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## **Workplace ethics: A strategic tool for organizational growth**

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### **Abstract**

In the constantly changing global business scenario of globalization, privatization and liberalization, workplace ethics is one of the indispensable elements for organizational growth. This is more so in the current era of technological innovations like web revolution and virtual workplaces that requires ethical practices for an organizational success and to boost employee's pride. Workplace ethics encompass characteristics like trustworthiness, mutual respect for one another, taking personal responsibility, effective leadership, transparency and fairness in dealings and a caring and an empathetic attitude.

The exploratory paper studies the impact of workplace ethics on organizational growth and the need and significance of workplace ethics in the current business scenario. It lists the factors that influence the firm's ethical climate and details some of the strategies to implement and practice workplace ethics. It also highlights how to diagnose and tackle ethical problems like- workplace conflicts, workplace politics, unethical leadership, immoral practices that undermine the organization's growth and development. It presents how joint ethical support systems, individual morality, bondings developed through positive relationships can promote organizational culture. Developing a proactive organizational culture is one of the long term solutions to many of the problems witnessed by the organizations. It is vital for the company and the employees to have a strong belief that managing ethics is a continuous process and it is natural like any other management function. If managed well the end results of such work practices would be increased productivity, profitability, growth and improved employee health and relationships.

**Keywords:** workplace ethics, organizational growth, ethical behavior

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### **Introduction**

In the prevalent business scenario, workplace ethics are very crucial for organizational growth. Ethics in work encompass characteristics like trustworthiness, respect for others, taking personal responsibilities, fairness in dealing, a caring and empathetic attitude. Organizations encouraging positive work attitudes, ethical climate, teamwork, integrity and self-discipline determine its wellbeing and growth in all respects. "International Federation of Accountants (IFAC) 2009 states that- the introduction of a code of ethics help build a values-driven organization and typically deals with an organization's underlying values, commitment to employees, standards for doing business, and its relationship with wider society". In addition, "McMurrin and Matulich, (2008) state that business ethics contribute to profitability by reducing the cost of business transaction, building a foundation of trust with stakeholders, contributing to an internal environment of successful teamwork, and maintaining social capital that is part of an organization's market-place image". Ethical corporate practices also have a favorable impact on the reduction of fraudulent activities, corruption, and financial discrepancies by personnel. Thus, it is in the organizations and stakeholders' best interests to recognize, develop, practice, and improve workplace ethics.

### **Workplace Ethics**

"Contemporary organizational standards, principles, sets of values, and conventions and culture that regulate an individual's actions and behavior in a corporate organization are referred to as workplace ethics". "They are the behavior, norms, rules and

values that are essentially honest and just and are shared by all employees within an organization with the aim of constantly improving performance, achieving common goals and establishing relationships with all stakeholders". "The term 'ethics' has its origin from the Greek word 'ethos', which means "character or custom – the distinguishing character, sentiment, moral nature or guiding beliefs of a person, group or institution". Business ethics is described as the ultimate rules which dominate the assessment of "what constitutes right or wrong, good or bad human conduct in a business context" (Shaw, 2010). "The Greeks and Romans defined Ethos as the collection of the usages, ideas, standards, and codes by which a group lives". The term, 'business ethic' is used in a variety of connotations. "Business ethics is a form of applied ethics (Broni, 2010) that examines ethical principles and moral or ethical problems that arise in a business environment (Solomon, 1991). It applies to all aspects of business conduct (Baumhart, 1968; Ferrell & Fraedrich, 1997; Singer, 1991) and is relevant to the conduct of individuals and business organizations as a whole (Bernard, 1972; Donaldson, 1982)".

"Applied ethics is a subfield of ethics that deals with ethical dilemmas in a wide range of fields, such as technological, legal, business, and medical ethics". (Preston, 1997). "Business ethics consists of a set of moral principles and values (Jones, Parker & Bos, 2005:17) that govern the behavior of the organization with respect to what is right and what is wrong" (Badiou, 2001; Seglin, 2003). "It also contains the exclusion at the place of work" (Collier & Esteban 2007; Duska, 1999) and establishes a legal

structure within which the organization can function. "Certain moral theories have helped in the evolution of four main ethical notions over time- they are deontology, relativism, egoism, and utilitarianism" (Kotsiris, 2003).

### Literature Review

"Making money is not inherently unethical. It is the manner in which some companies conduct themselves that raises the issue of workplace ethics". (Maitland, 1994). "Good business ethics should be a part of every business" (Preuss, 1997). "When an organization is involved in doing business with another organization/ individual that is regarded unethical, does this make the first organization unethical by association"? (Kahneman - Knetsch & Thaler, 1986; Velasquez, 1983) Some people would agree to this- Business has an important responsibility towards its stakeholders and by indulging it becomes a link in the chain of these unethical practices. "Many worldwide corporations, including most of the world's most well-known brands, might be perceived as not placing a high value on excellent corporate ethics. Many among them have been charged millions for breaking ethical business laws" (Cory, 2005).

A study by Campbell and Malan (2002) suggest that "Ethical business is good business, especially if you want to stay in business. Recent corporate collapses, as a result of poor corporate governance, both locally and internationally, have once again emphasized the importance of doing business ethically," "Good ethics makes good business sense," stresses Malan. "Long-term profitability depends on sustainability, and to ensure sustainability in the twenty-first century you need to focus on integrated financial, ethical and environmental performance at the same time – the so-called 'triple bottom line'," he argues. "Basic ethical infrastructure includes official company codes of conduct and ethics, as well as official company private reporting lines for whistle-blowers to report malfeasance". Strong ethical principles that go beyond following the law, according to Smart, Barman, and Gunasekera (2010), "they can substantiate significant worth to a brand, but failing to do the right thing can result in social, economic, and environmental harm, jeopardizing a company's long-term prospects". They advocate for corporate sustainability messaging and reporting to go beyond lip service to the green agenda, and for ethics to be included into business models, organizational strategy, and decision-making processes. "There are many organizations that take pride in their good business ethics, but they are becoming few and far in today's fast-paced competitive environment". (Knight, 1980). "The need for more ethical business processes and activities is growing in the increasingly conscience-focused marketplaces of the twenty-first century". (Donaldson, 1982). "Simultaneously, new public programmes and laws are being used to put pressure on industry to enhance business ethics. (e.g. high luxury taxes). "Businesses can often attain temporary gains by acting in an unethical fashion (Sunstein, 2002) but surely these kind of tactic and practices can undermine the not only the organizations but can have vast impacts on the society at large". (Velasquez, 1983).

According to various surveys conducted by the Institute of Business Ethics in the United Kingdom, as well as research conducted at De Paul University in Chicago, there is a strong association between business ethical practices and financial performance for organizational growth and sustainability.

Organizations that practice ethical behavioral norms perform better in the long run than those that do not.

### Objectives

The objectives of the study are as follows:

1. To understand the need and significance of workplace ethics in the current business scenario
2. To determine the impact of workplace ethics on organizational growth
3. To suggest ways for developing and implementing workplace ethics

### The Need for Workplace Ethics

In a continually changing global scenario of globalization, privatization and liberalization workplace ethics is one of the most sought after aspect that drives the organizational growth. On the global scenario workplace ethics has received a wide attention. "Workplace ethics are on the rise among U.S. companies. According to the 2009 Ethics Resource Center's National Business Ethics Survey, 71 percent of employees from the U.S. government, for-profit and nonprofit sectors considered their senior leaders open and informative with their employees, and 80 percent said their organizations held workers accountable for wrongdoing." According to Global Ethics Survey, 2019 highlighted findings related to "building an ethical corporate culture as- Organizations with 'strong' or 'strong-leaning' ethics cultures increased to 66%; Organizations providing ethics training rose to 81% ; 67% of organizations included ethical conduct as a performance measure in employee evaluations; 74% of organizations communicated internally about disciplinary actions when wrongdoings occurred". "Workplace ethical standards not only uphold company's assets, but also promote a constructive and emotionally secure work". The way a firm conducts business can have an impact on its reputation and efficiency. Further, Kay and Popkin (2000) believe "that organizations that wish to enhance their profitability need to enhance their decision-making strategies by incorporating ethics into their decisions". "Similar to this in a comparative study conducted by the Du Paul University during 2001, it was found that organizations that make" "an explicit commitment to follow an ethical code provided more than twice the value to shareholders' than organizations that did not". "It was also found that 47 organizations that had a more extensive commitment to ethics indicated that their market value added (MVA) was larger by an average of \$10.6 billion, or approximately three times the MVA of organizations without similar commitments" "Employees' perceptions of their company's ethical culture have been linked to job happiness, organizational commitment, and performance. (Kim & Miller, 2008; Pettijohn, Pettijohn & Taylor, 2008)". "Employee perceptions of an organization's ethical behavior can lead to good consequences and overall organizational growth". "Employee performance, job satisfaction, organizational commitment, trust, and organizational citizenship behaviors can all benefit from a positive impression of ethical behavior." Charlesworth and Sewry (2004 in their study also substantiated "during a South African survey in the IT sector that 65% of respondents believed that by being ethical an organization can earn a profit in the long term".

Thus it is of high significance for the organization to nurture ethical business practices:

- Builds a Proactive organizational culture
- Reduces financial obligations
- Gained customer confidence and trust
- Better employee loyalty and commitment
- Promotes strong team work and productivity
- Positive public image and brand value
- Reduced legal issues
- Supports employee growth and development
- Protects organization's assets

### **Developing and Implementation Workplace Ethics for Organizational Growth**

Organizations today are well aware that to be successful and foster long term and consistent growth it's important to have strong work ethics. The very reason that corporate are shifting its focus from the shareholders to stakeholders, transparent policies trust building exercise accountability for actions, and strict adherence to law enforcements are relatively gaining momentum. Ethical problems often arise from organizational culture and unchecked and uncontrolled lack of values which results in higher costs and harmful effects to the organization, thus developing a collective ethical culture is one long-time solution to many problems.

### **Focus on Skill Development and Problem Solving**

Organizations can focus their efforts on enhancing ethical skills and problem-solving methodologies to a great extent. Rather than simply outlining what types of actions are acceptable, institutions must aid with step-by-step approaches for developing ethical decision-making and behavioral skills, as well as ways to resolve ethical challenges or issues.

### **Ethics and Compliance Training**

Providing effective work ethics training can instill good corporate principles for long-term growth and success. Employees should get ethics training, according to Rossouw (2002), which will not only introduce them to the idea of ethics but will also equip them with the required skills for making ethical judgments. In order to be effective, a thorough ethics training programme must be developed and implemented.

### **Top Management Leadership**

"Leadership is critical in the development of an ethical organization, since leaders can establish, maintain, or modify the environment" (Trevino & Nelson, 1995). Top management must be convinced to support the ethical effort. People prefer to relate their leaders' behavior, according to research performed by well-known Stanford psychologist Al Bandura and others. Customers, investors, workers, and members are influenced by the leader's credibility and the manner in which he or she conducts business.

### **Compensation and Incentive**

For ethical expectations to be fulfilled in the organization it is necessary to reinforce ethical values and guidelines. For this, a well-structured reward and incentive system can enable it "Trevino and Nelson (1999) and Rossouw (2002) state that reward systems are the 'single most important formal influence' on employees' behaviour at work. Incentives must be integrated

into the performance and compensation system". In addition, a certain ratio can also be linked to ethical performance an management. "The appraisals can also communicate and reinforce management's expectations as they relate to the performance of each employee" (Logsdon & Yuthas, 1997).

### **Corporate Social Responsibility (CSR)**

One of the most impactful areas of ethical conduct is through CSR initiatives and related schemes as they not only have a direct impact on the organization but also on the society at large. All stakeholders benefit directly or indirectly from these initiatives-boosts sales and profits for the organization, reduces labour turnover, attracts investors, increases employee retention, attracts new employees thereby bringing more competent workforce, enhancing goodwill and winning trust of the shareholders. Many Indian companies like Infosys, TCS, Wipro, Reliance, Mahindra are well appreciated for their CSR initiatives.

### **Ethics Audit and Committee**

"An ethics audit conducted before implementing the ethics initiatives will enable to organisation's environment". Carroll and Buchholtz (2003) believe "that the ethics audit serves the purpose of assessing or evaluating the ethical status and ethical programmes offered by the organization". An ethical audit will also reveal any issue areas that the ethics coordinator should pay special attention to. "Ethics audits are intended to review ethics initiatives such as codes of conduct, hotlines and ethics training programmes' (Carroll & Buchholtz, 2003)". To measure the success of the ethical project, regular audits of the ethics programme should be undertaken. Regular audits will help highlight the ethics program's benefits to management, ensuring that resources are used efficiently and effectively. In many organisations now, ethics committee / ethics officer (depending on the size) manage the ethics function for effectively managing and advocating them. "The committee will represent the interests of the organisation and its employees by ensuring that the organization's ethics initiatives are effective and fulfil the standards of applicable legislation and guidelines".

### **Organizational Story Telling**

Another effective means of inculcating ethics and morality is through organizational storytelling, which has been passed among the workforce over generations. "Stories allow employees to learn vicariously through others learning experiences. It is an important means to communicate implicit values (Schein, 1984; Randall and Martin, 2003), legitimate behaviours (Jhonson and Scholes, 1999), aids organizational socialization (Brown, 1985), and change" (Denning, 2001).

### **Enhancing Ethical Behavior in Organizations**

Leaders all across the world recommend a variety of methods for improving workplace ethics. Ethics should be a component of the company's goal statement, long-term strategic plan, public announcement, and code of conduct in order to be successful. Some of the practices offered are:

- When it comes to defining objectives and goals for employment partnerships, be realistic.
- Developing the culture of the organization to imbibe appropriate values and ethical practices.

- Conducting ethic training programmes reinforce organization's code of conducts
- Code of ethics need to clearly state the organization's primary principles and the ethical guidelines that employees are required to follow.
- Recognizing and rewarding ethical acts and punishing the unethical conducts and behaviors of employees.
- Whistle blowing is a good way to find out about unethical practises in a company. Organizations must guarantee that the process is non-threatening and simple.
- Employees without any fear of retaliation should be able to highlight and express ethical concerns and report unethical behavior.
- Regular upkeep of ethical audits and procedures as against the laid down organizational objectives.

### Conclusion

A good sense of work ethics not only benefits the organization but also enhances employee commitment and health. For organizational sustainability it is necessary to avoid unethical practices as it not only minimizes their survival rate but also hampers their overall profitability and growth. Ethical work culture is consistent with strong, positive and legal culture enabling the organization's to completely sail through the current competitive times. For this the role of management in developing and sustaining ethical work culture is very crucial. Also, positive influences that propagate in the society can be improved by building a values-based culture within the organisation.

"Many companies recognize the importance of ethics in their organizational culture. There is, however, still a lot of opportunity for development. First and foremost, businesses must regard ethics as a social duty to which they are bound. Harming others for personal gain, no matter how skillfully done, is unacceptable. Then, and only then, will ethics find its proper place in companies that prioritize it by establishing relational norms that benefit everyone. Finally, the most successful firms will seize the opportunity to mould the future by instilling ethical ideals in the culture. Implementing an ethical workplace culture takes time and commitment, but it may ensure long-term corporate success". As a result, employees and management must have a strong belief that managing ethics is a continuous process that will produce positive long term outcomes. Positive influences that propagate outside the company can be improved by building a values-based culture within the organization.

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