

The Role of Ethics in 21st Century Organizations

By: Jay A. Dewhurst

In his 2003 book on business ethics, John C. Maxwell wrote, “Most people are disgusted with the state of ethics in America. They are sick of dishonesty and unethical dealings”¹ While most people can agree with this sentiment, agreement on a solution is an altogether different issue. 21st Century organizations are, more than ever before, faced with a workforce lacking a solid ethical foundation. The teaching and value system assumed to be part of the American experience just one or two generations ago can no longer be taken for granted. This lack of foundational ethics teaching presents new challenges that organizations must face in order to see sustainable prosperity in the following decades. Of the many challenges, three that are important to focus on are disconnection, rationalization and legalism, all of which lead to poor decisions, allowing a culture of unethical behavior to flourish. It is only by addressing these challenges head on that leadership can effect positive change in an organization’s culture.

Disconnection

*The act of willing this or that, of choosing among various courses of conduct,
is central in the realm of ethics.*

-Corliss Lamont

Even with a move to include all levels of the workforce in decision making, creating a more informed and educated workforce, employees today are as disconnected as ever. The mission statement of companies is often seen as a token expression to make sales, and not as a set of core values by which the company measures success. Excessive executive compensation, union hyperbole and the lack of trust between employees and business owners has bred an atmosphere whereby parties believe they are entitled to benefits, regardless of whether or not they are sanctioned by owners. Whether it is employees falsifying timesheets, underhanded sales techniques, or the mistreatment of low-level employees, the entitlement attitude is alive and well, causing many to live in ethical grey areas...or worse.

Rationalization

¹ Maxwell, John C. There's No Such Thing as Business Ethics. Nashville, TN: Warner Faith, 2003. Page 3.

In civilized life, law floats in a sea of ethics.

-Earl Warren

“Rationalization is finding 'good reason' for things that we really know are wrong”². Take for example the issue of stealing. If you ask the average person if they would steal from their neighbor, you would receive a resounding “NO!”. However, when copyright infringement is at issue, such as copying a CD or DVD, their answer becomes more philosophical, often ending with some reasoning such as: “it really doesn’t hurt anyone”, “it’s a big corporation”, or that “it is too expensive for people to buy it themselves.” Regardless of the reason, however, rationalization presents a challenge to 21st century organizations that is difficult, but must be addressed at every level, as it really is the “little foxes that spoil the vine”.³

Legalism

Live one day at a time emphasizing ethics rather than rules.

-Wayne Dyer

The danger of legalism has been a topic of great debate for centuries. Both in religious and secular circles, the enactment of rules and regulations have been used to control the masses by numerous leaders, in myriad circumstances. The results of legalism, however, are nearly always the same...a loss in one’s ability to reason. In today’s society, many people who consider themselves to be moral, upstanding citizens suffer from this lack of reason. The list of rules they can quote by heart seem outdated and irrelevant in today’s turbulent and chaotic economy. The ability for these people to use core values to wade through today’s issues is sorely lacking and must be addressed.

In 2001, the world first became aware of the debacle at the Enron Corporation. While the incredible unethical activities of Enron executives have been repeatedly addressed, what has not been addressed is the enormous part legalism played in the debacle. From top executives to commodities traders, a breakdown of values and ethics of reason occurred. Arthur Anderson, who was at the time one of the “Big 5” accounting firms, had given approval to Enron’s scheme that created new rules for revenue recognition. These rules allowed Enron to recognize revenue on the speculation of future earnings, which grossly overstated the profitability of the company. When faced with the outcome of these decisions, CEO Jeff Skilling stated, “We don’t break the law.” This idea that if the auditors or attorney’s say it is ok, it must be ok, allowed employees at many levels to throw all sensibility out the window and simply obey the letter of the law... *as they see it*. Reason had taken a backseat to legalism. The results were disastrous with shareholders (including many hardworking Enron employees and retirees) who lost an estimated \$60 billion.⁴

² dictionary.reference.com/askhome/browse/Rationalization

³ Holy Bible, Song of Solomon 2:15, NASB

⁴ Canadian Broadcast Corporation <http://www.cbc.ca/news/features/enron.html> as quoted at <http://answers.google.com/answers/threadview?id=60460>

The Possibilities: Rising to the Challenges

Action indeed is the sole medium of expression for ethics.

-Jane Addams

Although the challenges faced by the 21st century organization are daunting, the solutions may be as simple as looking into our past. While the religious connection to our values has lessened, there continues to be some degree of respect for what many consider America's Judeo-Christian heritage.⁵ Using very basic, but agreed upon values, as a starting point, organizations can begin a cultural shift that recognizes important core values at every level, making ethical thought and action a part of everyday life. In order to create such a cultural shift, employees at all levels must come together to address five key areas:

1. **Re-visit the Company's Mission.** In order to achieve buy-in to the core values of an organization, a re-visit of the company's mission statement is needed. One method of doing so is to throw out the old mission statement and create a new one based upon core values expressed in open meetings. While this may seem dangerous to some, the results are often surprising when leaders and followers alike realize they are closer than originally thought on what they want for the company.
2. **Recreate the culture.** Although there are many ways in which a change in culture may occur, one way is to use the Organizational Culture Assessment Instrument (OCAI).⁶ This instrument measures the culture of an organization as it exists, and then measures where participants believe it should be in order to accomplish the organizations goals. Regardless of the method, however, recreating a culture is an important step to solving a crisis of ethics in an organization.
3. **Build connectivity.** Team building is vital to an organizations long-term focus. An individual's ability to connect with a group is important as it allows a sense of belonging in an organization, permitting a cultural shift not only at the macro (the corporation), but also at the micro (individual or small group) level as well. Teams that include all levels of employees, from top managers to those working as line employees should be encouraged, as communication at and between each level is an important to a healthy culture.
4. **Demand accountability.** Accountability must be the mantra at all levels. A good place to start, which sets an example for the whole organization, is through transparency. By clearly establishing goals, both fiscally and ethically, and reporting the results on a regular basis, the organization can firmly establish its value of accountability at every level.

⁵ Many other religions have similar values and have had a significant effect on the American culture. For more information go to www.shalomjerusalem.com/heritage/

⁶ For more information about the OCAI, see *Diagnosing and Changing organizational Culture* by Kim S. Cameron and Robert E. Quinn. Addison Wesley. 1999.

5. **Encourage thoughtful reflection.** Mistakes will be made. When they are, over-reacting can be as damaging as under-reacting. Leaders must walk a fine line in standing firmly for the core-values, but allowing a learning moment through thoughtful reflection. Regardless of the end result for the particular employee, thoughtful reflection creates an atmosphere where legalism is rejected and where learning occurs. It is this type of environment that facilitates growth in ethical understanding and a deepening of belief in the core values of the organization.

The Results

The success of any great moral enterprise does not depend upon numbers.

-William Lloyd Garrison

The challenges facing the 21st century organizations are significant, but certainly not insurmountable. While the masses may trend toward unethical behavior and diminishing values, it is important that quality organizations establish a culture that stands above the fray, shining like a lighthouse for vessels that have lost their way. By stepping up and facing the challenges head-on, leaders and followers alike can work in an environment that works toward a common mission, demands ethical behavior, and values accountability, for it is in this culture that the 21st century organization can flourish.