question what the role of ethics is. Past experience demonstrates ethics functioning as a reactive measure to a permanent consequence, the equivalent of pointing at an accident and commenting, “The driver should not have been going so fast.” While such an observation may be accurate, it does little to correct the situation or prevent further ones from occurring. Ethics must function as more than a guide; they must be preventative in nature and determine a correct course of action for individuals and organizations. They must teach and serve as a qualitative standard.

**Keywords** Ethics · Globalization · Organizations

## Introduction

The twenty-first century has seen its share of ethical failures in the business world. Perhaps what will long be remembered is the financial debacle in the subprime mortgage market that is now commonly referred to as the Great Recession. In reference to the event, Jennings (2008) notes, “The ethical issues in the subprime lending market were compelling” (p. 41). Indeed they were. Not only did the ethical failure in the housing market bring to light just how far the industry had strayed, it nearly collapsed the economy of the country. While the government via the Federal Reserve was able to step in and bailout the failed financial institutions, the ethical lapse of so many on such a

grand scale brought into question the role and place of ethics in leadership regardless of their application.

In the aftermath of the near crash of the financial market, legislation was enacted that would, it was believed, rectify ethical failures and prevent their reoccurrence. In other words, it would regulate the ethics in the industry. Austill (2011) raised the question “Can ethics be regulated?” and concluded, “In the end diligence, integrity, trust, and discernment are ethical virtues a firm, its managers, and regulators must have to satisfactorily reduce the risk of injury to their stakeholders and the public” (p. 70).

Preceding the ethical failure of the subprime market, Enron made national headlines for its ethical shortcomings. A once ethical powerhouse had succumbed to the wiles of temptation in which its leaders “created an organizational culture that put the bottom line ahead of ethical behavior and doing what’s right” (Sims and Brinkmann 2003, p. 243). The failures of the mortgage powerhouses and Enron serve as a stark reminder to leadership that establishing and adhering to a code of ethics is indeed their business. Gini (2004) states it well, “The ethics of leadership affects the ethics of the workplace and helps to form the ethical choices and decisions of the workers in the workplace” (p. 11). So what role do ethics have in the workplace of the twenty-first century, and how has their role changed amidst a global economy, if at all? This article explores the role of ethics in modern organizations amidst globalization.

## What Are Ethics?

Before we can begin to discuss ethics’ role in organizations, we must first attempt to define the term. I say attempt because the definitions and theories about what constitutes

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ethics abound. Sure, we all have an idea that ethics involves right and wrong. However, resigning ourselves to such a superficial conclusion is premature and lacking in sufficient substance for a detailed exploration of the topic. Ethics comprises complex ideas, applications, and interpretations about not only what is right and wrong, but also why things are considered right and wrong.

Ciulla (2004) notes that ethics is a “reflective process” (p. 27) as well as a “communal exercise” (p. 28) in which we attempt to “work out the rights and obligations we have and share with others” (p. 28). Additionally, “Ethics, then, tries to find a way to protect one person’s individual rights and needs against and alongside the rights and needs of others” (Ciulla 2004, p. 29). To state it in general terms, ethics concerns the moral behavior of individuals based on an established and expressed standard of the group, which is in and of itself a collection of individual values. Therefore, in organizations, “values are an intrinsic part of cultural behavior” (Schnebel and Bienert 2004, p. 205) and “ethics is the prerequisite to conduct any business” (Schnebel and Bienert 2004, p. 203).

While ethics’ importance within a business setting is apparent, what is not so apparent is its clarity. Perhaps the reason for this, as Bruhn (2009) notes, is “Ethics comes in several colors, black, white, and shades of gray” (p. 205). Within the shades of gray lies the room for interpretation and ambiguity, which is where lapses of judgment begin to occur and have cascading effects that are typically lamented in the news. It is because these shades of gray exist that the role of ethics in organizations must be clearly defined and articulated. This delineation is believed to be the solution to keeping the organization on its moral track and is considered a vital necessity, and perhaps antidote, to the host of ethical failures that have plagued organizations in the twenty-first century.

### The Role of Ethics: Proactive vs. Reactive

In the wake of the ethical failures of twenty-first century organizations, “An increasing number of institutions are enhancing their commitment to the coverage of ethics in the business curricula in part due to the unethical leadership uncovered at all levels of organizations” (Warren et al. 2011, p. 41). This is reactive in response to ethical failures. Perhaps the reason universities and business schools are in reactive mode is because a clearly defined standard does not exist. Buchholz and Rosenthal (2008) note:

Regarding a code of ethics, there is no code of ethics for management as such as there is for the practice of law and medicine. What codes of ethics do exist are

related to a particular business organization, not to the practice of management as a whole (p. 203).

The lack of a universal, organizational ethical standard has prompted the exploration of what is right and what is wrong, often resulting in the crossing of known and perceived boundaries with disastrous consequences. While many organizations boast a code of ethics, they “are meant to express the values of the organization and what it stands for in terms of acceptable and unacceptable behavior” (Buchholz and Rosenthal 2008, p. 203), not an industry standard. As such, the lack of a universal code of ethics has led to ethics’ role as a reactive process by which organizations assess their failures. Unfortunately, implementing an ethical assessment after the fact does little good to repair the damage that has been wrought. It is akin to realizing—after one has been burned—that if one plays with fire, one is likely to get burned. Sure, the lesson has been learned, but that does not heal the burn. The trick is to prevent the burn from occurring in the first place. The same holds true of ethics.

Ethics does not exist in a glass tube that reads *break in case of emergency*. The role of ethics is to “show what dangers the loss of traditional values may bring” (Schnebel and Bienert 2004, p. 204). This perspective presupposes that ethics is based on values. Schwartz (2005) contends that this is in fact the case particularly within organizations. This is particularly challenging because “corporations that attempt to develop a code of ethics are faced with the difficulty of establishing common norms for their managers and employees to abide by” (Schwartz 2005, p. 41). Again, we are confronted with shades of gray. However, those shades aside, the role of ethics is to align individual values within an organization. Weaver (1995) notes, “Ethics governance programs, including codes of ethics, ostensibly are developed as tools for bringing some degree of uniformity and propriety to members’ performance of organizational roles” (p. 368).

Ethics should be proactive within an organization and prevent straying in the gray area, which can spread and morph into full-blown unethical behavior. That being said, though, ethics needs to function more as a locked door to illicit behavior rather than simply as a “keep out” sign on an unlocked door. Curiosity has gotten the best of many who have wandered through the door and left their values and ethics behind never to be seen again. But how can ethics serve as a proactive and preventative measure to keep leaders and employees on track and out of the gray area?

First, ethics must answer the question, “What kind of actions ought we to perform?” (Wallis 2010, p. 537). In other words, ethics must identify behavior that is acceptable within and by the organization. As Ciulla (2004) states, “If you want to know about a company’s ethics,

look at how it treats people—customers, suppliers, and employees” (p. 31). As the saying goes, actions speak louder than words. Therefore, the first order of business when it comes to the role of ethics is to address the actions, i.e., behavior, of a company and its employees.

Second, the role of ethics in twenty-first century organizations is to teach. That is, they must function as a learning mechanism. This presents a challenge because discussion and instruction of values and ethics can often result in powerful, emotional responses that can hinder learning (Sims 2004). Nevertheless, ethics must serve as a catalyst for experiential learning in a controlled environment away from the very real gray area. Sims (2002) concluded, “Business students need to have experiential awareness of the types of ethical dilemmas they will face, and they need to be able to evaluate and identify possible courses of action when confronted by ethical dilemmas” (pp. 408–409).

Third, ethics must serve as a quantifiable standard much like the Ten Commandments, which are rife with explicit language that clearly delineates the acceptable from the unacceptable with no ambiguity or room for interpretation, i.e., “thou shall not.” The Ten Commandments are based on fundamental values from which ethical standards are derived. Ethical standards set the tone for an organization, which “may find that employees pay a great deal of attention to whether the organization *walks the walk* as well as *talks the talk*” (Harden Fritz et al. 1999, p. 291). Such a standard helps keep everyone stay in check, particularly those at the top who determine policy.

## Conclusion

The twenty-first century may well be known by future generations as the age of ethical failures. Although our country has experienced such failures in the past, the advent of technology and the interconnectivity associated with globalization have provided a platform from which the world can view these debacles at the same time citizens are affected. Ethical failures now happen in real-time. In a previous age, it was enough for a set of universal ethics to be broadly applied to an organization to serve as a reactive indicator in the event of a breach. Today, though, the world is united like never before. Foreign continents are a mere plane ride away, and information is transferred in microseconds with the click of a mouse. Technology may well have united the world and reduced its size, but it has also paved the way for an increase in ethical failures.

The role of ethics in this century is much the same as it has always been—to establish right and wrong and protect individuals and organizations from engaging in illicit behavior and practices. The code of ethics must do more than hang on the company wall. Its new and improved role is to

serve as a preventative measure. That is, ethics must regulate not only the behavior of individuals and organizations. It must also regulate their thinking in order to guide actions and prevent actions that have irrevocable consequences.

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