9 Ethics

Text

Opportunity

Opportunity describes the conditions in an organization that limit or permit ethical or unethical behaviour. Opportunity results from conditions that either provide rewards, whether internal or external, or fail to erect barriers against unethical behaviour. Examples of internal rewards include feelings of goodness and personal worth generated by performing very generous acts. External rewards refer to what an individual expects to receive from others in the social environment. Rewards are external to the individual to the degree that they bring social approval, status and esteem.

An example of a condition that fails to erect barriers against unethical behaviour is a company policy that does not punish employees who accept large gifts from clients. The absence of punishment essentially provides an opportunity for unethical behaviour because it allows individuals to engage in such behaviour without fear of consequences. The prospect of a reward for unethical behaviour can also create an opportunity for questionable decisions. For example, a salesperson who is given public recognition and a large bonus for making a valuable sale that he or she obtained through unethical tactics will probably be motivated to use such tactics in the future, even if such behaviour goes against the salesperson's value system.

Opportunity relates to individuals' immediate job context – where they work, whom they work with and the nature of the work. The immediate job context includes the motivational 'carrot and sticks' that superiors use to influence employee behaviour. Pay raises, bonuses and public recognition act as carrots, or positive reinforcements, whereas demotions, firing and reprimands, and pay penalties act as sticks, the negative reinforcements. The United States Chamber of Commerce reports that 75 per cent of employees steal from their workplaces, and most do so repeatedly. As Figure 5.2 shows, many employees steal from office-supply rooms for matters unrelated to the job. It is possible that the opportunity is provided – and in some cases, there are no concerns if employees take pens, Post-its, envelopes, notepads and paper.

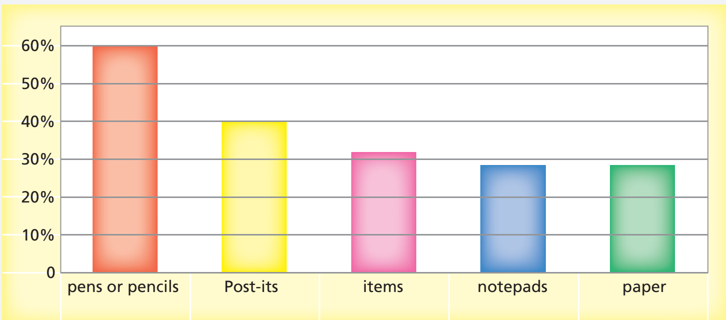

Figure 5.2 Items that employees steal in the workplace

Source: 'Top items employees pilfer', the most popular items employees take from office-supply rooms for matters unrelated to the job, Vault's office survey of 1,152 respondents. In Snapshots, *USA Today*, March 29, 2006, B1

Respondents to the survey by Vault.com indicated that 25 per cent felt that no one cared if they took office supplies, 34 per cent said that they never got caught, and 1 per cent said that they were caught and got in trouble. If there is no policy against this practice, one concern is that employees will not learn where to draw the line and will get into the habit of taking even more items for personal use.

The opportunity that employees have for unethical behaviour in an organization can be eliminated through formal codes, policies and rules that are adequately enforced by management. For example, financial companies – such as banks, savings and loan associations, and securities companies – have developed elaborate sets of rules and procedures to avoid the opportunity for individual employees to manipulate or take advantage of their trusted position. In banks, one such rule requires most employees to take a vacation and stay out of the bank a certain number of days every year so that they cannot be physically present to cover up embezzlement or other diversion of funds. This rule prevents the opportunity for inappropriate conduct. Even after audits by prestigious accounting firm PricewaterhouseCoopers, the founder of one of India's largest technological companies, Satyam Computer Services Ltd, admitted he invented financial results, including a fictitious cash balance of more than $1billion. He was able to overstate profits and understate liabilities. This was allowed to happen, even though Satyam had independent directors, including a Harvard Business School professor, on its board. The question is: How did the CEO manage to blatantly manipulate financial information without anyone catching on? There had to be loopholes in the oversight of the company's accounting, audits and corporate governance that allowed this fraud. In addition, government regulation of financial reporting allowed the opportunity for misconduct. To avoid situations like this in the future, there must be checks and balances that create transparency.

Opportunity also comes from knowledge. Major misconduct observed among employees in the workplace includes lying to other employees, customers, vendors or the public or withholding needed information from them. A person who has an information base, expertise or information about the competition has the opportunity to exploit this knowledge. An individual can be a source of information because he or she is familiar with the organization. Individuals who have been employed by one organization for many years become 'gatekeepers' of its culture and often have the opportunity to make decisions related to unwritten traditions and rules. They help socialize newer employees to abide by the rules and norms of the company's internal and external ways of doing business, as well as understanding when the opportunity exists to cross the line. They may function as mentors or supervise managers in training. Like drill sergeants in the army, these trainers mould the new recruits into what the company wants. This can contribute to either ethical or unethical conduct.

The opportunity for unethical behaviour cannot be eliminated without aggressive enforcement of codes and rules. A national jewellery-store-chain president explained to us how he dealt with a jewellery buyer in one of his stores who had taken a bribe from a supplier. There was an explicit company policy against taking incentive payments in order to deal with a specific supplier. When the president of the firm learned that one of his buyers had taken a bribe, he immediately travelled to that buyer's office and terminated his employment. He then travelled to the supplier selling jewellery to his stores and terminated his relationship with the firm. The message was clear: taking a bribe is unacceptable for the store's buyers, and salespeople from supplying companies could cost their firm significant sales by offering bribes. This type of policy enforcement illustrates how the opportunity to commit unethical acts can be eliminated.

adapted from *Ethical decision-making for business*, 8th edition,
J. Fraedrich, O.C. Ferrell and L. Ferrell (Cengage Learning 2011)