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# Reason for Ethics

## EMPIRICAL RESEARCH

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# Reason for Ethics

## ABSTRACT

Recognizing the importance of ethics in industry today, the relevant strategy literature offers several anecdotal and prescriptive narratives to strengthen certain ethical concepts. The National Business Ethics Survey (NBES) shows that employees have lost faith in management's ethics. Industry has an ethical crisis of massive proportion, and because of this, companies like Enron toppled, taking both the livelihood and life savings of their employees. Corporate culture is engulfed with greed with no reasonable check and balance. Currently, ethical rules and standards appear to be a "management only" club. To change this aspect in the industry will require the education of employees. As employees are promoted or are required to make ethical decisions, the basis of the decisions will come from ethics; therefore, ethical training is required. Companies avoid ethics training because of concerns that ethically trained employees will undoubtedly raise questions about specific company policies and actions.

## Introduction

The two sides of any business, including technology, are power and politics. Motivation to be successful and gain power easily paves a path around and through ethical boundaries. Andrew Grove, CEO of Intel, said, "In technology, whatever can be done will be done" (Azorin, 2021). Ethics is not even being considered; only success matters.

Whether a decision can be ethical is ultimately determined by the individual. A company may have ethical protocols and practices; however, individuals must determine what is right and wrong. A company can have the best of intentions, but the wrong motives from management can sour the best-laid plans. Based upon decades of corporate litigation on anti-trust and corruption, there is no doubt that the corporate world is sorely lacking in the ethics arena. Assuming that ethics begins on an individual level and that management are considered employees of a company, there are certain rules that can be applied to teach ethics.

In organizations, ethics can be understood as sets of formal and informal standards of conduct that people use to guide their behavior (Ruggiero, 2014). These standards are based in part on principles derived from individual and professional codes of ethics: truthfulness, honesty, integrity, social responsibility, fairness, prudence, justice, and temperance (Ruggiero, 2014).

In practice, standards of ethical behavior are learned directly from the actions of others. Observing the behavior of peers and managers influences the employee's views of what is acceptable or unacceptable behavior (Kouzes & Posner, 2013).

The 2021 National Business Ethics Survey (NBES) provides valuable information about how employees perceive ethics at work. The report finds that 90% of U.S. workers say they expect their organizations to do "what is right, not just what is profitable" (The Ethics and Compliance Initiative, 2021). Compared to the 2014 survey, technology companies are doing more in terms of their ethics programs. Due to a series of scandals such as the Enron crisis, legislation has enforced regulations such as the Sarbanes-Oxley Act of 2002, Securities and Exchange Commission regulations, and New York Stock Exchange rules (The Ethics and Compliance Initiative, 2021). These regulations have placed more emphasis on corporate ethics and organizational standards. Many ethics indicators have improved, and employees feel that there are increased efforts to address ethical concerns, yet there remains a great deal of ethical misconduct and abuse.

In the most recent NBES survey, one in three U.S. workers observed behaviors that violated either their organization's ethics standards or the law. Almost half of these employees did not report this misconduct. More than a third say that, if they reported their ethics concerns, they would be viewed as "troublemakers" by management or "snitches" by their coworkers. The report cites five types of misconduct observed most frequently (The Ethics and Compliance Initiative, 2021):

- Abusive or intimidating behavior toward employees
- Mis-reporting actual time or hours worked
- Lying
- Withholding needed information
- Discrimination

The only decisive way to correct this misconduct is through education and enforcement. Companies must define ethics within their framework and provide employees with training on applying ethics within their job duties.

### **Mentoring Encourages Ethical Behavior**

One of the most detrimental mistakes made by a manager is overlooking employee potential. Personal well-being is important to individuals. Employee well-being and improvement should be important in any company. When both are in unison, this harmony promotes a better working environment (Kouzes & Posner, 2013). Companies cannot expect loyalty if they do not invest resources in the employees' corporate growth and personal well-being.

Research has proven that a loyal, enthusiastic workforce generates trust, which helps generate profits (Seppälä & Cameron, 2015). Employees seldom have loyalty to companies anymore (Seppälä & Cameron, 2015); loyalty is to the employee's immediate supervisor rather than the entire company. Loyalty should be a two-way street between management and employees, which begins with respect for both involved parties (Brotherton, 2012). It is up to each manager to make or break loyalty and trust. The days of an employee staying with a company for their entire career have almost disintegrated. In fact, the larger the company, the more likely there is to be decreasing employee loyalty (Sturt and Nordstrom, 2019).

"With great power comes great responsibility" (Lee & Ditko, 1962). The person making command decisions must begin by earning the respect of their people. Most of the influence over employees comes from personal loyalty. Most employees have an inner voice dictating right or wrong; how a person responds to this inner voice determines how they will make ethical decisions. Managers play a pivotal role in modelling ethical behavior for their employees. By doing so, they influence the inner voice of their employees.

The first job of any manager is to mentor. When an employee feels valued and that management is truly concerned about their personal well-being, a bridge of trust is formed and loyalty is encouraged (Kouzes and Posner, 2013).

Being a manager is like being a parent: Managers act as mentors much like a parent mentors children (Economy, 2020). Parents help develop a child's moral understanding, which becomes the foundation for their ethical decisions. One must take part in raising children (employees) while also taking care of elderly parents (executives). Employees are like children in that they are guided while the parents are responsible for their actions (Freifeld, 2013). A manager also answers to upper management, providing reality checks and helping to make right decisions for the company, much like caring for an elderly parent (Freifeld, 2013). Like every good parent, one must use every shred of intelligence and common sense to handle any given situation, including any influence.

### **Ethical Considerations**

Business is a war. In a war, troops must have loyalty to the person in charge, or the opposition will win the battle. Without a doubt, one should fight to win, and there are always acceptable casualties. War is not glamorous, and the business world is no exception.

In business, as in war, there are always consequences for every decision. "Consequences are the beneficial or harmful effects that result from an action" (Ruggiero, 2014). Employees will not blindly follow management or suffer consequences without some knowledge of why they are fighting. Simply stating that "there is a deadline" may not be enough to motivate employees. The concept of fear as motivation of employees has not worked since before the 1970s (Seppälä & Cameron, 2015). Industrial Era leadership (prior to 1970), was hierarchical in nature, control oriented, fear based, and

built on a mechanistic approach to corporate structure and management. Leadership that predominated in the Information Era (after 1970) focused almost solely on function and performance, quality, competencies, and deliverables but largely ignored the “human” side of employees (Seppälä & Cameron, 2015). In most businesses today, leaders are realizing that this technique is no longer working. A new “sensitive and emotionally intelligent” approach is being required for successful leadership.

In a company, “There is always some problem to be solved or question to be answered” (Spradlin, 2012). Each executed decision is a chess move, resulting in many different action paths, creating new situations. The detail of each move and estimating the results can be either long term or immediate. With technology, a change today may not be realized as problematic for some time. For example, an error in an accounting application that performs year-end closing may not be realized until fiscal year end.

People should avoid doing anything illegal, immoral, or incompetent. Unfortunately, the latter is human nature. Everyone has fallacies. Every system has fallacies. Most humans learn from mistakes because there are consequences for every decision.

“Consequences are the beneficial or harmful effects that result from an action” (Ruggiero, 2014). Without general knowledge of the operating framework, employees will not willingly suffer or blindly follow management. What if an employee is ordered to infiltrate a system? Is written justification provided? Does the employee realize the ramifications of the request? Is management even authorized to make that request? With proper ethical training, an employee can make a more informed decision about the ethical consequences of their actions.

Fear as an employee motivator has not worked since before the 1970s (SHRM, 2020). A person can be managed but should never be controlled. One does not have to control employees to manage them. Managers who simply state “there is a deadline,” “this must be done,” “it will cost you your job,” or “if you do not do it, I’ll get someone else” lack emotional intelligence, fail to properly motivate employees, and contribute to unethical behavior.

Companies provide orientations, rulebooks, and training on how to perform a job and what is expected but rarely, if ever, explain how to be an employee of a company. It is easier to describe how to operate hardware than how to ethically purchase, maintain, and mothball the equipment. Company culture, expected ethical behavior, or how to avoid pitfalls leading to unethical behavior are seldom addressed.

Focus tends to be on individual performance within a company but not necessarily on how an individual should relate to others within the company or transactions involving multiple entities such as information technology handshaking with cybersecurity.

### **Current Ethical Issues in Business**

The business scandals of the last few decades are household names. The president of Enron cooked the books by changing electronic data, embezzling corporate money, and bankrupting employees’ retirement accounts (William Thomas, 2002). Edward Snowden stole National Security Agency laptops containing extensive U.S. surveillance data. He provided this data to foreign governments, who have reverse engineered how to infiltrate U.S. systems (Greenwald et al., 2013). The U.S. will be dealing with these compromised systems for the next 20 years (Greenwald et al., 2013).

Colonial Pipeline transports nearly half of the East Coast’s fuel supply, including gasoline, diesel, home heating oil, jet fuel, and—perhaps most alarming—fuel for the U.S. military. Although 2.3 million dollars was recovered, the net cost of this attack was 2.7 million (Newburger, 2021). The soft dollar costs in terms of delay and disruption are even more significant.

Businesses provide orientations, rulebooks, and training on how to perform the job and what is expected, but businesses do not explain how to be an employee of any company. Additionally, businesses do not provide knowledge about how business really works. Perhaps it is easier to explain how to operate a piece of machine and even what is expected of the employee. Rules are

not usually provided regarding how to be an employee of Company “X”—at least not any rules that would actually reflect ethics. A company’s rules normally will not explain the business or explain avoiding the pitfalls within business to protect individuals from corruption.

### Finding and Making Heroes

Characters that are universally loved (and hated) provide a telescopic view of society’s ethical dilemmas. The choices made by heroes and villains are the same difficult choices we face in business. From an impressionable age, children are being presented with technology-related ethical dilemmas. Dora the Explorer hacks into a computer to save animals from an unethical zookeeper, but was this ethical hacking (Noggin, 2021)? Tony Stark’s fortune was derived from developing weapons of mass destruction. With his life at risk, he uses the same technology to survive, redeeming himself by vowing to use technology for good as Ironman. Wayne Industries subsidizes tech development to secretly support the crime-fighting activities of Batman. Norman Osborn, the amoral industrialist CEO of Oscorp, rides on the “Goblin Glider” using a high-tech arsenal of weapons to sow unbridled chaos and destruction (Branson-Trent, 2009).

Whether someone is a hero or villain is often a matter of perspective. Each person thinks of themselves as being on the right side of history, but history may tell a different story. Students in technology may be recruited on the basis of nationalistic concepts of patriotism, defending against or causing cyberattacks against other companies or countries. Patriotism depends on the side of the mirror from which one is looking.

Managers seek completion of projects and are not afraid to bend the rules a little (Rovello, 2019). Management appreciates employees who accept challenges and plunge headfirst into problem-solving. In industry and life, wolves are preferred over sheep. A sheep needs to be told what to do and where to go. Though aggressive, a wolf works well in a pack but is capable of independence. Assertiveness is appropriate and ethical in the right situations.

Being a hero is often a matter of perspective and scope. Although being all-knowing and all-powerful seems attractive, it is more often the plotline for villains. A dedicated and focused person who accomplishes a task efficiently and without questioning becomes the real hero. In Star Trek II: The Wrath of Khan, Chief Engineer Mr. Scott is asked to increase speed to warp nine immediately to save the starship and crew. If Mr. Scott pauses to ask questions, the ship is lost. Instead, recognizing the singular importance of his position and without regarding whether others are doing or not doing their jobs, he performs his assignment quickly and efficiently. Mr. Scott becomes the hero (McIntyre, 1982).

While we enjoy the heroes and villains in books, television, and movies, the hard part is to emulate the heroes in real life. It would be nice if everyone had a Jiminy Cricket. Often choices are not clear-cut. Is there such a thing as ethical hacking? Is it acceptable to do bad things to repair an even worse situation? Does the end justify the means? At what cost?

People emulate those they respect. Both heroes and villains can influence the inner voice a person uses to judge the ethics of a situation. How willing are we to make small and large sacrifices for the greater good (Stanford Encyclopedia of Philosophy, 2009)? When faced with a no-win situation, what would the employee’s hero, such as James T. Kirk (McIntyre, 1982), do?

### How to Write the Hero Story

There are many tyrants in business—at every level. The negligent programmer who does not deliver by deadline holds the company hostage. The system administrator leaves a personally convenient backdoor into a system, which can be found and exploited by hackers. The supervisor trying to save money fails to recognize the human cost of continuing to use outdated equipment and unpatched or buggy software.

Today, all Industry lacks heroes. A hero is an individual who fights for a cause against incredible odds (Peavler, 2016). Heroes are those who face evil and difficulty and still do what is right. Heroes ethically weigh good and bad, choosing to put the good of others before their own ambitions. Heroes often go by

other names—troublemakers, traitors, snitches, spies, and whistleblowers. There is little incentive to align oneself with these epithets. Those who do so risk being intimidated, ostracized, fired, criminally charged, or worse (Klein, 2019). Heroes are the people who do right in the face of adversity when management may be asking implicitly or explicitly to do the contrary. Real heroes make tough decisions by having a well-developed sense of ethics and corporate responsibility.

It is difficult to be ethical or know how to be a hero without having internal rules to safely guard oneself as well as the corporation and the community. Ethical companies begin with ethical employees. Businesses should provide ethical training that empowers employees and writes the origin story of heroes.

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