Ethical Framework

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Abstract

Corporate ethics are clearly-defined expected behaviors of an organization. Deriving from moral expectations, ethics are learned behaviors which can, and should, be practiced and reiterated frequently. Ethical leaders must unite both the consistent practice of ethics and leadership skills. Such leaders should be expected to abide by the core principles in both their professional and personal lives. Ethics, after all, is a behavior based on moral beliefs. Leaders should also find corporate social responsibility a priority as organizations have an obligation to invest in the best interest of their stakeholders. Socially responsible decisions may not be embraced by all interested parties but should demonstrate ethical input, organizational sustainability, and appropriate moral conduct. Businesses that practice ethical behaviors and decisions play a functioning role in ethical corporate citizenship. Such roles heavily and actively contribute to environmental sustainability and globalization. However, without the foundation of ethics, ethical leadership, social responsibility, corporate citizenship, environmental initiatives, and globalization are virtually unattainable.

Ethical Framework

Ethics: a seemingly simple concept of behavior defined by commonly understood principals. Yet as indicative of recent corporate scandals ,ethics, and more specifically, ethical leadership, may be the most undervalued, overlooked, and under-utilized values of recent times. Ethics and ethical leaders are the driving force of social responsibility, ethical corporate citizenship, environmental sustainability, and ultimately, globalization. Without a clearly outlined core-value foundation, organizations are unable to identify neither moral decisions nor how their corporation may impact society and the economy. The recent technological revolution has given corporations an opportunity for exponential growth. Yet, society struggles to grasp the moral principles needed to expand locally and globally. Without this, leaders fail to behave honestly and corporations lack citizenship, social responsibility, and sustainability. But, it starts with ethics.

**Ethics and Ethical Leadership**

Many theorists and experts define ethics using words such as “behavior,” “thinking,” and “acting” which are all, by human choice, momentary reactions to such given situations. In fact, the term “ethics” is Greek, derived from the term *ethos* meaning custom or habit (BBC, 2013). While temporary responses can, of course, be considered ethical in nature, it is one’s full character that defines the integrity – or level – of such ethical values. Ethics is a lifestyle built from extensive practice of moral principles and accurately evaluating the difference between right and wrong. It is, however, our diverse assessment of such “right and wrong” that often skews the ability to perform with shared morals. Cultural, legal, political, and religious variances make it nearly impossible for all individuals to behave under the same beliefs.

If ethics is defined by the character one holds but can vary greatly with custom, then the same can be said for defining ethical leadership. Merely having ethics does not make a leader, nor does being a leader make someone ethical. These separate concepts, with separate practice, must intently be collaborated in order to be successful. Ethical leadership is the ability to effectively demonstrate and communicate one’s ethical lifestyle and initiatives. Hobby Lobby, for example, is a Christian-based store. Its leaders actively pursue business and charitable opportunities of Christian faith, close the store on Sunday for worship, and are vocal about operating the corporation under their beliefs (Green, 2012). David Green, Hobby Lobby’s CEO is not ethical because he (and his organization) is religious. Mr. Green is ethical because he clearly outlines his company’s expected core values and lives by them. It is important to note, however, that ethics must precede leadership in ethical leadership behavior. Leadership alone will not foster core values and moral principles. Additionally, differences in customary practices - whether derived from religion, culture, etc. - of ethics become particularly critical when analyzing ethical leadership. Take Adolf Hitler for example. Here was a man who truly believed his race and religion was superior to that of another. He effectively led millions to not only the same beliefs of moral principles but successfully organized the eradication of those holding (*what he deemed*) inconsistent ethical values. So, therein lays the question: if an entire culture holds specific ethical beliefs, then is the upholding, leading, and behaving consistent with such ethics considered ethical leadership? As ludicrous as it sounds, did the Nazis consider Hitler an ethical leader? The comparison is not meant to seem insensitive but help grasp the magnitude of cultural differences. The same can be asked for any religious and political extremist ranging from suicide bombers to the Westboro Baptist church. The discussion of diverse understandings of ethics is particularly important when analyzing globalization, ethical corporate leadership, and the global and social impact such differences have.

**Corporate Social Responsibility and Global Ethical Corporate Citizenship**

Organizations large and small have an obligation to operate in the best interest of internal, external, and stakeholder interests. Hundreds of laws and regulations govern such protections, yet, scandals inundate our newsfeed on a weekly basis. Corporate leaders are deliberately ignoring and opposing general regulations of ethical social responsibilities. Like ethics, corporate social responsibility – specifically at the leadership level - is demonstrated by moral character. However, unlike ethics, variables and inconsistent interests allow leaders to waiver on social decisions regarding their company. For instance, when American Airlines started charging baggage fees in 2008, many of the other airlines followed suit (Maynard, 2008). Adding additional charges outraged customers but replaced the loss of profit the airlines were experiencing. While these decisions were not based specifically on ethics, they did satisfy the best interests of sustaining the company. Thus, the leaders met their obligation of corporate social responsibility while still maintaining ethical leadership. Chrysler, on the other hand, has been battling to execute their social responsibility for months when it was reported that fifty-one people have perished in Jeep fires. The government requested they recall 2.7 million vehicles for repairs but Chrysler “refused their request” (Healey, 2013). Denying repairs in order to protect expenses could put lives at risk and cause negative media attention. Chrysler’s decision is easily defined as both poor ethical leadership and corporate social responsibility.

Ethical corporate citizenship in a global network involves practicing organizational ethics despite the many challenges international business presents. Leaders must carry the burden of corporate social responsibility while still effectively and consistently maintaining core moral principles. As previously mentioned, varied cultures and lifestyles would present obstacles in successful citizenship execution. Technology has also quickly expanded our global-market potential but our understanding of where ethical leadership, social responsibility, and ethical corporate citizenship fit in has yet to catch up. Millar and Poole (2011) discuss in their collaborative article, *Ethical Leadership in a Global World*, how technology companies, such as Google, have had some of the fastest growth, but the industry has struggled to define, train, and properly accomplish ethical corporate standards (Millar & Poole, 2011). It is important to mention that this may further be indicative of ethics and ethical leadership being a learned (and practiced) behavior. And, if this is to be true, our global efforts for achieving ethical corporate citizenship can be executed at varying levels of business. Furthermore, it is imperative that successful ethical and social initiatives such as environmental and globalization are publically vocalized to foster growth, global integration, and common goals.

**Environmental Sustainability and Globalization**

The human consumption of natural resources is greater than of replenishment. Naturally, this is unsustainable. Additionally, the individual footprint of wealthy countries, like the U.S., is five times higher than undeveloped countries (Morgan, 2012). Thus, reducing the carbon footprint has thousands of corporations rethinking their day-to-day operations and implementing initiatives for environmental sustainability. Such initiatives are slowing integrating into our corporate ethical expectations and are certainly considered one of ethical corporate citizenship. Companies such as Kohl’s, Whole Foods Market, and Starbucks demonstrate environmental sustainability by utilizing alternative power through solar and wind energy (Dolan, 2011). International companies such as Continental Airlines, Honda, and Tesco have already spent billions re-engineering equipment for more efficiency and overall eco-sustainability (Taylor, Gimbal,. Boyle, 2007).

Diverse cultures and varying environments has always been a beautiful aspect of this planet. However, when dealing with business, global integration is a challenging, yet vital, aspect for sustainability, ethical practices, and moral corporate citizenship. Globalization is the process in which social, economical, and political ideas effectively assimilate for successful business operation. Globalization is the key to productive ethical leadership and global ethical corporate citizenship. The information that new technology has made available has generated new globalization trends and, despite the recent financial crisis, international trade has experienced extraordinary growth (Krugman, 2013). Such progress brings additional challenges when analyzing our obstacles with globalization – a process that will need to match the growth of trade. Since there is no secret formula to successful integration of cultural aspects, it is vital to international business that we, train, practice, and demand ethics in our corporations: because that is where it starts. And now we have come full circle.

**Conclusion**

When examining the practice and use of ethics and their impact in corporations, the underlying beliefs must be clearly understood. Much like individuals have personal ethics derived from religion, political affiliation, and culture, corporations develop their own code of ethics as well. Ethical leadership, while two separate characteristics, work harmoniously if such ethics are instilled in the leader first and are consistent with the actions of the leader. Ethical leaders are burdened with demonstrating both corporate and personal ethics. Thus, even more reason organizations must choose their leaders carefully. Ethical leadership is also a vital part of corporate citizenship. Leaders outline the required ethics in organizations as well as encourage their consistent practice. Social corporate responsibility, environmental sustainability, and globalization all derive from accurate use of a corporations established core principles and moral values. However, without proper use of ethics, the other concepts are simply insignificant.

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