



Proffitt

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Newsletter

The Matter of Business Ethics

We are making great strides in corporate social responsibility. Many reflect changes in business policies and practices. But when it comes to business ethics, are we really improving?

Consider this: almost 120 years ago, German socialist, economist, and politician Max Weber published his book, *The Protestant Ethic and the Spirit of Capitalism*, emphasizing that personal integrity and reputation matters: they form the basis of good business relationships. A person's words are their bond and business can be counted on with a handshake.

Jump to the turn of the century. For six consecutive years, Fortune magazine deemed Enron one of the most innovative organizations and two months after being publicized, Enron filed for bankruptcy, bringing down companies and 1,000's of individuals with it.

Not long after, new regulations and legislation were enacted including penalties regarding records and the accountability of auditing firms.

Then came the financial crisis of 2007-08, where organizations were deemed "too big to fail," generating other hazards, risks, and an uneven playing field.

Headlines, book lists, and social media are filled with other examples, several from the most recent past. How did we get here? And more importantly, where do we go from here?

What We Don't See

According to Robert Jackall, author of *Moral Mazes* (Oxford University Press, 2009), modern bureaucracy has created a "society within a society" in which there is a set of ethical standards that may not be consistent with those of the larger society.

Our current capitalistic society goes along with these sub-societies, *as long as they are successful*. When

A Message from Nancy...

Let me ask you:

- Are the people on your team engaged and committed or just collecting a pay check?
- Do you have the right people in the right seats on the bus? Are *you* in the right seat?
- Is the high cost of turnover eating away your organization's bottom-line?
- Are your processes and procedures (or lack thereof) delivering productive and efficient results?
- How comfortable are the members of your senior team managing and leading others?



In today's highly competitive environment, it's no surprise that "*what got you here may not get you there.*"

At **Proffitt Management Solutions** we are fully committed to providing a unique blend of team and individual development and executive coaching sessions where participants achieve more focus, a sense of purpose, and better results in their leadership roles.

Find out how services such as individual or team coaching and development, motivational and skills workshops, seminars may help you better answer those 5 questions and benefit you...

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there is a collapse, there is a cry of “foul.” It would seem that there is such an emphasis on success, that morals and ethics sometimes take a back seat.

Generally, the larger the organization, the more complex the strategy and operations. It might seem easier to stretch standards and change numbers to *reflect what is desired*, rather than what is. Meeting the numbers seems more desirable than sticking to reality. Besides, one might reason that “reality” or “truth” is really just a question of which version, which perspective, is applied.

Now is the time to face reality. Any path forward requires acknowledgement of where we are, where we want to be, and how we will get there.

Morality & Ethics in the Workplace

“We have all experienced, at one time or another, situations in which our professional responsibilities unexpectedly come into conflict with our deepest values...we are caught in a conflict between right and right. And no matter which option we choose, we feel like we’ve come up short.” - [Joseph Badaracco](#)

Research and empirical studies on moral standards and business ethics is sparse. But if we look at self-reporting surveys we can see some trends. For example:

- An assessment of manager’s values finds that 86% of managers claim moral standards at work are set by the expectations perceived in the work environment.
- A study of organizational ethics finds that a corporation’s culture is a strong determinant of individual thought, behavior, and organizational norms.
- Corporate or organizational culture is recognized as a key contextual influence in establishing and maintaining norms.

The Influence of Leadership

It’s clear that the morality and ethics in the workplace are influenced by the leaders of the organization. When the behaviors of leaders are seen to serve shareholders and themselves, rather than the employees, the community, the environment, or even the customers, there is an increasing sense of distrust of leaders’ motives. They are seen as not telling the truth, and doing whatever it takes to increase stock value.

Such erosion of trust may be pandemic. But as Dr. Marc J. Epstein and Kirk O. Hanson write in [Rotten: Why Corporate Misconduct Continues and What to Do about It](#) (Lanark Press, 2020), “While we don’t

argue here that corporate behavior has necessarily gotten worse in recent years, we certainly don’t believe it has gotten better.”

When misconduct happens by leaders, it colors all employees’ views of how leaders operate. And when corporate culture is undermined by distrust, the original excitement and enthusiasm about a job turns to cynicism, alienation, and disengagement. When this happens, work suffers.

Institutional Integrity: The Privilege of Pressure

Today’s leaders are the most important and powerful influence in their organizational culture. They understand and embrace the profound privilege and responsibility to create purpose and meaning that drives employee contributions, including innovation and productivity.

In most organizations, stated goals are consistent with the higher values of the organization: the vision of the leader, the organization’s mission, and value statement. This allows all employees to operate in a coherent and consistent manner to achieve stated goals. When employees have no clear picture of the moral or ethical stance of the organization, they tend to operate at the lowest perceived level.

Perhaps more so than ever before, creating and promoting institutional integrity is one of the most important functions of leadership. Moral and ethical stances need to be consistently reiterated and clarified.

Addressing Injustice

Aside from the ongoing unemployment and underemployment in the midst of pandemic, we still have unresolved matters in the American workplace. One of the most pervasive is the injustice of pay inequity, including corporations that pay millions in bonuses to executives and haggle over pennies with salaried and hourly employees.

Yes, we have made some progress in this regard. However, according to a recent [Harvard Business Review](#) article (November 2020), a recent self-reported survey of U.S. companies found that only 22% of the 922 largest public companies performed a pay equity audit (PEA) between 2016 and 2020. Until this issue is addressed and adjustments made, leaders will have an ongoing issue with building trust and credibility in organizational cultures.

An analysis of the relationship between ethical behavior and effective leadership reveals that it is a matter of examining both ends and means. Of course, sustainability is a factor: a business must be profitable in order to survive. Service organizations must satisfy consumers’ expectations. Government

must meet the needs of its citizens. The ends are the very reason for existence of the enterprise. At the same time, the means by which they achieve those ends are increasingly important.

Discussing Ethics at Work

Questioning moral or ethical viewpoints can trigger defensiveness, outrage, and even aggression toward those who think differently. Such negative responses end up blocking behavioral improvement. However, leaders have the privilege and responsibility to be clear and consistent about their standards and expectations, as well as their own choices and behaviors. This can be accomplished through:

1. **Leadership development practices.** These must include programs on ethical reasoning and decision making. This must be an ongoing process, not a one-shot affair at fulfilling a requirement. The most effective leadership development programs include coaching and/or mentoring. Through executive coaching, issues of personal ethics and moral responsibility must be explored and aligned with organizational values.
2. **Leadership programs.** These must include selection, development, evaluation and rewards policies that are aligned in such a way as to reflect their support of the values of the organization. When a person is selected for promotion or is rewarded, the organization is making a statement: this person represents our values and standards.

Moral Rebels at Work

There are powerful forces—economic, political, social, and cultural—that may lead us to feel powerless to oppose. It may seem easier to go along to get along. Each person must weigh alternatives and make choices in light of personal values and goals, but also with consideration to organizational and professional success. Clearly, there are times when we must speak out.

As we manage and recover from the pandemic and leaders wake up to needed reforms, there will be an increased emphasis on the need for leadership development programs that include coaching on ethical and moral values. There must be a drive for ethical responsibility if organizations are to thrive.

Ethical Decision Making

Morality and ethics are a daily challenge for managers and leaders. As professionals, they rely on rules, regulations, and policies when it comes to ethical decision making. Most, if not all, have made a promise to “not knowingly do harm.”

Clearly, this is not always an easy promise to keep. After all, life and business are rarely simple; there is a lot of gray between right and wrong. But as Peter Drucker wrote in *The Essential Drucker*, “Its very modesty and self-constraint make it the right rule for the ethics that managers need, the ethics of responsibility.”

A Framework for Ethical Dilemmas

There are two major approaches philosophers use to address an ethical dilemma:

- Focus on the **practical consequences** of what we do. This argues “no harm, no foul.”
- Focus on the **actions themselves**, and the “rightness” of the action alone. This argues that some actions are simply wrong in and of themselves.

An effective process includes a solid analysis:

1. **Analyze the consequences.** Explore all aspects by answering the following questions:
 - Who will be helped by what I do?
 - Who will be harmed by what I do?
 - What is the benefit, and how beneficial? (i.e. minimal, incremental, extremely; short-term and/or long-term)
 - What is the harm, and how harmful? (i.e. minimal, incremental, extremely; short-term and/or long-term)
2. **Analyze the actions.** Without thinking about the consequences, consider all of the options from a different perspective. Explore all options by answering these questions:
 - How do the actions measure up against moral principles like honesty, fairness, equality, respecting the dignity of others, and people’s rights?
 - Do any of the actions “cross the line?”
 - If there’s a conflict between principles or between the rights of different people involved, is there a way to see one principle as more important than the others?
 - Which option offers actions that are least problematic?
3. **Make a decision.** Consider the answers from steps one and two, and make a decision.

Moral and ethical leadership today require great courage, wisdom, and the right framework to make decisions.



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