

The Role of Senior Management in Ethical Related Actions

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Abstract

This paper could be falling within the theme –‘Ethics in Management.’ The paper presents the role of the Senior Management in inculcating the concepts of ‘Ethical Related Actions’ and the importance of such concepts in the ethical management of organizations.

Keywords: *Ethical Related Actions (ERAs), Values, Cultures.*

Introduction

This paper is partly conceptual and partly based on the author’s doctoral research.

The most critical issue in ethics management on one hand is the continual conflict between the economic performance of the firm, measured by revenues, costs & profits, stockholders’ interest and on the other hand the social performance of the firm, which is difficult to measure but represented by obligations to employees, customers, creditors, suppliers, distributors and members of the public in general.

Sharon Allen, the former chairwoman of the Board of Deloitte & Touché, USA LLP said this: “Corporate leaders have a duty to build and foster a value-based culture that thrives on high ethical standards and makes corporate and social responsibility a top priority. Only

by instilling these values in our respective organizations will we be able to bestow a promising future to the next generation”.

The senior management has to play a major role in instilling such ethical standards & values in any organization. This paper will indicate some of the ethical roles to be played by the senior management. These are not exclusive roles, but are of routine nature and have to be exercised, followed and course corrections carried out to make the organization a success.

Review of Literature

Human beings in to-day’s world are bothered about perpetual conflicts, challenges and chaos in the society. Environmental problems are adding up to the sad scenes. Such a strife is due to imbalances in mind and heart and not due to the marvelous development

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in technology and its application. Opportunities exist in the society to reduce such dilemmas which can be achieved by coupling development in all spheres along with humanism.

R.M.Lala¹ says that an ethical leadership consists of “Communication, compassion, competence, coverage, decision making, humility, integrity, management, purpose, stamina, teamwork, training and vision”. He stresses the importance of ‘compassion’ in ethical leadership and quotes Churchill who calls compassion as ‘deathless glory’.

Kadambari Kaul² quotes from ‘Dhammapada’, “It was not outward appearance of modesty or purity that made one noble but the purity of one’s thoughts, purged of all defilements and established in the eternal Dhamma that made one noble”.

The Old Testament says, “He who walks with the integrity walks securely”.

Intellectuals³ of the recent past have this to say on ethical values:

- Rabindranath Tagore says, “What is valuable to a man when he is bad becomes worse than valueless when he is good”.
- Vivekananda says, “Great error of all ethical systems is failure to teach means to refrain from doing evil”.
- Mahatma Gandhi says, “In the path of morality, there is no such thing as reward for moral behavior”.
- Sri Aurobindo says, “The kernel of true ethical being remains always the same – will, character, self-discipline, self-mastery – these are almost the first conditions for human Self-perfection”.

In the ‘Perspectives in Business Ethics’⁴ author Laura P. Hartman brings out various Ethical Theories and Approaches and indicates applications of Traditional Theories to Modern Business Making. She suggests that in corporate & business levels, the moral decision making processes can be regulated through the publication of code of conduct, code of ethics and corporate values of the company.

In his book ‘Swami Vivekananda on Universal Ethics and Moral Conduct’⁵, Swami Ranganathananda, the author, says that ethics & morality are the “Real Basis of Life”. He adds: “All knowledge is within us. All perfection is

there already in the soul but this perfection has been covered by nature; layer after layer of nature is covering this purity of the soul. We simply take the veil off; and the soul manifests itself in its pristine purity, its natural, innate freedom”.

R.C. Shekhar in his book, ‘Ethical Choices in Business’⁶ states that ethics could have a descriptive aspect (D), a normative aspect (N) and an analytical aspect (A) which is called DNA of ethics. He puts all of them in six bundles of ethical lessons from history to improve our integrated understanding.

Dr. S.K. Chakraborty in his book, ‘Ethics in Management – Vedantic Perspectives’⁷ leads us to a different direction which he terms as ‘Moral Business Ashram’. The word “Ashram stands for a serene and calm, sacred and simple locale in a wooded surrounding where individuals can practice self-discipline and austerity for the consummation of a vow”. He says that, “it reflects the ingrained Indian ethos most of our managers secretly nurse”. Probably, “the ultimate idea is that an individual in Indian culture is the holy man”.

Dr. Subhash Sharma in his book, ‘New Mantras in Corporate Corridors’⁸, says the foundation of Indian corporate model is based on Indian Ethics and the Spirit of Development. He says, that “in sharp contrast to the western model of ‘Protestant Ethics’ and the ‘Spirit of Capitalism’, the Indian ethics model with its emphasis on holistic development provides us a new model for future development of human society”, in which ‘spirit of capital’ or the ‘artha’ dimension of life is not negated but is driven by ‘dharma or the ethics’. He further says that the “dharma driven ‘artha’ or the ‘spirituality guided materialism’ represents a balanced approach to development”. He adds, that, “Western ethos are rooted in individualism or the primary of self-interest; eastern ethos favour ‘lokasangraha’ or the primary of collective interest and altruism; what required is a balance between the two”.

Under the auspices of Global Ethics Foundation⁹, Tubingen University, Germany, the former Prime Minister of England, Tony Blair, on 30-06-2000, gave a clarion call as “community within a nation, interfaith understanding, and community as an international idea”. He emphasized on “free trade is the key to

prosperity for poor nations, debt relief and solidarity with poor nations, fight against crime and drug abuse on an inter nation basis, non-destruction of environment, non-proliferation of nuclear threats and finally a great stress on revolution of information and biotechnology”.

Robert W Austin in his article ‘Code of Conduct for Executives’¹⁰ suggests a simple code of ethics for executives. He says; “Business Ethics, Corporate Morality, Corporate Ethics and similar phrases mean nothing. The public’s opinion of the ethics of business and of the corporation is based entirely on the actions of individual business managers”. He adds that code of conduct and other statutes only create an attitude of suspicion. If business management is to be a profession, it must meet the basic requirements of the professions. One of these requirements is an internally developed code of conduct that can be and is professed as the code by which the members of the profession will live. In his opinion, the code should call on the executive to assume the duty of: a) Placing the interests of this company before his private interests; b) Placing the interests of society before his own and his company’s interests; and c) Revealing the truth in all cases of involvement.

Objectives of the Study

- To establish the role of the Senior Management in ethical related actions of a company.
- To find out as to who has the major role in ethical related actions of a company. The Senior Management? The Middle Management? or, The staff and employees?
- To establish graphical relationships between the roles Senior Management, Middle Management and staff & employees on various Ethical Related Actions.

Research Methodology

Five MNCs and five similarly placed Indian engineering companies were chosen. All the ten are Bangalore based. The chosen five MNCs comprise one from each country viz., Japan, USA, Germany, Sweden and Switzerland.

The questionnaire prepared for different functional areas like Senior Management, Middle Management

and Staff & Employees was different even though a few commonalities existed. From each company five numbers of senior managers, ten numbers of middle level managers and fifteen numbers of staff and employees were chosen. The feedback data obtained is indicated under the heading ‘Research Findings’.

Ethical Landscapes

The National Business Ethics Survey, 2005¹¹, made by Ethics Resource Centre, USA, suggests eighteen critical elements of an organizational culture. These are the Ethical Related Actions pertaining to different levels of management and workers.

They are as follows:

Management Levels	Ethical Related Actions
Top Management	<ul style="list-style-type: none"> • Communicates ethics as a priority • Sets a good example of ethical conduct • Keeps promises and commitments • Provides information about what is going on • Employees perceive that top managers are held accountable
Middle Management	<ul style="list-style-type: none"> • Communicates ethics as a priority • Sets a good example of ethical conduct • Keeps promises and commitments • Employees perceive that middle managers are held accountable for ethics violations
Supervisors	<ul style="list-style-type: none"> • Communicates ethics as a priority • Sets a good example of ethical conduct • Keeps promises and commitments • Support employees in following organizational standards

Co-workers	<ul style="list-style-type: none"> • Consider ethics while making decisions • Sets a good example of ethical conduct • Talks about importance of ethics • Support employees in following organizational standards • Employees perceive that non-managers are held accountable for ethics violations.
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The Ethics & Workplace survey made by Deloitte & Touché, USA 200712 throws up interesting data on the ethical scenarios in US workplaces. The survey shows a strong relationship between ethics and work-life balance. The employees at all levels are more likely to behave ethically at work when they have a good work-life balance. The statistics indicates the need and importance of providing employees with the means to attain a healthy work-life balance.

Some of the salient features from the survey are given below:

Balancing of Quality of work Life:	% in agreement
• I think workers are more likely to behave ethically at work when they have good work life balance.	91%
• My employer is very supportive of any personal needs outside the workplace.	
• My job does not offer me sufficient opportunity to meet my work life balance needs.	30%
• I wish I had more time outside of work to spend with my friends and family.	60%
• I am very dissatisfied with my current work life balance.	26%
What are the top factors promoting an ethical workplace environment?	
• Behaviour of management	42%

• Behaviour of direct supervisor	30%
• Positive reinforcement of ethical behaviour	30%
• Compensations	29%
• Behaviour of peers	23%
Why do people make unethical decisions in the workplace?	
• Lack of personal integrity	80%
• Job dissatisfaction	60%
• Financial rewards	44%
• Pressure to meet goals	41%
• Ignorance of code of conduct	39%
Can a company's values promote an ethical workplace environment?	
• My company's values promote an ethical environment.	87%
• My company's values emphasize a healthy work-life balance.	70%
• I personally agree with my company's values.	85%
• I do not know what my company's values are.	16%
• My company does not make its values clear to employees.	18%

The Ethics Resource Centre's (USA) National Business Ethics Survey 200913 highlights the following important findings:

- Misconduct at work is down from 57% in 2007 to 49% in 2009.
- Whistle blowing is up; more employees said they had reported misconduct when they observed. It was 58% in 2007 and 63% in 2009.
- Ethical cultures are stronger. The strength of ethical culture increased from 53% in 2007 to 62% in 2009.
- Pressure to cut corners is lower. The overall perceived pressure to commit an ethics violation to cut corners, – declined from 10% in 2007 to 8% in 2009.
- Retaliation against those who reported misconduct increased – which is a negative trend.

To improve the ethical practices in an organization, OCEG, Open Compliance and Ethics Group,¹⁴ a consultant company in USA, suggests in their 'OCEG on Time/Ethics' as follows:

- Determine your organization's current cultures.
- Learn whether your management and employees have the same view of ethical conduct.
- Align 'tone at the top' with real examples of ethical leadership.
- Develop and encourage ethical thinking in your organization.
- Establish organizational values around ethical conduct.
- Evaluate your efforts and know what to improve or change.

In the European Business Ethics Network's Research conference in June 2003¹⁵ at Oslo, Norway, Prof. Joanne Ciulla, founding faculty member of the Jepson School of Leadership Studies, USA, gave a talk on 'Leadership as Morally Dignified'. She asked "Why is it ethically difficult to be a leader? What are the sets of problems that leaders face?" She said that what

answers to these are ethical leadership. She said "Some we call moral luck (the ability of leaders to know whether their action will turn out to be perceived 'moral' or not), moral consistency, ethics of the means, ethics of the ends and blind morality".

David Gebler in his article "Is Your Culture a Risk Factor",¹⁶ states that there are seven levels of an ethical organization namely: Financial Stability, Communication, Systems & Processes, Accountability, Alignment, Sustainability and Social Responsibility. While 'financial stability' is at the root and 'social responsibility' is at the top, a satisfactory co-existence of all the seven levels is equally important.

Research Findings

a. The Degree of Shouldering of Ethical Responsibilities:

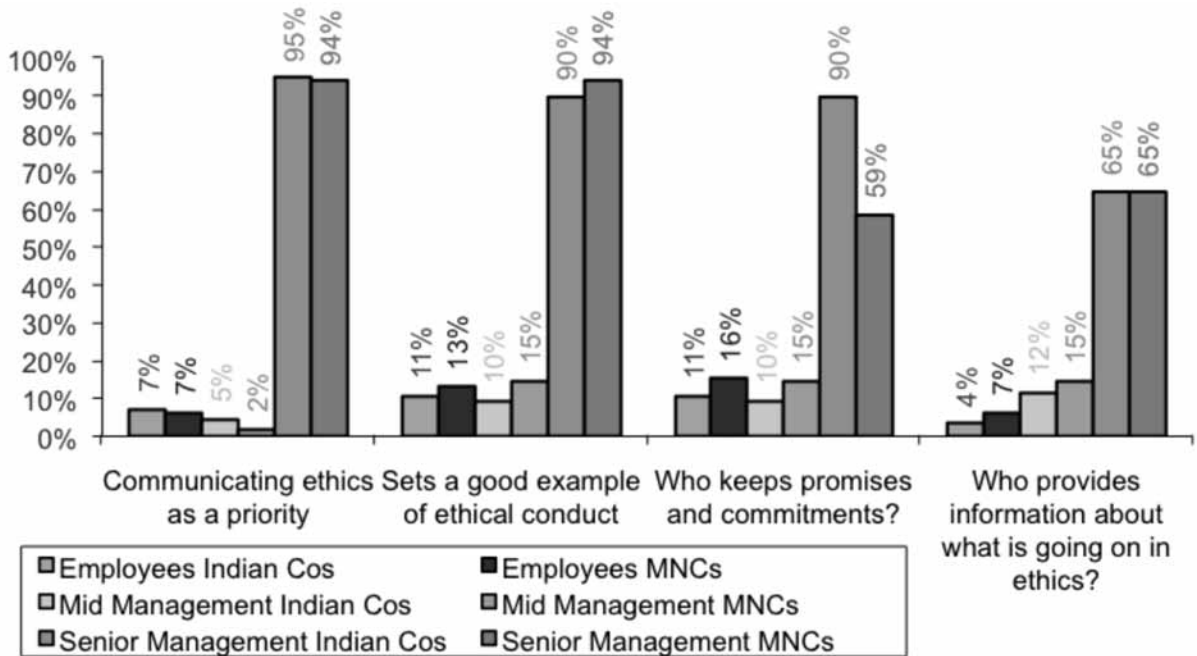
There are a few Ethical Related Actions (ERAs) which every ethically managed company has to observe. The degree of shouldering of such responsibilities varies among employees, mid managers and senior managers. The degree of response of the employees, mid managers and senior managers from MNCs and Indian companies for shouldering such responsibilities is indicated in the tabulations and the graphs shown below:

Table - 1

Ethical Related Actions	Employees		Mid Management		Senior Management	
	Indian Cos	MNCs	Indian Cos	MNCs	Indian Cos	MNCs
Communicating ethics as a priority	7%	7%	5%	2%	95%	94%
Sets a good example of ethical conduct	11%	13%	10%	15%	90%	94%
Who keeps promises and commitments?	11%	16%	10%	15%	90%	59%
Who provides information about what is going on in ethics?	4%	7%	12%	15%	65%	65%
Who are held accountable for ethics violations?	20%	20%	26%	17%	75%	76%
Who supports in following organizational ethical standards?	5%	16%	14%	17%	85%	88%
Who considers ethics as a priority while making decisions?	5%	2%	7%	15%	80%	82%
Who talks more about importance of ethics?	0%	2%	7%	15%	99%	82%

Source: Primary Data

Graph - 1



Source: Primary Data

Graph - 2



Source: Primary Data

Analysis & Findings

- For all the eight ERAs, the major responsibility for observance of the ERAs is resting with the senior management of both MNCs & Indian Companies.
- 20% each of employees from Indian Companies and MNCs and 26% & 17% of mid managers from Indian Companies and MNCs respectively agree that they are 'held accountable for ethics violations'.

b. Ethics of Senior Managers :

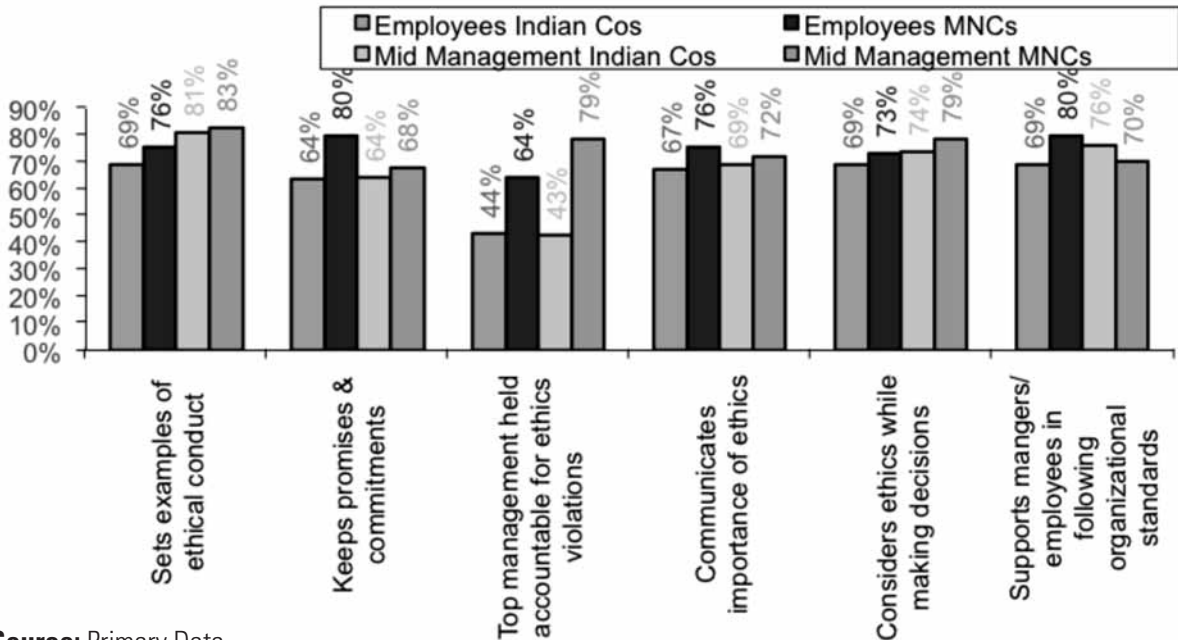
All the employees and mid managers may not be satisfied with the ERAs of the senior management in the organization. The percentage of such satisfactions are indicated below:

Table - 2

ERAs of Senior Management	Responses of			
	Employees		Mid Management	
	Indian Cos	MNCs	Indian Cos	MNCs
Sets examples of ethical conduct	69%	76%	81%	83%
Keeps promises & commitments	64%	80%	64%	68%
Top management held accountable for ethics violations	44%	64%	43%	79%
Communicates importance of ethics	67%	76%	69%	72%
Considers ethics while making decisions	69%	73%	74%	79%
Supports managers/employees in following organizational standards	69%	80%	76%	70%

Source: Primary Data

Graph - 3



Source: Primary Data

Analysis & Findings

- A very high percentage of employees and mid management of Indian Companies & MNCs are satisfied with the observance of ERAs by the senior management.
- 44% & 43% of employees and mid managers respectively of Indian Companies opine that 'management should be held accountable for ethics violations'.
- 64% & 79% of employees & mid managers respectively of MNCs view that 'Top Management should be held accountable for ethics violations'.

Conclusions

Based on the responses of the Employees, Middle level Managers and Senior Managers of the companies researched, and as indicated above, the following conclusions have been arrived at and suitable suggestions have been made:

a. Ethical Related Actions is a 'Top Down' Approach:

For all the 'Ethical Related Actions' cited in the research, from 'communicating ethics as a priority' to, 'who talks more about importance of ethics', the respondents from Indian companies and MNCs are of the unanimous opinion that 'senior management' has to shoulder more degree of responsibilities. This is a top down approach wherein the decisions are taken by the top management/senior management and percolated down to the bottom rung of management, workers and employees for implementation.

b. The employees & mid managers are satisfied with the 'Ethical Related Actions (ERAs) of the top/senior management:

From 'setting examples of ethical conduct' to 'supporting managers in following organizational standards', the employees and mid managers of the surveyed Indian Companies and MNCs are generally satisfied with the ERAs of the top/senior management. In the area of 'top management held accountable for ethics violations', the acceptance level of employees and mid managers of Indian Companies are only 44% & 43% respectively. It is suggested that top managers in both the MNCs and Indian Companies should be held more accountable for violation of ethical norms.

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