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«MASTER IN BUSINESS ADMINISTRATION»

MASTER THESIS

Business Ethics in Organizations

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Business Ethics in organizations

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Η παρούσα μεταπτυχιακή διατριβή υποβλήθηκε προς μερική εκπλήρωση των απαιτήσεων για απόκτηση μεταπτυχιακού τίτλου σπουδών στην διοίκηση επιχειρήσεων (MBA) από τη Σχολή οικονομικών επιστημών και διοίκησης του Ανοικτού Πανεπιστημίου Κύπρου.

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Περίληψη

Η μελέτη αυτή τονίζει την ανάγκη επιχειρηματικής ηθικής στο σημερινό περιβάλλον και επικεντρώνεται στις δράσεις που πρέπει να αναλάβουν οι οργανισμοί προκειμένου να ξεπεράσουν τις προκλήσεις για να επιβιώσουν και να είναι ανταγωνιστικοί.

Η έρευνα δείχνει πόσο σημαντικό είναι να δημιουργηθεί ηθική συνείδηση στους οργανισμούς καθώς και το πώς να επιβάλετε ηθική συμπεριφορά. Αναλύονται διάφορες μεθοδολογίες και κατευθυντήριες γραμμές που μπορούν να χρησιμοποιηθούν για την επίτευξη αυτού του στόχου.

Επιπλέον, η μελέτη παρουσιάζει πληροφορίες για το επίπεδο αντίληψης και συνειδητοποίησης της επιχειρησιακής ηθικής εντός των κυπριακών οργανώσεων και παρουσιάζει μια σημαντική και πολύτιμη ανατροφοδότηση της τρέχουσας κατάστασης μέσω της ανάλυσης δεδομένων που συλλέχθηκαν από δείγμα εργαζομένων που εργάζονται σε διάφορους τομείς. Η έρευνα διερευνά τις πρακτικές που χρησιμοποιούνται από αυτούς τους οργανισμούς και σε ποιο επίπεδο εφαρμόζεται.

Εν τέλει, τα ευρήματα της έρευνας υποδεικνύουν την σημασία της δημιουργίας δεοντολογικής συνείδησης στις κυπριακές επιχειρήσεις. Θα πρέπει να αναληφθεί περισσότερη προσπάθεια στην Κύπρο για την ενσωμάτωση, ενθάρρυνση και επιβολή της επιχειρηματικής δεοντολογίας μεταξύ των εργαζομένων.

SUMMARY

This study highlights the need of business ethics in today's environment and focuses on the actions that must be taken by organizations in order to overcome the challenges and therefore survive and be competitive.

The research shows how much it's important to create ethical awareness in organizations as well as how to enforce ethical behavior. Different methodologies and guidelines that can be utilized in order to reach this objective are discussed.

Furthermore the study shows insights into the level of perception and awareness of business ethics within the Cypriot organizations and presents an important and valuable feedback of the current situation by analyzing data that was collected from a sample of employees working in various sectors. The research explores the practices used by these organizations and to which level business ethics is really applied.

As a final point, the findings of the research stress on the importance of creating ethical awareness in the Cypriot organizations. More work should be undertaken in Cyprus to integrate, encourage and enforce business ethics in a better way among the employees.

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Introduction

One of the most difficult topics nowadays is Business Ethics. It became the challenge of many organizations. This could be due to the complex structure of societies along with the different interests and expectations that vary among people within the organizations. To meet the stakeholders' objectives the ethical behavior is vital. Doing what is right matters to organizations, related stakeholders and the public at large (Lantos 1999).

In today's fast changing environment the ethical or moral subject in the organizational content is not being given the correct level of attention and awareness. Ethical behavior should be encouraged in order to build an effective culture within the organization. To gain a competitive advantage companies need to have a strategy that integrates business ethics in all operations, procedures, guidelines and decision making processes at all levels from top to bottom. The management of Ethical behavior is complex as it involves the understanding of many attributes that lead eventually the employee to act ethically or unethically.

The concern of Ethical behavior in organizations must be addressed properly by management in order to build a good public image and to survive and compete in the industry. Strong ethical cultures should be built and maintained to guarantee future success. On the other hand organizations need to provide the employees the knowledge to deal with ethical problems in their day to day activities. Furthermore employees should be made aware that proper ethical conduct will be rewarded by top management whereas unethical behavior will be punished.

1. Aim of the Study

The study tries to highlight the importance of business ethics and how it can affect positively or negatively on the overall performance of the organization. In today's competitive markets the plan relies on understanding the role of business ethics as an important factor for the long term success of any organization. Furthermore, the study discusses how to promote and enforce ethical behavior in a proper way by focusing on the major components that can

be utilized to integrate ethics. Management should take the responsibility of creating a positive environment that supports ethical behavior. In order to develop effective strategies, organizations need to institutionalize ethics all the way into their processes. The study aims to show how business ethics if applied properly can provide the organization a competitive advantage in the market. The objective is for the organizations to create ethical awareness and promote ethical beliefs among their employees in order to survive especially in these times where the wave of scandals is increasing rapidly in the business environment. The degree of ethical knowledge and awareness is investigated within the Cypriot companies' context by studying the results of a survey given to employees working in various sectors.

2. Study Methodology

The study examines the subject of business ethics. The level of ethical awareness specifically in Cyprus was analyzed. The information was gathered from a sample of approximately 100 employees working in various sectors. The survey questions were related to the subject of business ethics and how much it's being sponsored in the company with regard to internal culture, recruitment process, reward system, training programs etc... After analyzing the data an assessment of the degree of ethical awareness in Cyprus was obtained.

3. Study Significance

The undertaken study showed how much the companies in Cyprus are taking into consideration ethics as a main component in their strategies. It helped in understanding the reached level of ethical awareness as well as defining and understanding the driving factors behind ethical and Unethical behaviors. Therefore the significance of this research is to make management aware of the necessity of developing an integrated ethical system and also to show the important role they have to play in enforcing ethical behavior within the organization. Furthermore the study provides approaches regarding strategies and procedures that if adopted properly will help an organization to build an effective ethical culture and move away from all the negative unethical components.

Chapter 1

What is Business ethics

How do people perceive the good and bad? How managers and leaders would react in an ethical dilemma if they had to sacrifice personal goals? How ethically easy could be for an employee to commit a fraud? How does ethical competition affect the business environment and success of a business? These never ending questions are always being discussed, studied, and evaluated in universities, forums, seminars because the main concern is to find out the best behavior and practice in the business world we are living in today.

What is exactly business ethics? If we want to discuss it formally then it defines the accepted behavior versus the bad /rejected one. It is the established and applied rules, procedures and guidelines that direct the organization to be ethical. It has to do with policies concerning employer and employee relationships, discrimination, fraud, bribery and many other issues that fall under the same umbrella. Business ethics refers to generally accepted standards that guide behavior in business and organizational contexts (Ferrell *et al.*1998).

Today the world is facing a globally growing and tough competition which leads to an increasing level of productivity and innovation. In parallel this competitive atmosphere is somehow pushing the employees to feel pressured and stressed. Those feelings create tension and thus let them enter in a world of ethical dilemmas and choices. This is where the employees have to identify the right and wrong and take the proper actions. Globalization makes it more difficult as different cultures have different perspectives on certain ethical issues. For example in Russia: “deceiving someone in a business transaction to achieve a desirable goal is not considered unethical, whereas deceiving a friend or colleague is considered unethical” (Beekun, Westerman, and Barghouti, 2005). Finally we can also say that an organization is perceived as a community, so

business ethics plays an important role if the aim is to progress in the future because it's one of the foundations on which the organization should rely on to fulfill the required goals and objectives.

Ethics focuses on behaviors that are not necessarily codified by law but are considered by organizations to be necessary for society and all stakeholders (Carroll, 1999)

1. The Importance of Ethics in Business

In the last decade a big interest was raised towards business ethics and everyone agreed that it should be managed. This interest showed also that there is a need to have ethical managers in the workplace.

In this Content, there is growing recognition of the need for practical and intellectually managerial ethics to address the complex dilemmas posed by today's business environment (Larcher,2010)

Business ethics has a management and legal part. Top management set the ethical standards and procedures to make sure that the employees and the company are protected from any unethical or illegal outcome.

Furthermore employees should be ethically guided and held responsible for any unethical misconduct. By doing so, they meet the expectations beyond the legal rules as well as the desired ethical transformation (Adams, Tashchian, & Shore, 2001).

Business ethics is essential for a company in many areas as it influences the employee's morale, loyalty and commitment. For the records many audits and researches proved that when the employees are aware of the proper business ethics and therefore are acting "Ethically" the organization in return will save a huge amount of money with regard to productivity level, creativity, motivation, teamwork and sustainability. On the other side if business ethics do not apply in a company or are applied in a very low degree with no importance the cost to the company will increase a lot with regard to theft, charges, fines, absenteeism and also it will be very difficult to keep the "good professional" employees hired.

Furthermore, profitability is directly related to the ethical behavior of a company. It affects the reputation of a business and trust and it has a paramount importance for investors. For example a company with bad reputation will be less appealing for investors to consider it as an option. Unethical behavior can damage an organization's public image. Ethical foundation is highly important for the positive image of the company and therefore for profitability. Business ethics is crucial from top to the bottom line. Doing the right thing will definitely have a positive outcome on the organization.

Integrity in applying business ethics is very important for managers as it provides transparency which creates better communication channels among all the members and therefore employees will understand the "Rules" in a clearer way. Thus all stakeholders will have a positive outcome when everybody is doing the right thing. For example an employee will have business ethics in his mind as a high priority because he works for an organization that is socially and ethically responsible. On the other hand unethical behaviors will damage the reputation of the company and won't allow it to progress and build a competitive advantage for example in providing Quality Service and thus will have a negative effect on the consumers and stakeholders. This can even impact negatively on the continuity of organizations (Grant & Visconti, 2006)

From a management perspective in order to be a good leader it's not enough only to be charismatic and visionary and have other good traits but it's essential to be ethical. Managers have authority due to their positions and this makes them liable to those who report to them. Management is the root of business conduct. For today's business leaders and managers, leading and managing ethically also means managing with integrity (Carroll and Bucchholtz 2003).

Managers are engaged to their roles and duties such as planning, motivating, organizing, etc... but they are also obliged to take ethical decisions, be fair and act ethical no matter what their management level is (low, middle or top management). Furthermore management should introduce "**Ethics follow up programs**" that identify the presence of any violation related to the applied business ethics code. If identified early these violations will be addressed and resolved. Ethics and management cross at a number of stages. Managers who

treat their people with honesty and provide them with accurate information appear to be more effective and successful.

Employees are critical for a company and its survival. Unhappy employees and unpleasant environment won't help an organization to achieve the planned goals and objectives and therefore will reduce the profitability and increase labor turnover.

On the other hand, happy and satisfied employees are more effective and productive. Commitment and loyalty are playing an important role in promoting innovation, success and profitability of a company and an important factor for keeping employees happy is applying strong business ethics. Having and retaining loyal employees could prevent a big amount of fraud. The association of certified fraud examiners reported that globally a typical business organization loses 5% of its annual revenue due to fraud. Strong business ethics can effectively operate and benefit service innovation. In addition, being ethical prevents law suits, legal problems and fines. Finally in a workplace giving a high level of importance and commitment to Ethical behavior creates a better culture, build up the positive image for public and improves the trust between the employees and management.

2. Understanding what is an Unethical behavior

Unethical behavior is a behavior that is morally not accepted by the community and has a harmful impact on others. Unethical behavior is a very important subject nowadays as it's becoming a big concern "if not addressed" which may lead in overloading the companies with huge amounts of money as well as damaging their reputation.

Because unethical behavior violates social norms and social norms exist for purposes of aligning the interests of actors in social systems, unethical acts are often, albeit not always, antisocial in that they harm the relationship or the social system (Treviño and Weaver 2001).

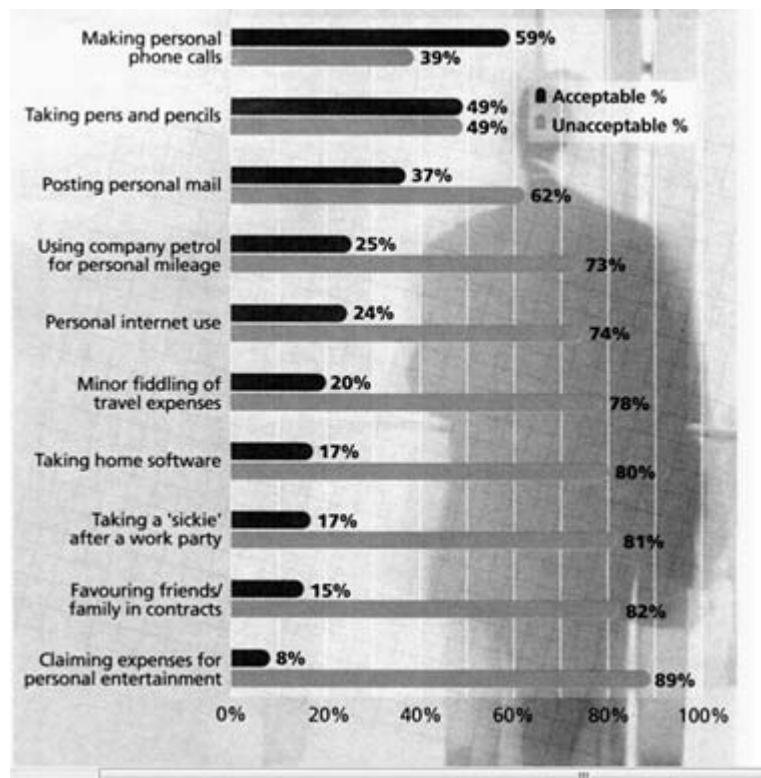
Following are some unethical behaviors an organization might face:

- Managers with hidden agendas therefore lying to employees

- Showing favoritism in the working environment
- Stealing directly or indirectly from the company
- Discriminating employees
- Using the company's properties and tools for personal use
- Taking decisions affecting employees without giving explanation
- Taking credits for someone's else work

Furthermore Unethical behavior can be something an employee/manager is doing frequently without realizing it or even worse trying to avoid thinking about it because it's for his benefit.

According to Berry, Mike "Employees believe a wide range of unethical activities ranging from personal phone calls to fiddling expenses are permissible in the workplace". A survey was done on full time employees sponsored by the institute of business ethics found the following statistical figures of various unethical behaviors:



The economy in 2017 is global and with this expansion the complexity to deal with business ethics is becoming more difficult because of the cross cultural

norms. Therefore a concerned organization needs to find ways to declare the most proper ethical behavior on a worldwide basis. Finally despite the above an organization needs always to understand the reason of unethical behaviors and implement rules and procedures to restore ethical behaviors in return.

3. Ethical and unethical behavior in organizations

We should ask ourselves why an employee would behave in an unethical way. Understanding ethical behavior is a major task organizations are facing today. Many factors influence the employee's judgment to behave ethically or unethically such as organizational, personal and situational ones. Lots of times we hear an employee replying when asked about an unethical behavior he did: "I didn't think about the implications" so the employees often don't take the time to judge and analyze their actions. Moreover this tendency towards acting unethically can be due to their supervisors being overworked or not being attentive to their behavior. Of course this is not the only reason as the personality of the employee is related and affects a lot his behavior within the organization. People acting unethically have a perception of what happened was due to chance or fate and what was done had to be done in this way.

On the other hand the behavior of management has a key role in influencing the employee's ethical and unethical decisions. Rewards and punishments are very important components that help an organization in managing the behavior of the employees. For example if management disregards unethical behavior this will push employees to act more unethically whereas punishing unethical behavior will lead eventually to restoring ethical behavior. Punishing unethical behavior frequently leads to higher levels of ethical behavior (Sims 2003).

Lots of scandals happened in companies due to unethical behaviors created by top managers which have totally ruined their reputation and activities .On the other hand companies that have supported and integrated subjects related to ethics and social responsibility gained in return a positive customer base that helped progress and achieve the desired goals.

The roles of the individual as well as the behavior of the company are important factors that help understand better the organizational business ethics.

Chapter 2

Individual factors affecting the employee's behavior

At work each employee faces ethical situations which he has to deal with. The personality of the employee will play a major role in analyzing and interpreting the case. So depending on how the employee will define the degree of the situation i.e. if it's ethical or not will differ from one person to another. This difference between the employees is due to factors such as:

1. Personal beliefs and background

Personal beliefs and background will affect an employee's ethical behavior because his judgment on the situation will be linked directly or indirectly to the above mentioned factor and he will act accordingly.

Each person has a unique way of thinking and relies on his personal beliefs and values to respond to a certain situation. Also the personality traits, character type and level of conscience play an important role with regards to the ethical behavior of the employee.

This is also related to his family background. In general a person brought up properly with care, concern and love will show in return proper manners and respect to others, whereas a person with brought up in an unhealthy manner will show insecurity, timidity and more negative working traits. So family background is an important factor to consider when hiring an employee but for sure is not the only one. These factors will differentiate the employees from each other for example one will always look for a solution to a specific problem while the other wants to find the cause of the problem. Employees with positive thinking will always have a good impact in the organization and especially on their colleagues.

Consequently Jones (1991, p372) described an important term: Moral intensity as being “A construct that captures the extent of issue-related moral imperative in a situation.”

Furthermore to understand sometimes why an unethical behavior occurred you need to evaluate its moral intensity. An employee with a high level of moral intensity will depend on his ethical principles to resolve any challenge.

2. Social factors

Studies found that social factors such as age, years of experience in the field, gender, education, exposure to society and working environment are factors that might also affect the ethical behavior of an employee. An important factor is the impact managers have on employees and therefore the good or bad behavior of a manager as well as his leadership style will affect the employee behavior accordingly. The leadership style within an organization has a bearing on encouraging or inhibiting employee’s performance (Armstrong & Murlis 2004; Cronje et al 2001).

Furthermore the environment at work is divided into two categories: Physical and behavioral. The first part is related to the ability of connecting physically within the office environment for ex. Office design, spacing, facilities, level of privacy etc... The second part is related to the level of connection between the employees. And to which extent the office environment can affect the behavior of an employee according to Haynes (2008), the physical environment with the productivity of its occupants falls into two main categories office layout (open-plan verses cellular offices) and office comfort (matching the office environment to the work processes), and the behavioral environment represents the two main components namely interaction and distraction.

Finally an ethical challenge might arise when employees face a situation that is difficult to overcome and thus they will take actions based on their own norms of right and wrong that they have learned by socializing with their families, friends, neighborhoods and co-workers.

3. Decision making

The social background and personal beliefs will have an impact on the ethical behavior. The ethical system along with the norms and values and the persons' own perception will differ between each employee. On the other hand the judgment of the employee on a specific situation will differ from the other because each one will judge the ethical challenge depending on his ideology and how he integrates the information which will lead to different decision taken towards a specific situation.

4. Lesson Learned

Studies has shown that the lesson learned from past decisions have also an impact on the ethical behavior. Therefore with more ethical decisions are made over the time will lead the employee to develop a decision history model that has a foundation based on historical events along with the employee's own ethical behavioral system.

Chapter 3

Organizational factors affecting the employee's behavior

Furthermore on an organizational level other factors exist and will affect the ethical behavior of an employee. Some of them are internal such as culture, norms and values, influence of employees on each other, reward system and others are external like available resources, economic climate and stakeholder's interference.

1. Culture

Mainly each company has its unique culture: "way of doing things". It is the principles and techniques utilized when taking decisions, solving problems or even approaching any challenge. In a way it represents the personality of the company. Geert et al (2010) "it is the collective programming of the mind that distinguishes the members of one group or category of people from others".

Culture can affect the employees' performance and behavior in a positive way and improve the economical state/performance of an organization. A strong corporate culture will provide the employees with a sense of responsibility to achieve the mission and goals of the company.

For a culture to have the correct effect within an organization it is important to understand how it affects the employee's behavior.

First the culture gives an identity to the employee and motivates him. Therefore he will feel more committed towards fulfilling his duties that will help in achieving the company's goals and objectives. Also organizational culture helps or assists in "broadcasting" the values. A good culture will hold the organization strongly by making clear to everyone what the expected standards employees should adhere to are. So the culture of an organization is shaped by its principles

and philosophy for the things it rewards and punishes for. On the other hand it's a known fact that not all organizational cultures support ethical behaviors and by creating this atmosphere the employees in return will behave unethically. As an example an employee with a good ethical behavior will find it very difficult to survive in a company where its main activities and returns are gained from unethical operations unless he becomes part of the "game".

Furthermore the ethical atmosphere is always set from top which means that senior management are observed by lower level employees on whatever action they do. For example if the culture is unclear or there is a general unethical atmosphere this will create lots of ethical challenges for employees. Finally, establishing a clear and strong organizational culture will reduce unethical behavior and generates a positive atmosphere.

2. Norms and Values

It is very important for an organization to define to the employees the essential norms and values because these will determine if ethical behavior is being encouraged or discouraged. Furthermore showing an encouragement for an ethical behavior is very important.

Management role in setting norms and values is crucial because at the early level i.e. when planning the foundation of the company it is normal to emphasize on production and profitability but on the other hand an important factor should not be ignored which is the attention given to the level of ethical behavior in the organization. Ethical and social values should be respected and taken into consideration. Therefore managers should integrate ethics into all day to day operations in order to making it part of the organizational culture.

3. Groupthink

Groupthink is the name given to a theory or model that was extensively developed by Irving Janis (1972) to describe faulty decision making that can occur in groups as a result of forces that bring a group together (group cohesion)

When management's culture discourage proper communication and don't tolerate opposition from other employees this will create an atmosphere where more unethical decisions and behaviors occur.

Ex. In 1941, the Americans received several reports that the Japanese were preparing for an attack on Pearl Harbor. But as this was the headquarters of the US fleet and was believed to be secure these warnings were ignored. The result was that on December 7 the US fleet sustained extensive damage, with devastating numbers killed. The event brought the United States into World War II.”

The organizations need to avoid and should be aware on the steps to be taken for avoiding it such as:

1. Encourage the exchange of ideas and welcome objections
2. Involve experts into meetings even if they are from outside of the team
3. Avoid pushing management’s opinions all the time without proper reasoning and explanations

Finally groupthink usually exists more in organization that are involved in unethical behaviors where management imposes views without having internal mechanisms the employees can utilize to evaluate the ethical level. Furthermore by acting like that and ignoring all other aspects the organization will expose itself to a high risk of having bad public image which will eventually damage its reputation.

4. Counter Norms rewarding system

Sometimes management introduce counter norms which are allowed and welcomed within the “walls” of the organization but are in fact contrary to the standard ethical norms of the society. Examples of counter norms will be rewarding practices related to dishonesty, deceitfulness, secrecy which push the employee to act as the famous quote says “Do whatever it takes to get the job done”. On the other hand if ethical behavior is desired then the organization should implement or update its rewarding system to enforce ethical behavior.

5. External factors

Other external factors might also affect ethical behavior such as the economic climate, available resources and stakeholders’ interference. Thus the organization will be in a dilemma whether to act ethically and be responsible in the eye of the industry and community or engage in unethical practices. The

pressure origins from the fact that the main concern is always focused on short term profitability and therefore business ethics is wrongly thought by management as being a wall blocking the way between the company and the outside competition and therefore will make things more difficult when doing business across countries.

As a conclusion for this part it's a fact that unethical practices are still happening on a daily basis everywhere in the world. Whoever is doing an unethical behavior is really an unethical person? Or is he surrounded by factors outside his control that are forcing him to act in this way? Sponsors and senior management needs to understand the main reason of unethical behavior if they want to place themselves and their organization in a better position and therefore create an ETHICAL CULTURE. Accordingly all internal systems and procedures must be integrated and adapted to create an environment where the ethical behavior prevails among all the employees from top to bottom.

Chapter 4

The regulation/Institutionalization of organizational ethics

Nowadays regulating ethics is becoming a crucial task and the organizations started to understand better its importance because it's the main way to effectively decrease the occurrence of unethical behaviors that could be sometimes also illegal. So the proper route for organizations is to include proper ethics guidelines in their strategies. To limit the occurrence of unethical behaviors an organization that has a long term objective to build an ethical system needs to understand and plan properly how to regulate the organization's ethical laws, regulations and procedures. Due to the increasing concern of the general public about ethical issues in business, many organizations have tried to control these problems through the institutionalization of ethics (Gellerman, 1986; Murphy, 1989; Stevens, 1994).

With today's globalization the majority of the companies aim to increase their focus and responsibilities on matters related to business ethics. On the other side the regulating authorities are monitoring and are punishing any deviation from the principles and values to create a better and healthier business environment. As an example below is a sample of some important companies that were fined due to unethical activities:

Company	Country	Fee Amount (mil.Dollars)	Year
Siemens	Germany	1600	2008
KBR/Halliburton	USA	579	2009
BAE Systems	USA	448	2010

Snamprogetti	Holland	240	2010
Technip SA	France	240	2010
JGC Corporation	Japan	219	2011
Daimler AG	Germany	195	2010
Alcatel-Lucent	France	137	2011
Panalpina	Switzerland	76	2010
Johnson & Johnson	USA	70	2011

*Data from www.thefiscaltimes.com

Definition

What is Institutionalization? It is crucial to clearly understand the importance of Institutionalization. The organization needs to integrate formally and openly “good” ethical behaviors and practices into all business processes from top to bottom. When the majority of the employees start continuously acting ethically and this process becomes part of the normal procedure we can say the organization has succeeded in institutionalizing ethics. This positive climate related to proper ethical behavior among the employees will benefit the organization by providing it a competitive advantage in the industry.

Important factors for implementing Institutionalization of ethics

1. Psychological factors

A new employee joining an organization will be psychologically committed. This description is known as the “Psychological contract”.

“A psychological contract can be understood as a “deal” between employer and employee concerning the perception of the two parties, employer and employee, of what their mutual obligations are towards each other.”

<https://www.alchemyformanagers.co.uk>

It consists of expectations related to the working requirements and conditions as well as the degree of authority the managers have on employees in the working

environment. Furthermore it is used to expect the required level of effort needed to perform the job etc...

As a fact we all know that people have different expectations so clearly transmitting the correct perception to the employees is an important factor that helps the process of Institutionalization.

Furthermore if an employee knows that if he will work towards achieving the organization's goals and objectives he should expect in return an encouragement or incentive from management. This makes it a relation between both parties.

Furthermore it is essential to maintain a balanced contract to gain in return a positive atmosphere between the employees and the organization. In case the relation is affected negatively this will definitely lead to higher level of discomfort and frustration.

2. Employee Commitment

When an employee joins a new job he has the choice to commit to the organization's goals and objectives. This is known as Employee Commitment or "Organizational commitment" which is described as "the force of connection – a psychological or attitude stage – with the goals and values of the organization, which determines a direction at the level of the individual's behavior towards the employer organization, with the aim of benefiting it" <http://www.igi-global.com/dictionary/organizational-commitment/21469>

Furthermore it is a continuous process where the employee shows his concern towards the company in the short and long run.

Some key factors that can affect the Employee commitment are:

- Visibility at work

The organization should find ways to let the employee be more committed towards ethical behaviors. One effective way is Visibility where it will be visible to everyone how each employee is associated with the organization. For example when a new employee joins the company the HR department sends a welcome email or notice to inform everyone where they write a brief announcement about his role/department etc... these communication channels will help the

employees understand more what are the company's expectations regarding ethical behaviors. The more transparent the organization is and the more it's visible regarding the employee's contribution the more the employee will be ethically committed to the company's goals and objectives.

- Clarity at work

Clarity along with visibility is an important factor that helps in implementing institutionalization of ethics. The more the expected behavior is clearer to the employee the more he will act ethically.

Furthermore for example acknowledgments statements can be signed by managers and employees confirming their full understanding of the company's ethical code and policies and therefore they are expected to report any unethical behavior to management. The organization should encourage clearly ethical behaviors and show encouragements to any member who act accordingly. The employee needs to take responsibility for his actions and therefore once this becomes a part of the culture and norms he will feel more committed towards the organization and towards behaving ethically. Further as mentioned a key to institutionalization of ethics is employee commitment. An organization should make the best out of employee commitment at the early stages of joining the company as researches show that employees who are ethically committed from the beginning will always remain within their years of employment.

Chapter 5

Implementing and managing Business Ethics

Many organizations are trying to be proactive and avoid ethical crises. Institutionalizing ethics is done by implementing and using various techniques that will be explained below:

1. Code of Ethics

Is a written set of guidelines issued by an organization to its workers and management to help them conduct their actions in accordance with its primary values and ethical standards.

<http://www.businessdictionary.com/definition/code-of-ethics.html>

You can understand the company's ethical culture from its code of Ethics.

As companies look very closely at their ethical underpinnings and try to find ways to provide a dialogue on ethical issues, codes have become their benchmarks (Gellerman, 1989; Sasseen, 1993;

In a perfect world top management are expected to act ethically in the organization because of their personal values. On the other hand to expect this and rely on it alone is not enough and could lead to negative outcomes.

For an effective integration and compliancy with the ethical policies the organization needs to create codes and rules and should enforce them so that any unethical behavior is treated quickly by enforcing the "Code of Ethics".

According to Samuel Mercier, the Code of Ethics has the following objectives:

- Establishing a moral contract between the organization and its beneficiaries and also between those who belong to the same organization
- Protecting the organization from dishonest or opportunistic behaviors
- Promoting a positive image of the organization

- Providing the means of regulating the adhesion and the commitment of collaborators
- Creating a sense of belonging to the group; showing the managers' commitment to principles;
- Obtaining a contractual relationship based on trust and accountability
- Guiding the behaviors in case ethical dilemmas are encountered.

Creating an environment that shows to the employee clearly what the accepted behavior is will definitely help in promoting ethical behavior.

Code of Ethics needs to be circulated properly within the organization from top to bottom because it's the set of policies that define all areas and therefore it's a main tool for creating organizational awareness and conscience. This code will define responsibilities and will display the organization's goals and purpose and will definitely assist as a guideline when taking decisions.

Furthermore to have a rigid and applicable code of ethics it must be clear regarding the main principles, values and philosophies of the organization and must forecast any ethical dilemmas that can occur. The most important key element is to convey this code to the employees and enforce it in a way that it becomes accepted and utilized within the organization.

When Top management requires ethical behavior for the long term plan then definitely the code of ethics must be developed protected and supported all the time. By doing this all the staff members of the organization will recognize that ethical behavior is a requirement from management and is expected from everyone. On the other hand it's not enough to state that the code of ethics is sponsored and protected by top management rather all managers should show practically that they are abiding by this code which sets the proper image to lower level employees.

Furthermore the employees should be encouraged to clarify any unclear parts of the code openly and even have suggestions; such practices will help communicating the exchange of information.

All the actions taken by the organization to promote ethics and institutionalize business ethics within the culture will show a more adequate and effective

outcome if the main values are communicated through orientation courses given to new and old employees including managers.

It is also essential to mention that by doing the above will have a positive impact on Stakeholders and any interested third parties because it will be clear that the organization is committed to ethical behavior. The code of ethics main values can be conveyed also in annual reports, websites, and any published internal document.

2. Ethical Culture

The organization's culture can be defined as the way things are done internally. It shows the personality of the organization and gives an insight on how decisions are made. This shared beliefs among all employees and management shows clearly the culture of each organization.

Furthermore each company has its unique culture. For example it can be unclear and difficult to understand or the opposite can be clear, visible and consistent where everyone from inside and outside is aware of.

Strong cultures have their sets of norms and guidelines communicated properly which gives an obvious direction on the expected behavior in undertaken activities. On the other hand in weak cultures each group or departments have their own way of doing things and therefore they control the behaviors according to their needs.

The culture affects significantly the employees as well as the organizational lifecycle in many ways such as: promotions, decision making, employee's behavior dress codes etc...

Another factor that plays a major role in how an employee learns the culture is called socialization:

Socialization will happen when colleagues or superiors share between them informally the norms and guidelines or through planned training sessions. Regardless of his personal beliefs and in order to be accepted by the "group" the behavior of the employee will be affected and he will act according to what he is expected to act so that he fits in.

Together formal and informal practices and mechanisms create the uniqueness of each organizational culture and maintain it accordingly in the short and long term.

Examples of formal mechanisms are: top management structure, Employees orientation, recruitment process, norms and guidelines, training processes, decision making process and reward systems. Whereas informal mechanisms will be such as the legacy, stories of some heroes that did something great to the company, rituals etc...

A successful ethical culture will align together both the formal and informal practices that share and convey the same ideas. For example if integrity is considered in the code of ethics to be very important and valued in the organization and top management in parallel use integrity when discussing with the employees their needs then the employees in return will get a positive message that the organization is indeed committed to integrity. On the other hand if the organization is not honest with the employees or customers therefore acting differently to what the code of ethics value then there will be no alignment anymore between the formal and informal practices.

The main goal of the organization if interested in implementing business ethics is to create a universal understanding between the employees on what is accepted and expected with regards to ethical behavior.

To maintain success and overcome unethical behavior a strong culture is needed and should be based on rigid ethical principles and values. A strong culture needs to perform the operations according to clear guidelines that are ethically and morally accepted. Top management also has to spare time to convey the ethical message to employees and explain to them how this affects the organizational environment.

Following are some important factors that play an important role in creating a strong culture:

- a) A strong founder is a visionary who creates guidelines, values and norms that meet employees and customers' needs. Therefore he provides the organization with a competitive advantage in the industry.

- b) The organization commitment to run the operations properly and according to the pre-set rules which creates an internal culture that respects and encourages ethical behaviors.
- c) Always have in mind the Stakeholders and mainly: employees, customers and investors.

Changing a company's culture

A courage and sincere decision needs to be taken by management to overcome an unethical culture. A replacement will be needed which means that lot of rules, agreements, and practices should be left aside and removed from the new equation.

This change will probably need a new Leader or a group of new people given the power and freedom to change things for the favor of the organization. On the other hand the employee should be involved and committed to the ethical system and needs to take part in this change. Management will have to motivate, train and monitor the employee's actions. Furthermore the employees should be exposed to proper orientation in order to restore ethical behavior.

It is a known fact that in some situations the company acts differently to what is mentioned in the Code of Ethics. Such wrong practices will shift the employees' attention and encourage them to perform also unethical behaviors because in their mind they are aware that the organization is supporting such acts by encouraging them through: Bonuses, Promotions, Pay raises etc...for example: it will be known that lying, cheating or providing wrong info to get a job done is an act that is positively accepted by the organization.

Lastly ethical guidelines should be integrated in the short and long run. In the short run the organization should state that ethical behavior is required through all public statements. In the long run the culture should be built on values and guidelines that support ethical behaviors and management should always explain how and why the ethical direction is the right choice. In conclusion it is always down to the organization's objectives, strategies and goals whether to encourage or discourage a certain behavior and therefore this will be one of the important fundamentals upon which a strong/weak culture is built upon.

3. Managing Values

The values of an employee affect his behavior in the way he interacts with people and to different situations. Furthermore values have a direct effect on attitudes which in return directs the behavior: so we can conclude that there is a relation between values, behaviors and attitudes.

In order to properly manage values a mechanism needs to be in place that inform and punish people who act against the ethical norms and rules of the organization. Statements of values play an important role on this matter as they inform to new and old employees the main values of the organization.

These statements need to show the main purpose of the organization. They should be simple, clear and must be utilized in the recruitment process because it's more beneficial to select an applicant that understands and share the same values rather than selecting someone who doesn't believe in these or even don't recognize them.

Managing values properly within the organization will not only push employees towards ethical conducts but will also create an environment with a strong ethical culture. All of these will provide the company with an advantage and therefore will look good in the eyes of the stakeholders.

The organization will be known for doing things with integrity and in the right way and is utilizing ethical behavior within all operations.

Finally Management needs to keep monitoring and updating the values if found necessarily.

4. Effective Communication

Effective communication is vital in all aspects especially when a change is needed in the organization because it will show that management is trustworthy and is passing correct information regularly to the employees.

The objective is to spread ethical culture in the organization so in return there is a need to develop a system that communicate the information properly and therefore make the employees feel that they are taking a part in the company's new changes and challenges.

For example any in house publications such as brochures, newsletters, articles, memos or even workshops will remind regularly the employees about ethical behaviors through this type of effective communication channels.

Furthermore, if the employees need to be motivated to act properly in difficult situations they need to have easy access to information that can help and direct them for example creating open channels to review, discuss and resolve ethical dilemmas or let the employee be aware that he is encouraged to report any unethical behavior he encounters at work.

Management should also be available at all time to provide advises and share their expertise when any ethical problem is faced.

It should be clear to everyone what the priorities of the company are. The long term success is based on the proper ethical behavior of the employees in respecting the law, society, working guidelines etc... which are important as much as the economical profit and should be practiced at all time.

Finally effective communication is crucial for creating any sustaining rigid ethical norms and practices and requires continuous efforts to remind people what are the main important values of the organization.

5. Business Leaders

Managers and employees in the organization are affected by business leaders. The image conveyed from those leaders defines to an extent how the rest will behave within the organization as they are seen as indicators to what is acceptable. Therefore business leaders should support and be committed to ethical behaviors.

When practicing their leadership role they become a part of the company's culture as employees absorbs from them any signals or messages.

To be recognized as an ethical leader top managers /executives should have 2 dimensions that work in parallel (moral person and moral manager)

Moral person dimension is based on perceived traits, behaviors, and decision making process. For example traits related to integrity, honesty. Furthermore behaviors such as doing the right thing at the right time and interacting with employees with respect fairness and dignity and showing them that he is personally living a moral life. Lastly he can be recognized as a moral person

when taking decisions in specific ways that take into consideration ethical norms, values, social and environmental concerns.

But to be recognized as a leader having only the “Moral personal dimension” is not enough. To have the moral manager traits the leader needs to integrate ethics and values in the culture of the company and in every transmitted message to the employees. A leader needs to be able to affect an organizational culture in various ways such as sustaining and protecting it from any deviation, or even changing the culture by introducing and integrating a new mission statement.

Furthermore, the leader can enhance and push the company to progress by implementing a proper decision making process and hiring a team of employees that share the same vision. Another important factor for the leader to succeed is to be fully aware that the company should give a significant importance to how the business activities are done to avoid any bad reputation.

When the leader is always focused and gives priority to the main values and norms he will succeed in enforcing an ethical culture where the employees understand clearly what is important for the company and what is the expected behavior in return. On the other hand if the employees are not getting clearly the correct messages from the leader they will be lost by trying to understand the exact values and expectations and this will be clear when a crisis occur within the organization.

6. Role of Management

Any organization committed to creating and maintaining an ethical culture understands that there is a difference between “speaking and acting”

Speaking alone is not enough and won't bring any positive outcome. But establishing a proper integrated code of ethics and enforce it by using the right techniques will lead the organization to be ethically responsible.

Top and middle management should be aware and take on their responsibilities and duties to share with the employees the moral and ethical practices in order to convince them that this is the right and expected values that the company is looking for. Managers' role is very important within the company as they really understand the company's objectives and they put into action the corporate

directions; they communicate all the messages between senior management and employees and manage the employee needs in different areas.

On the other hand managers should keep an eye and monitor the various departments and employees to make sure that everything is coordinated within the company's ethical standards. Each manager within his department should be aware if any ethical dilemma is emerging and must resolve it as soon as possible by ensuring all the time that ethical guidelines are respected and being followed. Managers need to pass the correct messages and rules to their employees so that they clearly understand what is expected from them in relation to ethical conduct.

Furthermore reporting an unethical behavior must be encouraged and supported by managers and they need to prove that all unethical conducts and violations are dealt with efficiency. A reward system should be established in order to keep the ethical climate under control. Furthermore any statement related to ethical conduct should also be supported by actions in order to be taken seriously; for example if an unethical behavior is not highlighted and proper actions are taken then all the managerial statement regarding ethical behavior will be considered by the employees as empty and won't be taken seriously. It is known that spreading ethical values and guidelines within the organization is not that easy and won't be always adopted by the employees that's why management need to support any decision taken regarding ethical values and principles.

Integrating ethical behavior in the organization is always related to the people in charge of that task mainly management. So managers should be very attentive and act ethically in order for the employees to behave in the same way. In parallel since the main values are set by top management then this body should support the managers all the way not only when performing business operations but also when supporting ethical cultural behavior "Things begin at the top".

Sometimes managers also face dilemmas when they practice ethical behavior without support from top management and this is based on personal initiative taken by the manager against the unethical acts that are occurring in the company: for ex. when a manager keeps on reporting unethical behaviors or doesn't involve in unethical activities.

In conclusion companies with the objective of creating a socially ethical culture should also understand the impact of mentors because they create ethical norms and guidelines that spread within the company. By being a manager and mentor is of great importance because it will direct the employees to perform proper behaviors and understand the ethical culture. A mentor will help an employee to overcome an ethical dilemma by guiding and encouraging him to get all the facts and then will evaluate the situation based on ethical guidelines and therefore will find a resolution for the case where all the related people will benefit from. Top management should give more importance to ethics rather than focusing only on business operations and profitability.

7. Structure of the organization

Another mechanism to enhance and enforce ethical behavior is to create systems and tools that can manage ethics. These systems should be established in way to inform management on ethical behavior principles and practices as well as monitoring the ethical performance of the employees within the organization. Furthermore based on the structure of the organization the ethical behavior can be supported or not. The only way for ethical behavior to become part of the culture is when it's supported by the organizational structure. So it is vital to define a structure that rely and gives importance to individual accountability in every operational level; by doing this each employee from top to bottom will be responsible for his actions and will be encouraged to raise concerns when faced with ethical situations. To get to this level a company needs to create a structure that moves away from bureaucratic practices and shift the responsibility further down by giving the employee the chance to take a decision according to his level. When this is done the company will build a stronger ethical culture.

8. Reporting mechanism

If an employee witnessed or faced an unethical behavior or even had doubts regarding a specific conduct then he should be encouraged to report the incident without any pressure. This should be part of the Code of ethics.

This rule or procedure should mention the proper approach on how to report such situations so that confidentiality is assured by providing the ability of

submitting anonymous reports. By keeping things confidential the employee will feel protected and will block the way for any counter actions to be taken against him in case he reports an incident.

For example many companies have a dedicated hotline number that can be used by the employees to report incidents. If a case has been reported the team in charge will investigate the issue and will take appropriate action if necessary. On the other hand if misconducts are always ignored by management then the frequency of unethical behavior will increase and this will have eventually a major negative outcome on the organization.

The proper equation on this matter is as following:

The company that dedicate time and resources to advise the employees on proper ethical behavior should also dedicate time and resources to properly penalize any breach in its code of conduct.

Communication channels must be opened in the organization so that the employees will feel comfortable to discuss any ethical concern and report bad incidents. In parallel managers should be close to their employees and ready to listen and help them. These are major traits of a strong ethical culture.

The human resources department within the organization plays an important role in creating an atmosphere that provide the employee with security because he will feel protected and free in case he reports a case related to unethical or wrong behavior. Human resources department is in contact with all the departments within the organization and therefore interacts with all the employees. Therefore by opening up proper communication channels throughout the company this will end up by creating a healthier and stronger culture. Other ways to enhance the communication is by providing managers training programs that will help them to better understand and communicate with their employees by encouraging them to share their comments and opinions. Finally, seminars and ethical awareness programs are all tools that help the employees better understand how to deal with ethical dilemmas and how to utilize the proper decision making process to find resolution and will help managers to enhance the communication between them and their employees when reporting needs and concerns.

9. Ethical audits

As mentioned before integrating ethics effectively and efficiently requires having tight guidelines and procedures that monitor and handles any violation. The organization must conduct ethical auditing with the purpose to review the current code of ethics and identify any gap and if necessary update any policy or rule. Also such audits should go further and check if any other factors are affecting the company's code of ethics. For example management behavioral, communication channels, reward systems etc...

The audit will help in identifying any factors that might promote unethical behavior. It serves as well to review the ethical policies and advise if they are clearly transmitted in the organization, understood and followed by all employees.

All the above identify that ethical audits are also important and should be given attention as the other organizational audits (business, technical, fiscal etc). They assist in identifying the organization's ethical values and norms and to which extent they are being used and involved in the daily activities.

"Within this integrated system of ethics management in the organization, ethics auditing can respond to the basic objective of ethics management, which is simply to integrate economic benefit with social and environmental benefit" (Garcia-Marza, 2005, p. 211).

Finally ethical audits must be carried out at least once a year and should involve as much employees as possible with the objective to keep the ethical rules up and running and reporting any action taken by management to restore ethical behavior in case of misconduct.

Conclusion

Together both the organization and employees are responsible for implementing and managing ethical behavior. Preventing unethical acts by having clear set of rules and guidelines transmitted through proper channels, creating a secure and effective reporting system and correcting any unethical misconduct etc... will push the employee to be loyal and therefore promote ethical culture throughout the organization.

The importance of managing the ethics within the organization should be taken into consideration. The organization should be proactive and make sure that

employees do not engage in unethical behaviors by creating a strong culture that encourage everyone to report any occurred violation.

To reach the expected results of the short and long run goals ethical guidelines and considerations should be taken part in the strategic management process. Companies should not rely only on profitability when building strategy rather ethical norms must be considered and taken into consideration all the way in order to increase the profitability. Furthermore the strategic management process requires the use of the “resource management“ for example financial, economical, legal, production, Information technology etc... and whenever a decision is taken the ethical criteria needs to be included to get better and improved results.

Chapter 6

Human Resources role in managing Business

Ethics

An organization focusing on ethical concerns recognize the importance of the role human resources have in promoting culture and sustaining ethical behaviors across all areas. The ethical climate is directed by the human resources department. It contributes to the development of a culture that supports ethics.

Instantly and logically the HR office is the first thing that comes to the employee's mind when there is a need to report or discuss any encountered violation. The reaction of HR or the steps taken by this department regarding such incidents will notify the employees regarding the level of commitment that management has in enforcing business ethics.

For example a strict and firm response properly communicated and delivered to the related parties first and to the whole company second including senior managers will definitely spread the message that things are being taken seriously. Furthermore other than enforcing order and proper ethical behavior HR's role is to stress on the true meaning of the rules and regulations so that the employees understand and abide by them even when there is not enough support from senior management HR should at least enforce and sustain the main policies and guidelines.

If HR is committed and follow the steps effectively to enforce business ethics, it will make obvious to the whole organization what is expected and needed from each employee. Even highlighting on light violations is important. This behavior will even push senior management to support the action of HR. The main objective is to make everyone aware that violations should and are encouraged

to be reported and therefore proper action will be taken to rectify the error and restore ethical conduct.

HR should build trust with the employees. This can be done by showing that policies are being enforced properly and fairly at all levels which will incline the employee to report any encountered unethical behavior. Therefore maintaining a high level of ethical behavior is an important key role for HR which can be developed by understanding the different functions of this process:

1. Training programs

Announcements, Policy memos, Newsletters, and code of conducts are effective but are not enough alone. Any company that wants to take a serious step towards implementing ethical behavior should definitely rely on the above. Additionally a proper training needs to be provided to help the employee in understanding theoretically and practically their meanings. The primary objective of such trainings is to make sure that the employees will do their jobs in an ethical matter. Organizations also implement specialized training to provide employees with guidance concerning ethics (Valentine & Fleischman, 2004).

The key role of such training programs is to increase the awareness of the employee so he will have a better understanding and judgment when he faces an ethical dilemma and therefore he will be aware on the actions that will help him to overcome the situation.

Successful training programs will provide the following advantages over other companies that don't take seriously this approach:

- a) Assist the employee and guide him to choose the ETHICAL decisions
- b) Increase the understanding level of the values (organizational, own and other's people)
- c) Help the employees to cross check the relation between these values and their business decisions

Ethical Training programs main objectives should be focused on helping employees to understand their role in the organization as well as directing them to take the proper ethical decisions that they encounter in the working

environment. The organization needs to be careful so that such programs are not seen by employees as only applicable by theory. An effective training program needs to offer orientation to the employees and give them the opportunity to engage in open discussions regarding the organization's code of ethics, rules, procedures etc...

For an ethical training to be successful it should focus on specific areas. Knouse and Giacalone (1997) outlined what was needed. To achieve ethics training success, they suggested that the program must:

- Help people understand ethical judgment philosophies and decision-making Heuristics
- Address areas of ethical concern within their industry/profession
- Teach the organization's ethical expectations and rules
- Help people to understand their own ethical tendencies
- Take a realistic view, while also elaborating on difficulties in ethical decision-making
- Have people use the material in the workplace, then return to training for additional work to analyze their application

Orientation sessions are important as they provide the employee an understanding of the internal culture as well as how things are done. It creates a social interaction between them as well: for example a new member will understand what the important rules are, who is in control, who has authority, what is expected from him and what is the role of the various department of the organization. The trainings should encourage the employees to engage in those sessions by sharing their personal experiences that they encountered in the working environment

On the other hand managers should also attend specific managerial training programs designed to enhance their ethical understanding that help in identifying ethical issues and provide guidance and how to overcome these situations that might have sometimes legal implications.

A successful training program uses the case study methodology and upon this helps the employee to build more knowledge and skills such as "active listening"

and “Problem solving techniques” rather than focusing mainly on the theoretical ideas.

Sometimes training will trigger and challenge the employee’s way of thinking, their rationalism, and their understanding of how things are. It educates the employee regarding ethical behavior and offers knowledge on the correct techniques and procedures to be followed with regard to ethical decision making. Furthermore the training program should be selected to suit the group that will be attending for instance a new employee should attend a different training than other who have been for years with the organization and supposedly have gained this knowledge.

Besides training an effective way to promote ethics and let managers grasp its importance is done through mentoring. A mentoring program can be planned or even unplanned but if integrated properly with the guidance of a senior manager will provide an opportunity for managers /leaders to gain knowledge on the organization’s culture and best ethical practices. In parallel it will be very difficult to use mentoring through a senior manager that consider ethics as low priority and therefore won’t be able to shift any positive value based knowledge to others. Therefore the existence of a well promoted Code of ethics and established guidelines will provide guidance when faced with working dilemmas as well as having a respected and knowledgeable mentor that the employees know they can refer to for guidance are strong tools an organization must have to overcome ethical problems.

HR management should provide their views and be part of scoping the code of ethics as eventually they will take the ownership of controlling the ethical behavior throughout the organization.

Finally there is no doubt that training programs are important and it’s a win-win situation for the organization and employees if implemented properly .The ethical behavior and understanding of the employees will become stronger which will lead the company to reach the goals related to ethical behavior.

2. Employees Recruitment

In any organizational plan both short and long term goals should be considered. The long term plan is to develop a strong culture that focuses on values promoting ethical behavior. Each alternative or decision taken by management should be explained to the employees by highlighting the ethical factors around it. On the other hand the short term plan to establish ethical conduct should for example rely on the people that are applying to join the company. Definitely on this matter the personal characteristics should be considered. Therefore the starting point will be the selection process. It is considered as the first firewall against unethical behavior.

An organization can practice ethical screening through various ways: for example personal tests that show the honesty level of the applicant or acknowledgment and signing off by all potential employees that they will abide by the company's culture and guidelines within the application process. Furthermore the company can implement background checks on the CV information by contacting the references or asking for official transcripts. Sometimes for sensitive positions a company might extent the investigations by relying on certified 3rd parties investigators which is considered as very important way to screen employees.

An organization should not take into consideration any candidate that shows any tendency for unethical behavior and this should be part of the policies regarding recruitments. On the other hand an ethical culture is easier created when the objective is set to hire people who share the same beliefs and values. Furthermore management can evaluate a candidate through other techniques by asking him to interact with a specific working dilemma in order to show his important personality traits such as respect, self-discipline, communication skills, acceptance of criticism, level of patience etc... It is very important to convey from the beginning to any potential employee the importance of ethical behavior.

In conclusion the recruitment process should be utilized effectively with the objective to hire the right employees that share the same beliefs with the organization's values. After the selection the candidate will become an official

employee where he will socialize within the organization and this is really where the culture is transmitted to him and in return he will show within time his level of commitment towards the organization and its culture. When socializing an employee will learn and understand more the main values, what is expected from him and how his role fits exactly within the organization as well as he will gain knowledge on the organization objectives and role.

By following an efficient recruitment process that considers the ethical culture, an organization will minimize ethical problems that might arise in the future and will build a strong positive reputation for their representatives wherever they go or attend.

3. Reward System

Reward systems affect the employees' behavior to a great extent. It is an important mechanism that reinforces the ethical behavior within the organization. An ethical conduct should be rewarded whereas an unethical one should be punished. To start with the organization needs to communicate clearly to everyone what is the expected ethical behavior then a system should be created for reporting and evaluating each employee's behavior this can be done by the use of performance appraisals and managers feedbacks.

Furthermore within the appraisals (quarterly, annually etc...) should include a section that measures the ethical performance of the employee. By doing this management can then check if the employees are applying ethics in every decision they made or when faced with ethical dilemmas. This will also show how much an employee has understood and grasped the importance of ethical behavior within the organization. Increases in salaries and promotions are action taken by management to reward an employee and are also signs for the rest to understand what is required to be done in order to succeed in the company. It is important for an organization to put in place a reward system that goes in parallel with its ethical guidelines and values. For example when an employee shows integrity and honesty through an action at work management should reward him.

Chapter 7

Organization interest evaluation procedure

An organization needs to identify its interests for the long and short terms. These interests will affect the strategic decision making. After the identification process is completed these interests should be evaluated to understand how they can be implemented in the organizational processes. Furthermore management needs to make sure that these interests will be always considered as an important component in every taken decision.

1. Identification of interests

An organization needs to identify what are its main interests. This is the first point of contact where ethics and planning cross together. Each organization has public and private interests. What we mean by private is the line of business that the company is operating in whereas public interests are related to the legal, moral and social factors that are connected to the organization main interests. A successful organization will always put continuous efforts to meet the expectations of the stakeholders for example: employees, investors, clients etc... and will in parallel give attention to the ethical concerns of these groups. By giving attention to both private and public interests when taking decisions the organization will gain a competitive advantage in the industry. Furthermore the organization will build an important competence by serving ethically all the stakeholders.

2. Analysis of Interests

The most effective way is to identify the legal, social and moral obligations that come along with the organization's interests. Therefore any interest needs to be analyzed carefully and should always take into consideration the ethical criterion.

3. Activation of interests

The last step after identifying and analyzing the interests is to integrate them into the companies' processes from top to bottom. Management needs to integrate ethics even before profitability to secure success and sustainability in the long run.

Chapter 8

Analysis and recommendations

1. Problem definition

Nowadays the subject of Business Ethics is raising a big and important concern for all companies due to the increasing rates of ethical scandals happening all over the world. The main objective is to create a better ethical understanding of values in the organization.

On a daily basis cases of ethical scandals are being reported related to money laundering, briberies, misleading consumers, theft etc... Analyzing the impact of such incidents is triggering a dangerous concern that these behaviors if not raised and resolved as early as possible might or will be perceived as normal practices by the employees in the future.

The alarm should be triggered before an unethical behavior is perceived as normal within the culture.

Due to the above mentioned facts it is important to understand to which extent the companies including the Cypriot ones are taking into consideration business ethics. Therefore my study's objective is to check the level of ethical awareness in the Cypriot companies as well as what is really being applied on the ground.

The findings will highlight the weak areas where the companies should invest in order to improve the situation and therefore increase the level of awareness regarding business ethics and proper behaviors within the organizations.

2. Data Collection

To measure the degree of ethical awareness in Cypriot companies we need to check how much ethics are utilized in the day to day business activities. The main purpose of the survey questions listed in appendix 1 is to understand some facts related to: how unethical behaviors are treated, what are the actions taken

by management to communicate the code of ethics, based on what employees are rewarded, how the ethical behavior is promoted and rewarded etc... More than 90 employees working in various fields such as banking, insurance, food and beverage, marketing etc... filled the survey. It might not be the best sample but at least it provides some insights regarding the ethical level of awareness of in the Cypriot context.

3. Research limitation

Clearly the study has limitations such as the accuracy of the data collected because of the following reasons:

1. Sometimes the answers are given based on a personal feeling towards the company where the employee is working. As an example if he's happy at his work he will try to provide answers that make his company looks better and vice versa.
2. Although the sample tried to target employees working in various sectors it might not cover the practices of all the companies.
3. Definitely the study won't uncover the correct results that are being really applied on the ground but will give a helpful insight of the current situation.

4. Data Analysis

After analyzing the responses I can conclude the following:

27% responded that their organization's mission statement was known and conveyed properly in the workplace.

Although the score was low but we can say that there is a set objective by some Cypriot companies to highlight to their employees the importance of the mission statement. By providing a clear mission statement the employees are expected to act accordingly and fulfill their responsibilities in an ethical manner. In return the company will benefit from this by serving properly their stakeholders and will eventually achieve the business objectives.

It is also worth noting that from the 27% only 3% answered that ethics was clearly stated whereas 7% answered that the importance of business ethics in the workplace could be understood from the mission statement.

On the other hand 73% responded that they are not aware of their company's mission statement. Here we can conclude that the majority of the sample respondents are not being properly highlighted first on the mission statement and second on the importance of business ethics in the workplace.

Furthermore 42% of the respondents stated that their organization has created a defined "Code of Ethics". From the 42% almost 74% confirmed that they were only advised about the Code of Ethics by the HR department during the employment procedure. So we can conclude that there are no initiatives from the companies to continuously check and remind the employees about the meaning of the "Code" and its importance towards implementing proper ethical business behaviors and values.

Also from the 42% of the respondents 85% stated that they were never being advised regarding any update in the code of Ethics during their years of employment. So we can conclude that the "Code of Ethics" is mainly designed for regulatory and formalities purposes rather than for communicating ethical awareness within the organizations.

On the Other hand 58% stated that their companies don't have a "Code of Ethics". Here I can conclude that there is a big possibility that there is a code of ethics but the employees are not aware off or really no code of ethics is created. In both situations it looks like the related companies have taken for granted that unethical behavior is not accepted and expect it to be known by everyone. By doing this no ethical sense will be developed in the company and it won't be clear to the employees including managers how the organization perceives ethical and unethical conducts.

As whether the respondents witnessed or experienced situations where unethical behavior was punished 37% stated that their companies have taken disciplinary actions in order to restore and apply the proper procedures. We

have noticed that during the last years more disciplinary actions in both private and public sectors have been taken in Cyprus.

Unethical conducts according to the respondents of the survey were dealt with by oral or written warnings, reduction in salaries, suspensions and dismissals.

We can assume that the companies are following progressive actions to overcome unethical practices and are giving a chance to the employee to correct his behavior. On the other hand the nature of the behavior will affect definitely the corrective steps taken by management for example if it affected the reputation of the company it will be punished severely where even managers could be fired.

The objective to fight unethical conducts is agreed by everyone but the implementation is still slow.

Again we have to mention always how much the culture of the country and the company affects the actions taken by management.

Things that are not accepted in other countries might be accepted in Cyprus and defining an act as ethical or not depends on the real situation

For sure lots of unethical practices are being ignored because in our mind we are convinced that "This is the Cypriot way of Doing Business" as an example paying bribes to close deals especially in the public sector or choosing the candidates that will become future employees before even doing the exams, abuse of power, etc... Furthermore in some cases unethical acts are not punished because they are considered as being part of the company in achieving its progression and competitiveness in the industry.

Therefore it is all related to how the Cypriots are used to do things in their daily life as well as in their business activities. It is a part of the Cypriot culture and systems.

Another part of the survey focused on the HR's role during the recruitment process and whether the ethical criteria was taken into consideration during this phase.

92% responded that they don't remember that any discussions or subjects related to business ethics were mentioned during the recruitment process. So basically there is a lack of ethical screening in the selection process and we can conclude that the applicant's educational background and working experience are the main items that were only checked and discussed. From the responses of the other 8% that gave some examples of how the issue of ethics was brought up and discussed we can conclude that a few companies in Cyprus ask their applicants questions that push them to react and therefore make a decision based on their own ethical thinking. For example by asking the following questions:

- How much will you value the company and respect the guidelines if you're hired
- What is your expectation for the next 5 years as an employee of the company
- What would you do if you were asked to cover a colleague who is abusing the petty cash for his personal use?
- In your previous job did you ever provided misleading information to your managers or customers

Also 56% of the respondents acknowledge that political and social considerations affect in many situations the selection process.

In reality when an applicant is given priority because he knows or is related to someone who has an influential power is not considered an unethical behavior in Cyprus. Unfortunately it became part of the Cypriot culture where friends and family are treated differently than the others.

Based on the above it is clear that the Cypriot companies do not take the matter of ethics seriously in the recruitment process and therefore rely on other traits and qualifications that fit the job description.

The part related to the training sessions and reward systems provided responses as per the following: 87% stated that they did not attend any training courses related to business ethics. On the other hand 69% stated that they have attended technical or managerial training courses that were related directly to their

working positions. So the employees are basically relying on their personal background and culture when making ethical decisions. It is obvious that the main objective of the Cypriot companies is to increase profitability but in return they are not aware of how important is to combine the training sessions with ethical components that will trigger the employees thinking and rationalism to understand the effect of unethical behaviors on the company's overall outcome. Furthermore, having ethical training programs will assist the employees in building thinking skills that will direct them to find proper resolutions related to ethical dilemmas that they face in the workspace. On the other hand from the responses 96% stated that ethical behavior is not taken into consideration with regards to reward systems. Mainly the rewards are subjective or based on the employee's working performance. We can conclude here that in case an employee acted unethically this is the only thing that can influence negatively his appraisal with regards to the ethical conduct criteria.

However companies are not giving rewards to the employees who show ethical conducts. The other minority of 4% stated that some ethical components are included in the employee's appraisal procedure. Based on the above mentioned results it is clear as well that the Cypriot companies don't take into consideration the ethical part in the evaluation process. Therefore no efforts are made to let the employees know that the ethical behavior will be rewarded within the organization.

The last points covered in the survey were related to the presence of effective communication channels provided by the companies with regard to reporting unethical behaviors and how ethical dilemmas are treated i.e. «discussed, reviewed and resolved” 80% responded that their companies do not provide an easy way to communicate the above and sometimes the process does not even exist. Whereas the other 20% mentioned that their superiors are available for discussing and providing guidance related to any reported issues including ethical dilemmas.

Conclusion

All companies agree that ethics is an important component that must be integrated in the strategies and cultures. However based on the results and news we keep hearing there is no seriousness taken regarding the matter.

Ethics are considered as a complementary component to the company's success and therefore are always taken for granted. Only a little amount of work has been done to create ethical awareness between the employees. On the other side the main pressure, input and focus is always toward the company's core competence in order to achieve a competitive advantage in the industry rather than having ethics as part of the strategy. The Companies in Cyprus need to put more emphasis to integrate and enforce ethics into all their strategies, cultures, decision making processes in order to increase their level of success and competitiveness in the market

Recommendations

The above mentioned results show clearly that the Cypriot companies are putting little effort to show the importance of business ethics and therefore are not creating an acceptable level of awareness within their cultures regarding this subject. There is a need to integrate ethics in a better way and therefore create more ethical oriented employees.

Therefore the results stated above can provide guidance on the strategies and changes that can be taken by the companies in order to create a better awareness of business ethics. To improve the situation the companies need to understand how much the ethical behavior is important in the day to day activities and how it impacts the overall performance including the competition level.

To impose ethical behavior and create awareness the Cypriot companies could follow some of the below guidelines:

- I. Add the idea of business ethics in the vision and mission statement
- II. Create a rigid and well communicated code of ethics
- III. Apply properly the rules and regulations on all the employees equally

- IV. Promote the ethical behavior notion by developing specific orientation programs for new and existing employees.
- V. Engage managers and employees in training sessions designed to show the importance and effect of ethics in any taken decision
- VI. Provide guidance on how to face and deal with ethical dilemmas
- VII. Show and explain the disadvantages of unethical behaviors
- VIII. Create effective communication channels between the employees and management to resolve issues related to ethics and to provide proper counseling when needed.
- IX. Make sure that any breach in the ethical conduct is punished with no distinction among managers and employees.
- X. Give rewards to employees who show ethical conduct.

The main goal is to enforce proper business ethics within the organization and fight any unethical conduct. Management should understand the importance of integrating ethics in all the operations of the company as well as building efficient and effective communication channels that can deliver the right information and provide the ethical awareness to the employees.

Appendix

Questionnaire

Dear Sir/Madam,

I am a student at Open University of Cyprus in Business administration and currently doing a project on Business Ethics. I request you to kindly fill the questionnaire below and I assure you that the data generated shall be kept confidential.

1. Do you know the mission statement of your organization?

Yes No

2. If yes does it mention anything regarding business Ethics?

Yes No

3. If yes do you believe it's being conveyed properly?

Yes No

4. Do you have a Code of Ethics in your organization?

Yes No

5. How You were informed about the "Code of Ethics"

HR Managers Never

6. How often your organization performs any reminders or update sessions related to the Code of ethics

During the employment process only continuously

7. Have you encountered or witnessed a situation where management took actions against unethical behaviors?

Yes No

If yes please state what actions were taken by management?

A.

B.

C.

D.

8. During the recruitment process do you remember if you were informed by HR regarding business ethics and what will be expected from you with regards to ethical conduct?

Yes No

If yes please provide an example:

9. Do you believe that Political and Social factors can affect the Employee selection process

Yes No

10. Did you ever attend a training course or seminar related to business Ethics

Yes No

If No what type of courses you have attended during your years of employment?

11. Do you believe that your company takes into consideration the ethical behavior with regards to the reward System

Yes No

12. Does your company provide you with effective communication channels to report unethical behaviors

Yes No

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