Why Ethics in Organisations are Important

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Ethics are defined as the "norms of conduct" which differentiates what is fair and decent from what is not (Resnik, 2011). Organisational ethics are the policies, procedures and culture of doing the right things in the face of difficult and often controversial issues. Ethics topics that challenge organisations include but aren't limited to discrimination, social responsibility and fiduciary issues. Ethical issues and how any organisation practices ethics are more important than ever because social media readily exposes issues that might have been swept aside in previous generations.

The following article speaks to the importance of ethics in organisations:

Builds a Positive Corporate Culture

An organisation dedicating resources to developing policies and procedures that encourage ethical actions builds a positive corporate culture. Team member morale improves when employees feel protected against retaliation for personal beliefs. These policies include anti-discriminatory rules, open-door policies and equal opportunities for growth. When employees feel good about being at work, the overall feeling in the organisation is more positive. This breeds organisational loyalty and productivity because employees feel good about showing up for work.

Boosts Consumer Confidence

An organisation can lose consumer confidence very quickly with a few bad online reviews. Organisations have to retain consumer loyalty through ethical practices that start with fair and honest advertising methods and continue through the entire sales process. One area that organisations can lose consumer confidence is failing to honour guarantees or negatively deal with complaints. This is why consistent policies and employee training is imperative. Companies must direct employees on how to treat customers according to their core values.

When an organization takes the time to identify what is important to consumers and its target market, it is better able to set value statements and protocols to meet higher ethical standards. For instance, a coffee distributor that focuses on fair trade and farming sustainability builds a brand supporting environmental and social responsibility.

Reduces Financial Liabilities

Organisations that do not develop policies on ethical standards risk financial liabilities. The first liability is a reduction in sales. For example, a real estate development company can lose customer interest and sales if its development reduces the size of an animal sanctuary. This does not mean a company must

abandon growth. Finding an ethically responsible middle ground is imperative to sway public opinion away from corporate greed and toward environmental responsibility.

Minimises Potential Lawsuits

The second area of financial liability exists with potential lawsuits. No organisation is exempt from a disgruntled employee or customer who claims discrimination. Sexual discrimination in the workplace is costing CEOs, politicians and celebrities their livelihood because they are not appropriately dealing with accusations and harassment claims. Organisations must maintain policies and procedures addressing various types of harassment and discrimination. Moreover, organisations must remain consistent in the execution of policies dealing with accusations. This helps reduce frivolous lawsuits that could bankrupt smaller organisations.

Three Levels of Ethical Standards in a Business Organisation

The ethical standards of a business are a key factor in how that business is defined. A business's reputation impacts its customers, employees, potential for growth and overall success. A business organisation that exemplifies integrity in its products, services and actions hold itself up to high ethical standards on all three levels.

Law

Laws define the difference between right and wrong, and what is considered acceptable behaviour by the majority of people. A business organisation must abide by these laws to uphold its ethical standards. Wage and hour laws that protect employees are one example, while guidelines overseeing environmental protection are another. Businesses must adhere to laws instituted by the state and the local municipality. There are situations where the actions of a business organisation are legal, yet they may not be particularly ethical. This is a fine line and the organisation has a responsibility to self-police if it wants to be held to a high ethical standard.

Policies

The second level of ethical standards for a business organisation concerns its internal policies and procedures. The business creates these as a guideline for its managers and employees to follow. A set of clearly stated highly ethical policies takes the guesswork out of decisions made daily. These policies should include hiring practices, termination procedures, sexual harassment issues, vendor relationships and gift-giving limits. When staff members of an organization are trained in a company's policies, actions and reactions become second nature. Ensuring those policies are ethically sound removes the possibility for improper actions or decisions.

Individuals

Though a business organisation may be bound by applicable laws and internal policies, adherence by

individuals determines the true integrity of the company. When an employee joins a business organisation, he comes equipped with his moral values based on heritage and upbringing. It is the responsibility of the business organisation to foster a corporate climate that supports ethical behaviour by all employees. This is achieved by continual training in the ethical policies and guidelines of the company, positive reinforcement of ethical actions and leadership leading by example.

Consequences

There are notable consequences for a business organisation when it ignores or breaks the ethical standards at each level. If a business does not adhere to the law, ramifications may include fines, penalties or even jail sentences for business owners. Infractions might include polluting the environment, breaking labour laws or fraudulent financial reporting.

Infractions at the company policy level can result in the need for internal audits, legal investigations and the institution of corrective actions. These consequences will most certainly have a financial impact due to time and costs involved and may also negatively impact employee morale as business operations are strained under the pressure.

Noncompliance with ethical standards at the individual level may be the costliest. If the actions damage the business's reputation, the consequences may include loss of customers, employee turnover and damage to staff loyalty.

Strategies for Ethics Management

During the past decade, several companies have undertaken integrity initiatives. They vary according to the ethical values focused on and the implementation approaches used. Some companies focus on the core values of integrity that reflect basic social obligations, such as respect for the rights of others, honesty, fair dealing, and obedience to the law. Other companies emphasize aspirations—values that are ethically desirable but not necessarily morally obligatory—such as good service to customers, a commitment to diversity, and involvement in the community.

When it comes to implementation, some companies begin with behaviour. Following Aristotle's view that one becomes courageous by acting as a courageous person, such companies develop codes of conduct specifying appropriate behaviour, along with a system of incentives, audits, and controls. Other companies focus less on specific actions and more on developing attitudes, decision-making processes, and ways of thinking that reflect their values. The assumption is that personal commitment and appropriate decision processes will lead to right action.

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