Ethics Management

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Abstract

Safeguarding ethics and integrity has become an important indicator of public organizations' success and legitimacy. Public organizations seek to steer toward ethical processes, ethical behaviors, and ethical outcomes through different types and measures of ethics management. This entry sets out to identify and explain what forms of ethics management are typically employed and what is known of their effects.

INTRODUCTION

Since the mid-1990s, awareness of the importance of ethics to running healthy and responsive public organizations and to responsible and accountable policy crafting has been, and perhaps still is, on the rise. Integrity has now become a buzzword that organizations, public and private ones of the like, seek to integrate in their processes and structures. Organizations not only value ethics management but they also have an indispensable role in it. Integrity-related problems are rarely detached from their organizational contexts: it is not merely a matter of "bad apples." Therefore, organizational guidance regarding ethical conduct is key to teaching employees how to deal with ethical questions and dilemmas.

Different approaches have led to a wide array of ethics management strategies and instruments, some of which are complementary, and some of which are doubtful in their relevance or usefulness. This entry outlines what ethics management encompasses by looking into these different approaches and by exploring what empirical research has taught us on its workings and effects.

DEFINING ETHICS MANAGEMENT

Individual employees of course have their own set of norms and values that governs ethical awareness and behavior, but are known to be socialized into a supplementary organizational idea of ethical conduct in addition. According to Treviño and Nelson,[1] "this knowledge and skill must be taught and cultivated" to prevent organizations from "tacitly encouraging 'unethical behavior' through benign neglect" (pp. 18–19). Ethics management entails the set of formal and informal measures and instruments that organizations use to motivate employees to make decisions and behave in accordance with relevant moral rules, values, and norms. These relevant moral rules, values, and norms are of a nonpermanent and nonstatic nature. What *relevant* refers to is defined by the context in which actors operate, at societal as well as organizational and individual levels. Interpretations may therefore fluctuate throughout time, place, and situational conditions, but are always directly related to a larger shared understanding of moral principles.[2,3]

Different ethics management programs harness different definitions of ethics—as do organizations. The definition used here captures this diversity by acknowledging the malleability of the concept while drawing together the foci on social congruence most understandings have in common.[1,4] Often, ethics is also characterized by what it is *not*, referring to unethical behaviors such as corruption, fraud, purposeful mismanagement, or discrimination and sexual harassment.[5] It is clear that ethics management is there to curb these negative phenomena. What then does ethics management focus on? What do attempts to accomplish effective ethics management look like?

HARD VS. SOFT

Ethics management is typically characterized in terms of hard vs. soft measures or approaches. Different authors label the distinction differently, including low road/high road ethics,[6] compliance-based/value-based ethics management,[7,8] formal/informal ethics systems,[9] formal/informal components of an ethical culture framework,[1] or organizational ethics structure/culture.[10] Irrespective of the label at hand, the distinction runs along the lines of measures that focus primarily on the "hardware" or the infrastructure of rules, regulations, procedures, and guidelines on the one hand, and measures that focus on the "software" of managing organizational values and culture on the other.

Treviño and Nelson[1] state that many of the agreed-upon standards on ethical behavior have been codified into a form

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of law: at organizational level in codes of conduct or mission statements, or into international agreements that transcend national borders. These are typical examples of the so-called hard measures of ethics management. They are also the ones most frequently and most commonly implemented when organizations build ethics programs.[11,12]

Other hard measures of ethics management include ethics audits, ethics hotlines and official reporting mechanisms, ethical risk assessment programs, unequivocal organizational guidelines on procurement policy and tender procedures, formalized disciplinary measures regarding unethical conduct, ombudsmen, confidential counselors, trained ethics officers, and integrity bureaus with formal investigative authority.[4]

Soft measures of ethics management are based on a different type of reasoning on how to accomplish ethical conduct and outcomes in organizations. Soft measures concentrate on the social interaction within organizations and the capacities, be it individual or organizational, to adapt to and develop a shared responsibility toward upholding an internalized sense of morality. Soft measures are often of a much more voluntary nature and aim to foster moral awareness, open discussion, and critical reflection. While they tend to have a longer incubation period, soft measures are also potentially more cost-effective and more effective at preventing integrity violations. Examples typically include value statements, ethical dilemma training, and a focus on deliberate ethical leadership to cultivate culture and open discussion.[13]

FINDING THE RIGHT BALANCE

Many organizations seem to succumb to the temptation of focusing solely on the more tangible and perhaps more obvious formal measures of ethics management that prescribe a set of principles, guidelines, and rules employees have to comply to. Among these, codes of conduct are generally considered a minimum requirement, along with reward and punishment systems and formal reporting mechanisms, for instance, via hotlines and ethics officers. They contain official rules about what is allowed and what is not. Indeed, a well-thought-through and well-organized system for official compliance is certainly necessary.[7] However, as Paine argues,[7] and many empirical studies have since confirmed,[8] formal elements alone do not suffice to accomplish ethical behavior because formal aspects are not able to cover nor control the broad spectrum of unethical behaviors completely; it is of equal importance that managers "give life to an organization's guiding values, […] create an environment that supports ethically sound behavior, and […] instill a sense of shared accountability among employees" (p. 111).

This is where ethical culture, or social control, comes in. Adherence to ethical rules and regulations is mediated by, and dependent upon, how they are interpreted and put to practice in specific social settings.[14] Together, coworkers establish norms, values and customs that serve as a frame of reference to guide ethical decision-making by individuals. Such informal systems often provide a much wider and more comprehensive way of controlling ethical behavior.[9] Indeed, empirical studies indicate that a combination of formal and informal guidance, to the extent they are congruent, is most likely to enhance ethical behavior in organizations.[9] Treviño and Nelson[1] even consider formal systems and informal systems to be two sides of the same coin of a solid ethical culture framework, with a significant role for managers as the ethical leaders of their organizations.

In fact, ethical leadership is often considered a critical element with regard to employee ethical behavior. Ethical leadership may even have a stronger impact than the informal culture negotiated between coworkers and the broader organization.[15,16] Managers should thus reflect the organization's moral standards because they are factually the ones that set the tone for the organization and the ones who employees principally model their behavior after.[13,16]

According to Brown et al.,[17] ethical leadership concerns "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (p. 120). As ethical leaders, managers must be *moral persons* who possess moral traits such as integrity and moral courage, and critically reflect on the moral implications of their decisions and actions.[18,19] They should demonstrate concern for the well-being of stakeholders, for sustainability and long-term effects, and for the common good in general.[20,21] Moreover, to gain sufficient moral credibility and authority, managers' decisions and actions should demonstrate support and trust in employees, as well as loyalty, respect, and openness. Employees in turn will reciprocate such a high-quality relationship with constructive, ethical behavior.[2] That is, ethical leaders should establish a strong foundation of leader–follower relationships to confirm and strengthen their reputation as a moral person.[18]

Merely "being ethical" is not enough, though: In order to be perceived as an ethical leader, managers should not only be regarded as moral persons, but also explicitly as *moral managers*.[17] For ethical leadership to be effective, managers must ensure that the ethical behavior that they role model is sufficiently visible, prevalent, and salient to be noticed by employees.[17] In addition, to reinforce the values and norms laid out in codes, rules, and other formal measures, it is important to consistently apply rewards and punishments and pay specific attention to *how* such measures are applied, justified, and communicated to those involved as well as to other members of the organization.[13,18] Lastly, managers are advised to ask critical questions and frequently engage employees in open discussions about ethics and values.[17] In doing so, they can help clarify

behavioral norms, highlight the moral dimension of specific decisions and situations,[21] challenge employees to view issues from various perspectives, and inspire them to set their own interests aside for the sake of the greater good.[22] Here too, a strong leader–follower relationship seems a prerequisite to achieve this successfully and forms the bases from which to build *moral manager* components on.[18]

In summary, managing and safeguarding ethics in organizations involves a precarious and continuous balancing act between compliance and value-based approaches. Ethics management requires standards for ethical behavior to be explicated, formalized, and reinforced but also that they be internalized and embedded in the deeper cultural values, assumptions, and beliefs of the organization.[1,8] Internalization does not automatically follow from the implementation of ethics codes or hotlines. While formal policies and instruments are essential, they are unlikely to achieve anything if they are not aligned, enacted, reinforced, and strengthened through day-to-day informal guidance—a task awaiting managers.

CONCLUSION

On a final note, it is important to stress that, ultimately, the success of ethics management depends not only on how one balances soft and hard measures but also on how ethics management is initiated, developed, and, consequently, put to practice. Furthermore, managers, employees, and stakeholders not only have their own assumptions, beliefs, and expectations about what is ethical or not, but consequently also about what ethics management should entail, and what constitutes a good balance between different approaches. More fundamentally, different groups of organizational actors, operating at different organizational levels, may have different understandings of which underlying values ought to be prioritized or how these values ought to be put to practice. There simply is no "one size fits all." Hence developing a shared moral framework and embedding this into the deepest levels of the organization necessitates a bottom-up approach that invites perspectives from both inside and outside and manages expectations. Moral dilemmas and risks must be explored at every level of the organization, from the operational level to the executive suite and the public policy-making level of government. Formalized values and norms must be continuously checked against the dynamic development of moral values and norms in society, but explicitly also *within* (different segments of) organizations, for ethics management to reach its full potential.

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