Embedding Ethics in Business and Higher Education

*Business Higher Education Forum (BHEF)*

2005

**Objectives:**

- To clarify and make sense of the time period dubbed as the ‘Enron Era’.
- To gain a better understanding of the state of management of organizational ethics.
- To develop a strategy to test a way of embedding ethics into an organization.
- To develop and test an application of the above strategy to the moral bearing of student bodies on college campuses.

**Findings & Salient Points:**

- To adequately explain individual instances of corporate corruption and properly characterize their consequences, the authors look at the following:
  - The central importance of organizational culture. Organizations with strong ethical cultures tend to self-correct from errant misbehavior and fortify against future encroachments.
  - The unique operating dynamics that characterize an organization: scale, global reach, instability due to M&A, downsizing, spin-offs, etc.
  - Conventional ethical safeguards: internal controls, legal sanctions, etc.
- The authors emphasize three factors that fueled recent episodes of corporate corruption:
  - ‘Operating Dynamics’ (that increased the likelihood of unethical conduct), ‘Ethical Safeguards’ (that were obsolete due to organizational changes) and ‘Organizational Cultures’ (that encouraged deviant activities).
- Management of Organizational Ethics is first a ‘Leadership’ function and then a ‘Compliance’ function. However this was not demonstrated during the Enron Era. Some reasons for this are:
  - Corporations did not appreciate the fact that an entire system of protective measures could fail collectively.
  - Tougher laws are not sufficient. The system currently is built to respond to unethical conduct after it has occurred.
  - Safeguards are only as effective as the culture in which they operate.
- Leadership alone is insufficient to prevent ethical misconduct.
- Present-day approaches to managing ethical performance are primitive in comparison to the techniques employed elsewhere in organizations and woefully inadequate in relation to the risk. There is a lack of explicit accountability for ethical performance.
- Four key elements should be used to manage ethical performance in an organization:
  1. Attention should be paid to the environment and the ethical culture in which individual employees work.
  2. Understand the environmental and cultural influences on the choices employees make.
  3. Periodically assess the ethical culture by documenting what the members of an organization perceive to be the operative values, the informal rules stipulating
appropriate conduct, the importance accorded to playing by the rules and other indices of ethical culture.

4. Vest responsibility for maintaining or improving ethical culture with those already accountable for operating performance.

- To determine the feasibility of the above four elements, the authors tested two assumptions with positive results:
  - Whether ethical culture can be objectively assessed for these purposes.
  - Whether it is possible to fashion a performance objective for maintaining or improving the ethical culture of an organization.

- These results suggest that it is realistic to hold managers accountable for the ethical culture within their span of authority.

- To foster student moral development the author suggests two ideas:
  - Encourage college and university leaders to consider applying strategies discussed in the paper to high risk areas of their organizations.
  - Recommend expressing moral development aspirations as explicit goals, and managing them systematically.

- The authors tested one key assumption: that a distinct ethical culture is alive and operative within student bodies. The results suggest:
  - A distinctive ethical culture exists on the campus surveyed.
  - Students had no difficulty identifying the operative values and shared beliefs among their classmates with remarkable consistency.
  - Students indicated that the ethical culture of the campus surveyed tended to override formal policies.

- Colleges and universities have worked diligently to inculcate a respect for diversity in their students.

Full Report