

BUSINESS AND ETHICS

Why is Ethical Behavior Good for Business?

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How the purpose of business has changed:

- For many, many years it was taught that the main purpose of business was to “increase the shareholder wealth”. However, over the past decades it has changed to include ensuring the long-term profitability and viability of the company and the interests of all stakeholders. Big difference. This difference becomes very important when facing an ethical dilemma.

Why Ethical Behavior makes good business sense:

- Why is ethical behavior good for the long-term profitability, viability of the business and all stakeholders?
 - Ensure the business will survive
 - Goodwill
 - Employee retention
 - Employee recruitment
 - Public relations
 - Avoid lawsuits
 - Employee morale
 - Ensure the value of the business for resale
 - Reduce risks
 - Minimize criticism from critical third parties

What is the role of owners and upper management:

- Code of Conduct and Ethical expectations – developed and agreed to by ownership and upper management. Made part of the handbook, read by all employees and managers, and enforced on a consistent basis.
- Ethical behavior – Upper management has a unique role in setting an example for all employees. This pertains to accepted language, “jokes”, harassment, bullying, removing inappropriate postings, etc. If any member of management displays actions, words, etc. that conflict with the Code of Conduct or Ethical expectations it will be a sign to all employees that that action is acceptable.
- The actions of management set the culture of the entire company.

What is the role of HR in ensuring ethical behavior:

- Make sure “ensuring ethical behavior” is listed as an essential duty in your job description.
- The level and position the HR person holds will determine the scope and range of their responsibility to ensure ethical behavior. Example: a person who is a generalist with responsibility for recruitment has a duty to ensure ethical practices in the recruiting process. However, a person who is the VP of HR and is involved in making corporate decisions has much broader and deeper responsibilities to ensure ethical behavior in many areas and departments.

Ethical decisions must be made to benefit the entire company, not an individual, manager or department:

If you find an ethical decision will benefit one department to the detriment of another you must make sure the goal of all departments are aligned to benefit the entire company and all stakeholders.

Remember that a decision on an ethical dilemma made today will need to be applied to similar ethical dilemmas in the future.