

Time to stop preaching morality  
and get down to specifics.

# A Holistic Approach to Business Ethics

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**T**HERE IS LITTLE doubt that an underlying unease about business ethics exists among employees in many organizations today. People do not appreciate the “lectures,” the patronizing (but nebulous) discussions of what is right and wrong, or, as one person related, the “obscure, academic drivel” that is of no practical use.

Moreover, this sense of unease is well founded. In an attempt to create a greater ethical consciousness, some organizations have benevolently tried to sell employees on a perspective, forcing them to endure long, philosophically driven ethical training sessions that are of little practical utility, and implied that their ethics are questionable. While corporate America wants to instill ethics and social responsibility in employees, this cannot be done without a realistic, more holistic appraisal of what is needed.

It is first necessary to realize that teaching philosophy or morality is not the domain of business. Because business leaders can be dilettantes in philosophical thought, their attempts may appear to be disingenuous. But even those business leaders who possess expertise in a philosophical (rather than behavioral) domain often become entangled in the training and process itself. The singular focus on their own perspectives leads to a failure to take into account the peculiarities and ethical quandaries that are often specific to an industry, a profession, or an organizational culture. They toil at doing an admirable

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and competent job at training the basics, while letting employees struggle with trying to “apply it themselves.” This is not only frustrating for employees who feel lost in the obscurities of philosophical thought, but it is a waste of money due to the lack of relevance to the job they actually do. What we really need to do is to stop training in philosophy and cease preaching morality. Instead we propose for business an alternative holistic approach to ethics.

## **ESTABLISH THE ETHICAL BOTTOM LINE**

First, human resource managers must determine what is the ethical baseline in their organization. To do this requires that we evaluate ethics during recruitment and selection — in the candidate as well as in its true importance to the company.

We make a judgment during hiring that a given individual meets general standards of decency that fall within the purview of our organizational mores — that includes morality. We can do this by asking questions in the employment interview about how the prospective employee might personally respond in various ethical situations, e.g., What would you do if you were offered a free gift from a vendor? How might you react if you saw a fellow employ steal company property?

While the answers here appear important, it is how the person thinks about the problem that reveals a great deal about whether his ethics are consistent with those of the organization.

Once hired, what we need to do is not overshadow that person’s own ethical framework by imposing our particular views and manipulating them to display our organizational morality. Rather, we need to establish, by consensus, acceptable ethics for the organization. These are ethics that are agreed upon by employees in principle, which can be clearly discussed by employees

in particular and can be applied within a real world perspective.

We must shift our employees toward a greater consideration of ethics (i.e., a critical analysis of ethically related situations) by critically evaluating our own organizational views and the processes that we have established in order to build an ethical environment. This critical view of ethics requires that we understand the fundamental ethical problems that we encounter as an industry or profession, identify what tends to be the easy (but ineffective) way out of an ethical quandary (so we can avoid it), and pinpoint the difficulties in confronting these problems.

Organizations must guide employees toward decisions that meet the moral standards of our consensus view. In essence, we need to reengineer the organization and its processes to steer people in the right direction.

Though our national culture tends to be short-term oriented and focused on immediate results, the effective human resource leader of ethical standards must overcome this cultural shortsightedness. Ethical organizations are not static but require anticipation of ethical issues, correction of unethical wrongdoing, and maintenance of the ethical foundation of the organization and its people. The approach must be holistic; it cannot be introduced piecemeal via philosophical training. There must be a realization that there is really no beginning or end of ethical leadership and that such leadership knows no divisional boundaries.

In fact, being a good business person and having an ethical organization are not separate frames of mind. Indeed, a major function of the human resources leader is to convey that these two perspectives are consistent. Every effective business leader realizes that business success requires one to anticipate problems, resolve problems when they occur, and maintain the ongoing processes in the organization. This is the crux of the human resources leader's contention, too: Ethics require the same thinking and the similar implementation of three important processes: anticipatory, maintenance and reparative.

#### ANTICIPATORY PROCESSES

In order for an organization to be fully committed to ethics, its leadership must foresee what potential problems might occur and then act in a way that prevents such problems from occurring by implementing three subprocesses: organizational, job related, and cultural.

*Organizational subprocesses.* The major organizational subprocess involves ethical code development and dissemination. The problem with codes is that they are vague. There are two reasons for this. First, in order to encompass all of the possible ethical scenarios, codes

need great latitude. Breadth is often attained by compromising specificity. Second, the vagueness advances a political ideal — ambiguity allows maximum flexibility, leaving little explicitly forbidden, enforceable, or punishable. This is the organizational equivalent of having laws, but no procedures, courts, or police officers to enforce them. Still, organizations often display their codes as a source of pride and evidence of their interest in ethics, though in and of themselves they are of little value.

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“We must shift our employees toward a greater consideration of ethics.”

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What is most startling is that many employees have no idea what the codes mean. Employees ought to be trained to understand the spirit of the code — not just to read and memorize it, or superficially explain it, but to actually use it. Dissemination of code information is not, as some people will tell you, a simple function of “informing” people. It is an instructional issue that should include interactive training (questions and answers about what the code entails), code interpretation (analysis of specific cases of code violation) and personal case application (employees bring their own examples of ethical dilemmas to the training).

*Job-related subprocesses.* Much of the ethics work done in organizations treats jobs in a generic way — a job is a job is a job. But ethically driven leaders know that in order to make ethics a part of decision making the organization must look at the individual jobs and the role of ethics in each one. This is a three-step process involving:

- Ethical job performance profiling — a job description that identifies specific details in the job, in job duties, and responsibilities where the individual employee may encounter ethical concerns. For example, a salesperson will call on prospective clients who are currently customers of other companies and attempt to get them to switch. This very attempt, which is part of the salesperson's job, can raise enormous ethical questions.

- Ethical job tactics identification — an identification of the specific ethical tactics used in the various job, duties, and responsibilities. For example, a salesperson who is trying to lure away someone else's customer may be faced with particular issues: Should the competitor's product be unfairly criticized? Should the salesperson offer a short-term “sweet deal” that lures the customer away but in the long run is actually more expensive for the customer?

- **Ethical job performance diagnostics.** Once the tactics are identified, the employees should be surveyed to determine the magnitude of the various ethical dilemmas encountered, and their perceptions of what is “appropriate” behavior. This data can serve as a baseline against which the success of later interventions can be gauged.

*Cultural processes.* The individual level of analysis does not provide enough complete information to produce the kinds of changes human resource managers need to make. People do not work in a vacuum. Organizations, like nations, have cultures. These cultures steer people toward certain values, issues, and courses of action. To really make a difference, it is important to know what cultural processes exist organizationally that help or hinder ethical performance.

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“Business leaders must make employees truly accountable for their behavior.”

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This involves engaging in a process of ethics cultural profiling which is complementary and parallels the job performance profile process we described. Ethics cultural profiling attempts to discover what the explicit ethical values of the organization are through various means (review of mission statements, ethics codes, personnel records, and interdepartmental comparisons of infractions). Ethics cultural tactics identification attempts to specify the cultural issues regarding ethics in the organization — what the organization actually does in terms of dealing with employees, customers, and the community, not what it officially says that it does. Finally, cultural performance diagnostics surveys the employees to see what are the macrocultural ethical issues they are dealing with (for example, how cultural diversity affects them or the influence of technology on their ethical work decisions).

*Maintenance processes.* In any organization, day-to-day maintenance of both people and the physical environment is an accepted part of organizational life. In ethics, too, such maintenance should be accepted as a routine part of the overall operation of organizational processes. However, this maintenance can only occur when it is clearly understood what needs to be maintained, what is broken, and how it is broken. In order to keep the organization going, there needs to be a clear understanding of the current “state.” Essentially, job performance and cultural profiling provide this understanding and allow management to determine how the ethical environment can be constructed.

There are a number of processes and changes that must be enacted to effectively maintain an ethical work environment, including the processes of initial development, preparation, safe passage, updating, and full inclusion.

*Initial development processes.* With the accurate information derived from the job and cultural processes, a focus on ethical awareness and training can follow naturally. Since the issues are understood, and the extent of the problem has been determined, focused training can be developed based on the actual issues rather than on generic ethical concerns. This training and development can be broken down to provide a more focused training experience based on the particular job, the culture, the level, etc.

*Reparative processes.* All of this process analysis is of little use if the unethical problems, people, and events encountered along the way are not addressed and repaired. This reparative process must involve a number of strategies that inclusively address ethical infractions.

The easiest among the strategies is clear and consistent punishment for ethical infractions. But why punish? There are a number of reasons why organizations need to punish ethical offenders, but they never directly consider them. First, some organizations punish for rehabilitation — to get the ethical offender back on track. Punishment is used as an educational tool; it provides employees an opportunity and motivation to contemplate their actions and seek guidance in how to do things right. It also establishes the organization as having a conscience and helps to maintain the morale of ethical performers in the organization. Other organizations use punishment for deterrence — to set a signal for everyone else to take notice of what happens to ethical offenders, while some punish for simple retribution — just desserts. Essentially, they send the strong message that there will be no crime without punishment. Regardless of its mode of punishment, the leadership must get a handle on why it punishes wrongdoers, and whether its punishment process is appropriate for its corporate culture.

A more complicated reparative requirement is restitution. The reparative process usually ends when the offending employee is dealt with. Sometimes we see that the organization engages in restitution, usually as a sign of apology. Unfortunately, this too often gives the wrong message, since it is done as a preemptive strike against possible legal action by the aggrieved party. Organizational leaders need to begin considering restitution that is not required by law, thereby taking a proactive strike at unethical behavior — to offer restitution because it is the right thing to do. Moreover, restitution for old ills is a noble way of showing that the orga-

nization has an ethical system above and beyond what is merely required by law.

Perhaps the most complicated reparative requirement is the need for normalization. Leaders need to bring things back to the way they were before mistakes occurred — to set things in balance again. Relationships must be reestablished and mended, careers burned by the actions must be rectified, aggrieved parties must be attended to, and the commitment to ethical performance must be renewed. It is only in a fair accounting of all the aggrieved parties that an organization can move on from the consequences of unethical behavior.

*Create safe passage environments.* To create a “safe passage” environment is to facilitate the transmission of information which relates to ethical behavior from people who know it, to people who can do something about it. This presumes an organizational climate that is safe in terms of openness, interpersonal trust, and encouragement of feedback about problems. Such an environment ensures that maintenance can occur because the ethical problem can be identified. Among safe passage choices are:

- *Ombudsman.* An ombudsman is a neutral third party inside the corporation to whom employees can take their ethical grievances without fear of retribution. The ombudsman acts as an intermediary, going from level to level through management to solve a problem. The ombudsman concept has been successfully used at Boeing, GE, and Xerox.
- *Institutional review boards.* When a major decision has to be made that will have significant ethical overtones, organizations may wish to gain greater insight into the decision by gathering people from various stakeholder groups both in and outside the organization (e.g., key internal people, customers, and community representatives). An ideal size for such a review board is five to seven people. The board decision can be binding or merely consultative.
- *Peer review panels.* When managers cannot solve a problem through regular channels, employees may go to a peer review panel that hears the problem and helps to decide on a solution. The panel may consist of a group of employees, randomly selected from the organization, and an executive from another work unit not involved in the problem.
- *Ethics offices.* The purpose of an ethics office is to handle moral complaints and concerns in the workplace. Many organizations such as NYNEX, Texas Instruments, and Dow Corning have ethics offices in the form of telephone hotlines for problems.

Unfortunately, many companies believe that once trained, ethics are always remembered. The truth is that people need reminding — not just of concepts, but of

commitment by the organization. Ethical-training updates remind employees of what you expect. In addition, it makes employees aware of new developments and expectations, both internally and externally.

In order to truly maintain an ethical environment, human resource leadership must make employees fully accountable for their behavior. Here is where leadership usually fails — there is the talk of ethics, but the reward of productivity. Employees soon realize that the organization is not rewarding a moral conscience, but the bottom line.

If leadership is to expect any true ethical change, establishing ethical standards for individual workers, appraising the achievement of those standards, and rewarding the achievement of these standards is essential. The type of reward should fit the situation. Financial rewards, such as bonuses, may be appropriate on occasion for reinforcing certain ethical behavior that averts harm, such as pointing out unsafe or dangerous actions in the workplace. On the other hand, nonfinancial rewards, such as personalized awards and recognition in organizational rituals (both formal ceremonies and informal get-togethers) may more appropriately fit an organizational culture that values the internalization of ethical values in its employees. Ultimately, the most powerful message an organization can send is to consider ethical standards in promotion, thereby making the attainment of high moral standards a criterion for advancement in the organization.

We propose that business leaders approach ethics from a holistic viewpoint. Instead of focusing on one-shot training and moralistic absolutes about what is right or wrong, managers should integrate ethical procedures into the very fabric of the organization. Managers should examine how organizational processes, including job-related functions and the corporate culture, influence organizational ethics. Employees should learn the spirit of the corporate code of ethics through extensive, ongoing training that examines situations involving code interpretation and personal case analysis. Organizational processes should be examined for ethical concerns identified through job profiling, job issues analysis, and corporate culture profiling. The reparations process for righting organizational wrongs should be examined and refined. And ethics should be enhanced in organization processes through “safe passages” devices (ombudsmen, review boards, and panels), maintenance training, and the evaluation and reward of performance on individual ethical goals.

Clearly, true commitment to ethics is not easy, but if the organization has made such a commitment, a holistic process will allow its leadership to pursue ethical aspirations with the same vigor that characterizes its financial goals. □