Managerial Ethics

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Managerial Ethics Definition :-

Managerial ethics is a basic part of business ethics. It is the set of moral principles or beliefs that affect the behavior of employees. While most people automatically assume that ethics directly correlates to laws, this isn't always the case. Doing the right thing for employees and customers and demonstrating the willingness to go the extra mile also falls under managerial ethics.

When developing managerial ethics policies, everything is considered. Compensation and benefit packages, community involvement and corporate giving are all components of managerial ethics. The policies set the minimum standards that business leaders expect from the company down to its people and community.

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The principles by which a manager leads his company will dictate everything from employee ethics to company morale and productivity. Managerial ethics can also significantly affect the legal standing of a company that's owned by big-name moguls like Harvey Weinstein and Steve Wynn, who have experienced significant legal and PR problems from sexual misconduct scandals. Wynn was the Las Vegas real estate mogul who resigned from his multi-billion dollar company, when his stock plummeted during his sexual misconduct scandal. Every company needs to set an ethics policy that applies to everybody in the company, from the highest executive level to the mail clerk. Established policies and ramifications for violations enable a company to effectively manage issues

Types of Managerial Ethics

Managerial ethics are broken down into two primary types: those that pertain to legal issues and those that pertain to moral issues. Company leaders have a choice, they can do the bare minimum when it comes to ethics, or they can set a higher standard in their industry and community.

Legal ethics consider the many rules and regulations for any company. There are human resource issues such as making sure that people are hired in a fair process, given a safe work environment and fair pay. Managers and employees are expected to not break laws by harming, harassing or otherwise infringing on another person's rights. Minimum safety standards must be met, as well as the work standards set forth by the Occupations and Safety Health Administration (OSHA).

Moral standards of ethics don't necessarily need to align with a company's legal standards. A company might not be required to offer paternity leave, but the company might believe that it is important to give fathers their own time with a newborn. -Moral ethics could also be how the company deals with customer complaints to ensure that people feel good about their experience with the company from the top down.

Importance of Managerial Ethics

Managerial ethics is important for every company, because people will follow what leaders do. Even if a company has ethics policies in place, when top leaders ignore these standards, it resonates throughout the company. This negative permeation doesn't always look the same. It might mean that some employees might not act ethically, if they are following the actions of leaders. It could also reduce employee pride and morale.

When employees don't think that their leaders care about doing the right thing, they might feel that their efforts to do right are not valued. Morale drops, employee turnover increases, human resources costs go up, and customer loyalty and positive experiences suffer. Companies that follow the highest standards of leadership ethics generally have high morale and very high levels of productivity and low turnover.

Managerial Ethics Examples

There are many examples to look at when creating your ethics policies and standards. A company that gives entry-level workers a level of compensation and benefits that are well above the local minimum wage has morally ethical policies. Giving employees a generous profit-sharing plan based on the company's performance, demonstrates that leaders care not only about their personal profit but also about the growth and success of their people.

Policies on legal ethics start with the law, and then develop the protocol to deal with potential issues. A common example is how a company deals with a sexual harassment claim. It is against the law to sexually harass someone, but how the company deals with it also says a lot about that company's ethics. An ethical policy keeps accusations, witness testimony and mitigating factors as confidential as possible, and then comes to a conclusion based on evidence. Such a policy also calls in legal personnel and law enforcement when necessary.

'Management Ethics' is related to social responsiveness of a firm. It is "the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation. It is a standard of behaviour that guides individual managers in their works".

"It is the set of moral principles that governs the actions of an individual or a group."

Business ethics is application of ethical principles to business relationships and activities. When managers assume social responsibility, it is believed they will do it ethically, that is, they know what is right and wrong.

Amongst a host of ethical activities that managers can perform, a study conducted by Barry Posner and Warren Schmidt highlights the following ethical activities observed by managers:

1. The foremost goal of managers is to make their organizations effective.

2. Profit maximisation and stakeholders' interests were not the central goals of the managers studied.

3. Attending to customers was seen as important.

4. Integrity was the characteristic most highly rated by managers at all levels.

5. Pressure to conform to organisational standards was seen as high.

6. Spouses are important in helping their mates grapple with ethical dilemmas.

7. Most managers seek the advice of others in handling ethical dilemmas.

Types of Management Ethics:

Three types of management ethics or standards of conduct are identified by Archie B. Carroll:

1. Immoral management:

It implies lack of ethical practices followed by managers. Managers want to maximise profits even if it is at the cost of legal standards or concern for employees.

2. Moral management:

According to moral management ethics, managers aim to maximise profits within the confines of ethical values and principles. They conform to professional and legal standards of conduct. The guiding principle in moral management ethics is "Is this action, decision, or behaviour fair to us and all parties involved?"

3. Amoral management:

This type of management ethics lies between moral and immoral management ethics. Managers respond to personal and legal ethics only if they are required to do so; otherwise there is lack of ethical perception and awareness.

There are two types of amoral management:

(a) Intentional:

Managers deliberately avoid ethical practices in business decisions because they think ethics should be followed in non-business activities.

(b) Unintentional:

Managers do not deliberately avoid ethical practices but unintentionally they make decisions whose moral implications are not taken into consideration.

Guidelines for Ethical Behaviour:

Though every individual and group has a set of ethical values, the following guidelines are prescribed by James O'Toole in this regard:

1. Obey the law:

Obeying legal practices of the country is conforming to ethical values.

2. Tell the truth:

Disclosing fair accounting results to concerned parties and telling the truth is ethical behaviour of managers.

3. Respect for people:

Ethics requires managers to respect people who contact them.

4. The golden rule:

The golden business principle is 'Treat others as you would want to be treated'. This will always result in ethical behaviour.

5. Above all, do no harm:

Even if law does not prohibit use of chemicals in producing certain products, managers should avoid them if they are environment pollutants.

6. Practice participation – not paternalism:

Managers should not decide on their own what is good or bad for the stakeholders. They should assess their needs, analyse them in the light of business needs and integrate the two by allowing the stakeholders to participate in the decision-making processes.

7. Act when you have responsibility:

Actions which cannot be delegated and have to be taken by managers only (given their competence and skill) must be responsibly taken by them for the benefit of the organisation and the stakeholders.

Approaches to Management Ethics:

There are three approaches to management ethics:

1. Utilitarian approach:

In this approach, managers analyse the effects of decisions on people affected by these decisions. The action rather than the motive behind the action is the focus of this approach. Positive and negative results are weighed and managerial actions are justified if positive effects outweigh the negative effects. Pollution standards and analysing the impact of pollution on society is management ethics code under utilitarian approach.

2. Moral rights approach:

In this approach, managers follow ethical code which takes care of fundamental and moral rights of human beings; the right to speech, right to life and safety, right to express feelings etc. In the context of business organisations, managers disclose information in the annual reports necessary for welfare of the people concerned. The nature, timing and validity of information is taken into account while reporting information in the annual reports.

3. Social justice approach:

According to this approach, managers' actions are fair, impartial and equitable to all individuals and groups. Employees are not distinguished on the basis of caste, religion, race or gender though distinction on the basis of abilities or production is justified. For example, all employees, males or females with same skills should be treated at par but it is justified to treat employees who produce more differently from those who produce less.

Need for Business Ethics:

Business ethics is important for the following reasons:

1. Business organisations are economic and social institutions that serve customers' needs by supplying them right goods at the right place, time and price. This is possible if the institutions engage in ethical practices.

2. Business ethics help in long-run survival of the firms. Unethical practices like paying low wages to workers, providing poor working conditions, lack of health and safety measures for employees, selling smuggled or adulterated goods, tax evasion etc. can increase short-run profits but endanger their long-run survival. It is important, therefore, for firms to suffer short-term losses but fulfill ethical social obligations to secure their long-term future.

3. Business houses operate in the social environment and use resources provided by the society. They are, therefore, morally and socially committed to look after the interests of society by adopting ethical business practices.

4. Ethical business activities improve company's image and give it edge over competitors to promote sales and profits.

5. Legal framework of a country also enforces ethical practices. Under Consumer Protection Act, for example, consumers can complain against unethical business practices. Labour laws protect the interests of workers against unethical practices. Legal framework of the country, therefore, promotes ethical business behaviour. Business houses want to avoid Government intervention and, therefore, follow ethical practices.

Barriers to Management Ethics:

James A. Waters describe three "organisational blocks" of management ethics:

1. Chain of command:

If employees know that superiors are not following ethical behaviour, they hesitate in reporting the matter up the hierarchy for the fear of being misunderstood and penalized. The chain of command is, thus, a barrier to reporting unethical activities of superiors.

2. Group membership:

Informal groups lead to group code of ethics. Group members are strongly bonded by their loyalty and respect for each other and unethical behaviour of any member of the group is generally ignored by the rest.

3. Ambiguous priorities:

When policies are unclear and ambiguous, employees' behaviour cannot be guided in a unified direction. It is difficult to understand what is ethical and what is unethical.

Solutions to Barriers:

The following measures can improve the climate for ethical behaviour:

1. Organisational objectives and policies should be clear so that every member works towards these goals ethically.

2. The behaviour of top managers is followed by others in the organisation. Ethical actions of top managers promote ethical behaviour throughout the organisation.

3. Imposing penalties and threats for not conforming to ethical behaviour can reduce unethical activities in the organisation. Formal procedures of lodging complaints help subordinates report unethical behaviour of superiors to the concerned committees.

4. Educational institutions also offer courses and training in business ethics to develop conscientious managers who observe ethical behaviour.

Values:

Values are a set of principles that people cherish. They enhance the quality of individual and collective life. They involve personal and community discipline and sacrifice of immediate gratification needs. Quality of life is a product of physical, social, environmental, mental and spiritual health and wholeness. Values refer to intrinsic worth or goodness.

They are the beliefs that guide an individual's actions. They represent a person's belief about what is right or wrong. Values lay standards against which behaviour is judged. They determine the overall personality of an individual and the organization he is working for. His family, peer group, educational institutions, environment and the work place develop values in him. Values apply to individuals and institutions, both business and non-business.

Values and Behaviour:

Values remain embedded in our minds since childhood. As children, we are taught what is good, bad, right or wrong by parents, educational institutions and social groups. These values become part of our behaviour and personality when we grow up and are transmitted to future generations, thus, creating a healthy society.

In the business world, every person, whether manager or non-manager, whose behaviour is value-based shapes the culture of the organisation. Organisation is a group of people responsible for its formation, survival and growth. How good an organisation is depends upon how good are the people managing it.

Good people are those whose actions and behaviour are based on a sound value system and ethical principles. Value system is a combination of all values that an individual should have. Values lay foundation for organisational success.

They develop the attitudes, perceptions and motives that shape the behaviour of people working in the organisation. This develops a sound organisation culture that promotes image of the organisation in the society. Values in individuals develop a value-based organisation, society, nation and the world as a whole.

Values in Business Management:

There are many ways in which the basic human values – truth, righteousness, peace, love and non-violence can be practiced in the day-to-day conduct of business. There are different aspects of management such as marketing, finance, industrial relations, etc., but the most important aspect is "man-management." Each country has its own historical and cultural background and Indian managers should not mechanically copy practices from abroad but should keep in mind the Indian milieu and our national ethos.

Values of Managers:

Management is a systematic way of doing work in any field. Its task is to make people capable of joint performance, to make their weaknesses irrelevant and convert them into strengths. It strikes harmony in working equilibrium, in thoughts and actions, goals and achievements, plans and performance, products and markets.

Lack of management will cause disorder, confusion, wastage, delay, destruction and even depression. Successful management means managing men, money and material in the best possible way according to circumstances and environment.

Most of the Indian enterprises today face conflicts, tensions, low efficiency and productivity, absence of motivation, lack of work culture, etc. This is perhaps due to the reason that managers are moving away from the concept of values and ethics.

The lure for maximizing profits is deviating them from the value-based managerial behaviour. There is need for managers to develop a set of values and beliefs that will help them attain the ultimate goals of profits, survival and growth.

They need to develop the following values:

1. Optimum utilization of resources:

The first lesson in the management science is to choose wisely and utilize optimally the scarce resources to succeed in business venture.

2. Attitude towards work:

Managers have to develop visionary perspective in their work. They have to develop a sense of larger vision in their work for the common good.

3. Work commitment:

Managers have to work with dedication. Dedicated work means 'work for the sake of work'. Though results are important, performance should not always be based on expected benefits. They should focus on the quality of performance. The best means for effective work performance is to become the work itself. Attaining the state of nishkama karma is the right attitude to work because it prevents ego and the mind from thinking about future gains or losses.

Managers should renounce egoism and promote team work, dignity, sharing, cooperation, harmony, trust, sacrificing lower needs for higher goals, seeing others in you and yourself in others etc. The work must be done with detachment. De-personified intelligence is best suited for those who sincerely believe in the supremacy of organisational goals as compared to narrow personal success and achievement.

Value based managers do the following to discharge their duties well:

a. Cultivate sound philosophy of life.

b. Identify with inner core of self-sufficiency.

c. Strive for excellence through 'Work is Worship'.

d. Build internal integrated force to face contrary impulses and emotions.

e. Pursue ethico-moral righteousness.

4. Vision:

Managers must have a long-term vision. The visionary manager must be practical, dynamic and capable of translating dreams into reality. This dynamism and strength of a true leader flows from an inspired and spontaneous motivation to help others.

Vision includes the following:

(a) Forming a vision and planning the strategy to realize such vision.

(b) Cultivating the art of leadership.

(c) Establishing institutional excellence and building an innovative organization.

(d) Developing human resources.

(e) Team building and teamwork.

(f) Delegation, motivation and communication.

(g) Reviewing performance and taking corrective steps whenever called for.

The management gurus like Lord Krishna, Swami Vivekananda and Peter F. Drucker assert that managers should develop the following values:

1. Move from the state of inertia to the state of righteous action.

2. Move from the state of faithlessness to the state of faith and self-confidence.

3. Their actions should benefit not only them but the society at large.

4. Move from unethical actions to ethical actions.

5. Move from untruth to truth.

6. 'No doer of good ever ends in misery'. Good actions always produce good results and evil actions produce evil results.

7. Take the best from the western models of efficiency, dynamism and excellence and tune them to Indian conditions.