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Business Ethics: Co-opting Macro-Influences for Corporate Success

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Business Ethics: Coopting Macro-Influences for Corporate Success

"Business ethics," the ultimate oxymoronic phrase, sets a standard for moral conduct whereby individuals undoubtedly fail and revert to a mean of bad behavior. Free will dictates that persons are the sole proprietors of their own ethical decisions, or so one might assume.

Several macro-influences of personal behavior (including sociology, national culture, and legal regulation) also influence individual ethical choice. Social norms (standards set by social groups) impact individual behavior. National culture shapes the way people react to instances of ethical violations and helps influence a person's willingness to confront authority figures. Legal regulation helps businesses improve management behavior and helps good leaders improve internal ethical standards. Thus, business leaders can use knowledge of behavior macro-influences to promote a culture of ethics within an organization. Furthermore, improved ethics culture increases success for corporations.

Ethics or Profits?

Why should business leaders care about promoting ethics at the workplace? After all, a business's primary function is to increase shareholder value. The dual goals of increased profitability and improved business ethics behavior can be achieved simultaneously.

The ethics quotient quantitatively measures the ethical behavior of companies by evaluating internal ethical procedures, corporate culture, and the quality of management.[1] High ethics quotient scores correlate with greater corporate performance as measured by the return on assets and return on equity ratios.[2] Moreover, total revenue and total assets trend higher among better-ranked corporations.[3] Among publicly-traded corporations, high ethics quotient scores also correlate to high market valuations.[4] Thus, if corporate leaders encourage ethical practices, returns for ownership should increase.

Sociological Influence

Social contract impacts the way people choose to behave as the social group determines norms for individuals to follow.[5] Sometimes, official policies act as social norms; but often, enforcement of unwritten norms is injunctive in that the social group accepts or rejects individuals based on personal behavior.[6] People naturally desire

[1] Mehdi Mili, Sami Gharbi, and Frederic Teulon, *Business Ethics, Company Value and Ownership Structure* (Journal of Management and Governance 2019), 3. https://doi.org/https://doi-org.erl.lib.byu.edu/10.1007/s10997-019-09475-z

[2] Mili, Gharbi, and Teulon, *Business Ethics, Company Value*, 8.

[3] Mili, Gharbi, and Tuelon, 8.

[4] Mili, Gharbi, and Tuelon, 4.

[5] Mary B. Curtis, Jeremy M. Vinson, Teresa L. Conover, Lorenzo Lucianetti, and Valentina Battista, *National Culture and Ethical Judgement: A Social Contract Approach to the Contrast of Ethical Decision Making by Accounting Professionals and Students from the U.S. and Italy* (Journal of International Accounting Research 16, no. 2 Summer 2017), 104. ebscohost.com. https://doi.org/10.2308/jiar-51824.

[6] Ryan P. Jacobson, Lisa A. Marchiondo, Kathryn J. L. Jacobson, and Jacqueline N. Hood *The Synergistic Effect of Descriptive and Injunctive Norms: Perceptions on Counterproductive Work Behaviors* (Journal of Business Ethics 08 2018), 2-3. doi:http://dx.doi.org.erl.lib.byu.edu/10.1007/s10551-018-3968-1. https://search-proquest-

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to gain acceptance from within a group in order to increase social prestige.[7] [8] If the group is informed of personal behavior, individuals are more likely to make moral decisions.[9] As such, injunctive norms play a key role in convincing people to change their behavior for the better.[10]

Alternatively, descriptive norms often describe how specific behaviors occur within the group.[11]According to a survey of 86 working MBA students, both descriptive and injunctive norms impacted the ethical conduct of workers.[12]

So how can business leaders adopt positive ethical change knowing that social norms dictate worker behavior?

First, leaders must not tolerate any semblance of unethical behavior within a business. Ethical violations should be dealt with swiftly and repeat offenders must be terminated. Any alternative risk spreading unethical conduct within a firm, as negative conduct becomes a descriptive norm.

Second, leaders must recognize, publicize, and reward instances of ethical behavior within an organization. As an authority figure, a manager may be tempted to directly commend positive behavior. But finding ways to help team members highlight one another's ethical conduct will more effectively shape the injunctive norms within the team. Management should applaud the ethical adherent. In addition, management should include ethics as part of a worker's evaluation.

Differences in National Culture

Another element impacting ethical behavior within businesses is national culture. Different national cultures (with differing values) approach ethical dilemmas in various ways.[13] [14]

National cultures tend to be either individualistic or collectivist. In individualistic cultures people are expected to care for the needs of themselves and their nuclear family independently.[15] Collectivist cultures value the needs of the larger group above the needs of a single person.[16] Higher levels of ethical behavior within a corporation is associated with more individualistic cultures.[17] This may be because employees in collectivist cultures hesitate to turn in coworkers for ethics violations out of concern for the welfare of the coworker and out of concern for the well-being of the entire group.[18]

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com.erl.lib.byu.edu/docview/2086029317?accountid=4488.

[7] Jacobson, Marchiondo, Jacobson, and Hood *The Synergistic Effect of Descriptive, 4.*
[8] Wassili Lasarov and Stefan Hoffmann, *Social Moral Licensing* (Journal of Business Ethics 12 208), 4.
doi:http://dx.doi.org.erl.lib.byu.edu/10.1007/s10551-018-3968-1. https://search-proquest-com.erl.lib.byu.edu/docview/2086029317?accountid=4488.
[9] Lasarov and Hoffmann, *Social Moral Licensing*, 4.
[10]Jacobson, Marchiondo, Jacobson, and Hood, *3.*
[11] Jacobson, Marchiondo, Jacobson, and Hood, 2.
[12]Jacobson, Marchiondo, Jacobson, and Hood, 8-9.

[13] Curtis, Vinson, Conover, Lucianetti, and Battista, *National Culture and Ethical Judgement*, 104.
[14] Florin Lucian Isac and Eugen Florin Remes, *Culture and Business Ethics – A Comparative Perspective* (Studia Universitatis "Vasile Goldis" Arad Seria Stiinte Economice 27:3 2017), 55.
[15] Isac and Remes, *Culture and Business*, 56.
[16] Isac and Remes, 56.
[17] Bert Scholtens and Lammertjan Dam, *Cultural Values and International Differences in Business Ethics* (Journal of Business Ethics 75 no. 3 October 2007), 281.
https://doi.org/https://doi.org/10.1007/s10551-006-9252-9
[18] Isac and Remes, 56.

Power distance measures the level of unequal concentrations of power within a given society (with high levels being associated with greater concentrations of power).[19] In national cultures with high levels of power distance, people respect the authority and prestige of powerful positions.[20] As such, people in high-power cultures are less likely to report authority figures' ethics violations.[21]

People in low-power distance cultures do not care about the prestige of authority figures.[22] Individuals within such cultures will question authority when warranted (such as when a leader makes a poor decision).[23] As a result, corporations in low-power distance cultures perform better from an ethical standpoint.[24]

Are businesses that operate within collectivist or high-power distance cultures doomed to accept mediocre ethical performance? Certainly not.

Within collectivist cultures, businesses should address ethical violations through a collectivist point of view. Instead of targeting an individual for a specific act of dishonesty, management should highlight the ways the group enabled the poor behavior. Doing so assigns responsibility for ethical actions upon the entire group. Likewise, management should praise the group for all positive ethical actions.

In high-power distance cultures, business leaders should communicate a willingness to accept critical dissent. During meetings, leaders should encourage subordinates to point out flaws in the leader's actions, especially regarding ethical concerns. Individuals willing to publicly call out management must be praised in order promote similar action from other individuals in the group. In high-power distance cultures, implementing systems to collect anonymous feedback would help increase participation from workers who might fear retribution.

Government Regulation: The Impact of SOX

The third major influence of ethical behavior within businesses involves government regulation. In the wake of the Enron scandal, the United States passed the Sarbanes-Oxley Act (SOX) intended to improve the conduct of higher management within corporations.[25] SOX requires board officers to sign off on financial statement accuracy, promote stricter rules for internal control, protect whistleblowers, and address conflict-of-interest issues among public auditors.[26]

Aside from legal requirements, SOX also motivated corporations to promote a more ethical corporate culture. In the post-SOX era, businesses implemented better ethics training, increased transparency, and improved consistency in divulging reports.[27]

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[19] Isac and Remes, 56.
[20] Isac and Remes, 56.
[21] Isace and Remes, 56.
[22] Isac and Remes, 56-57.
[23] Isac and Remes, 56-57.
[24] Scholtens and Dam, *Cultural Values and International, 281.*
[25] Irene M. Gordon and Jamal A. Nazari, *Review of SOX in the Business Ethics Literature* (Managerial Auditing Journal 33 5 2018), 470. doi:http://dx.doi.org.erl.lib.byu.edu/10.1108/MAJ-08-2017-1629. https://search-proquest-com.erl.lib.byu.edu/docview/2056382702?accountid=4488.
[26] Gordan and Nazari, *Review of SOX*, 470-471.
[27] Gordon and Nazari, 484 and 490.

Codes of conduct within firms were also restructured due to legal requirements and public pressure to change.[28] Government regulation must be part of a broad strategy to improve codes of conduct as privately implemented standards have proven ineffective at creating change.[29]

Of course, legal regulation alone does not guarantee corporate divulsion of fraud or other misconduct.[30] Nor does regulation force businesses to treat matters of ethics violations seriously. Workers learn from leaders' examples, who reinforce negative or positive ethical social norms.[31] Likewise, good leaders also increase employee willingness to report unethical conduct.[32] In short, regulations like SOX are not enough to stop unethical conduct.[33] Management must complement the intent of the law by working to improve the ethics environment of a business.[34]

Conclusion

In brief, business ethics are not determined by individuals themselves. Macro-influences like sociological norms, national culture, and legal regulation all impact the degree of ethical compliance within corporations. If business leaders understand these macro-influences, they can influence individual action to increase ethical behavior within a firm. Improved ethics also improves the bottom line, fulfilling the primary purpose of any business. In short, business ethics matters.

[28] Gordan and Nazari, 484.
[29] Gordan and Nazari, 484.
[30] Gordan and Nazari, 490.
[31] Jacobson, Marchiondo, Jacobson, and Hood, 16.
[32] Gordan and Nazari, 490.
[33] Gordan and Nazari, 474.
[34] Gordan and Nazari, 490.