

Roman Lindauer & Ladislav Žak

Ethics of Quality

ROMAN LINDAUER AND LADISLAV ŽÁK

ETHICS OF QUALITY

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1st edition

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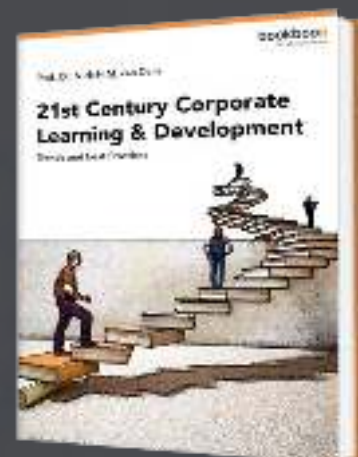
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1 PREFACE

Ethics are the set of moral principles that guide a person's behavior. These morals are shaped by social norms, cultural practices, and religious influences. Ethics reflect beliefs about what is right, what is wrong, what is just, what is unjust, what is good, and what is bad in terms of human behavior. They serve as a compass to direct how people should behave toward each other, understand and fulfill their obligations to society, and live their lives. While ethical beliefs are held by individuals, they can also be reflected in the values, practices, and policies that shape the choices made by decision makers on behalf of their organizations. The phrases *business ethics* and *corporate ethics* are often used to describe the application of ethical values to business activities. Ethics apply to all aspects of conduct and are relevant to the actions of individuals, groups, and organizations.

Ethics as a one of the parameters of modern civilization has been accompanying mankind since the Hellenic times. According to the very old written resources, the formally pure philosophic concept became part of real human behavior.

Over time, many ethical categories were defined in order to recognize very specific ethical rules applied in health care services, the pharmaceutical industry, law and justice, audit services, consulting services, journalism and the media industry. Each of the above areas developed a basic code of ethical rules which has been applied. The most important thing is that all actual and potential users know what degree of respect, information security, and level of support can be expected.

Ethical behavior, ethical approach and ethical services are an integral part of modern civilization. The world of global consumer-oriented products and global services, where the principles of equality, the value of an individual and respect to everyone has spread, changed the traditional status quo. In the current world of business, the physical location, nationality and language spoken by the customer no longer matter. We all are customers, service providers and counterparts to each other. This means our inner levels of ethical behavior are based on our everyday human or business experiences.

Let's start from the basics. We expect to have a fresh piece of pastry every morning. We would be surprised to find a piece of metal, poison or metal components of a baking machine in our food. Modern society created norms, industrial standards and hygiene controls to avoid such situations. Every customer of the baking industry wishing to consume the final products believes that the products do not pose any risks to human health.

Trivializing the situation, we could say that the trust is based on the general belief that the baking industry works well. In other words, the ethical principles of baking are designed to protect the natural interests of general consumers.

The same ethical principles allow all potential customers to believe that doctors would not harm their patients, consultants would not harm the interests of their clients and so on. Professionals such as managers, lawyers, and accountants are individuals who exercise specialized knowledge and skills when providing services to customers or to the public. By virtue of their profession, they have obligations to those they serve.

The idea of quality goes hand in hand with general ethical industry practice. The perception of quality could be described as the grade of problem-free and effective product or service. Quality is also the merit of some generally accepted standards required by industrial norms. Quality is an inevitable aspect of our lives because we all require a decent value for our money.

But as we all know, quality levels can vary from time to time. Why does drinking water differ? Why can ecological norms negatively impact the automotive industry? Why does the quality of basic food fluctuate from country to country at times? These are easily explained questions, but it is much more important to define what makes up the set of barriers between what is ethical and what is not. What makes people accept some deviations from industrial standards or, even worse, from the behavior standards valid across society?

The following text was intended to present a penetration between these two important moral norms described above. The aim of this book is to identify the root cause for our need to establish strict quality guidelines applied for ethical rules. The title itself was designed to provoke an idea of mutual support and unity between ethics and quality because without this combination our world will be much harder to manage, develop and maintain.

We wish you happy reading.

Prague, March 2018

2 THE GENERAL VIEWPOINT

The concept of “ethics of quality”, which is both the title and the main topic of the text, is an unusual concept in current economic theory and practice, and therefore it is necessary to provide its general analysis and subsequent description before applying it to a number of practical examples.

Motto: *“Our city treats men and money equally. He has faithful and honorable sons. It has... coins unpainted, gold or silver, all well-sculpted, proven and purely ringing. And yet we never use them! Others travel from hand to hand, miserable brass, stamped only last week, and labeled with a miserable mark. The same is with the men we know for virtuous, impeccable life and noble names. Instead we prefer men to brass.” Aristophanes, Frogs*

The content of the concept of “ethics of quality” is inevitably a dual relationship between ethics and quality. It is a very rich and multi-layered relationship. Ethics and quality are the basic philosophical categories and their relationship is remarkable, most important in our current social, economic and political life, both ethics and quality. In order for the term “ethics of quality” to be meaningful, there must be a relationship between them in the first place.

The existence of a relationship between ethics and quality can be easily assumed from the moment when they begin to blend in identity until the moment when they cease to influence one another. The definition of space between these two moments is very important for understanding the notion of “ethics of quality” and its practical use.

The content of the concept of “ethics of quality” is also given by its context. The forms of both quality and, even more, ethics are products of the current social discourse, but at the same time one can say that the origin of these forms linked to a specific time and place is something that is difficult to address, which is closely related to one of the basic anthropological constants, creativity and satisfaction with creation.

The forms of ethics and quality must also be seen in the context of whether they are judged individually or jointly, that is, in the pairs that form the immediate social environment of each individual or stand in its wider neighborhood within the context of social relationships which are not directly affected by it. The important quality of the context is whether ethics or quality are given a fixed legal standard or whether it is a socially or collectively negotiated arrangement that varies according to circumstances.

When examining and using the notion of “ethics of quality”, it is important to recognize that ethics and quality, regardless of time, have different forms of scaling, assessment and measurability. For the sake of simplicity, ethics can be said to be more digital or whether something is or is not ethical at a moment in time. It is a bit of nonsense to say that someone or something has better or worse ethics. Quality, on the contrary, is rather analogous, has a much wider area, a scale on the basis of which it can be said to be of better or worse quality. This is why the importance of the “ethics of quality” lies in that these two concepts are at least interconnected.

It is also necessary to realize that the concept of ethics refers more to man and his actions, while the notion of quality refers to things, processes and their use. Ethics therefore relates more to the subject, while quality relates to the object.

This text does not have the ambition to be a textbook of philosophical guidelines. That is why we will take the lesson known as Gresham’s rule that says: “*Bad money drives out good.*” For the first time, after 1377, the Frenchman Nicholas Oresme, the Bishop of Lisieux in the Tract of Origin, *Natura et Mutationibus Monetarium*, opposed the adjustment of money to the King for the King’s own enrichment. He declared such coinage unfair and unacceptable as it led to the demoralization of people, disturbed trade and drained noble metals from the ground. In his work *De Monetaria Cudenda*, Nicholas Copernicus wrote: “*It is not possible for coins with the right weight and other coins to be in circulation at the same time. All the good coins are stacked, melted or exported, and only lightweight coins are in circulation.*” Ludwig von Mises stated that the Gresham’s law is in fact only a case of a more general economic law, according to which no commodity is ever used in the market economy to fulfill the function of a cheaper commodity.

In connection with Ludwig von Mises, the authors of this text allow the thesis that it is still a more general and deeper social order, perhaps even civilization or cultural, in that each level of communication has a reasonable quality of its resources.

Money is, in essence, a materialized trust, and therefore an important tool not only for interpersonal but also for social communication. Quality is a signal that is transmitted by a particular subject in the name of the subject to which it is a product, and ethics are one of the important components of the perception of the quality of the subject matter for which the product is intended. The ethics borne by the recipient investigate whether the quality signal is an ethical signal that makes the quality ethically acceptable. It is obvious that the ethics of the recipient’s body obviously have a significant effect on the quality of production as a way of communication between the creator, the producer and the recipient-customer. It can be said that quality is ethical. At the same time, quality is very responsive. In some respects, it is possible to examine ethics of quality as ethics.

It is obvious that in this social, civilization or cultural context it is a two-way interrelation that seeks its optimum. In the authors' opinion, Gresham's original "financial" rule hits its limit as soon as a weakened currency, as a materialized trust, ceases to be able to fulfill this role of the trust bearer. Let us just remember the Czech "groschen", which was the medieval Euro long time before the EMU, but gradually lost its function due to lightening, until it had to be replaced by the Czech "tolar" – the forefather of the dollar – after the Thirty Years' War. It is also true that everything has its limitations, that is to say, both the mitigation of the currency and the one-way substitution of means of communication in general. Setting such a limit, however, requires active intervention within the framework of corporate social responsibility. And here is where ethics come into play, which should further reduce the range of acceptable quality around the material equilibrium. However, there may be an ethic on the part of the recipient who can shift the optimal relationship between ethics and quality beyond reality and not just quality, but production alone cannot bear that conflict.

Interacting with the level of communication and its means, and the ability to set limits of mitigation through the entry of social responsibility are also my corrections of the seemingly hopeless image of the principle described by Gresham's law. The great moralist and thinker Thomas Aquinas tried to find a way out of this gruesome rule and came up with a simple antithesis that good in the world spreads faster than bad. Thomas had to modify the phenomenon described by Gresham's law so much that he stepped up against it. Because of the fact that it cannot be found in our environment, there is no reasonable example, notwithstanding that the good and the bad are subjective notions that they are often interchangeable.

There is another way of looking at the concept of quality ethics, and that is the view based on the fact that ethics in some ways, along with other parameters, represent quality, and to some extent, perhaps in a similar way, it is the production itself. The quality of a thing and ethics, as its representative, need an interpreter, in our case a person who in a way gives the whole three a dynamism that changes both quality and ethics, as well as the interpreter himself, and within the dynamics of this process he is formed over the given trio time-based appearance of a character allows a certain circle of consumers, observers, and consumers to get an idea of the original production or items available. Whereas in the given model, they can only be interpreters and observers in the context of our interpretation, human beings are generally equipped with a certain social ethical standard, ethics therefore being one of the representatives of quality. Moreover, every other representative of quality has its own ethical "sub-representative" only because of the interpretation.

Consumers are human beings. It is worth mentioning here that Bishop Aurelius Augustinus, known as St. Augustine, stated in his work *Christian Education* at the beginning of the

5th century A.D. that: “All the doctrine relates either to things or characters, while things require information with characters...so every character is something – if there is nothing, it does not exist at all. On the other hand, everything may not be a sign. We will therefore be characters and to separate things...”. With these words, St. Augustine, among other things, laid the foundation of thinking about things and characters that later became known as semiotics.

Authors cannot and do not want to deny their Czech origin to the reader, and therefore in this introductory section they recall the statement of the outstanding Czech entrepreneur Tomáš Baťa, the founder of the Bata company and the Bata global brand. It is hard to find words that would be more important for ethics and quality in our personal, family, community, economic and social life.

“The cause of the crisis is moral misery. A transformation of the economic crisis? I do not believe in any breakthroughs by myself. What we are accustomed to calling the economic crisis is another name for moral misery. Moral poverty is the cause, economic decline is the result. In our country, there are many people who believe that economic bankruptcy can be redeemed by money. I am afraid of this mistake. In the position in which we find ourselves, we do not need any ingenious turns and combinations. We need moral opinions about people, work and public property. Do not support bankruptcy, do not make debts, do not forgive the values for nothing, do not blame the workers, do what we, raised from post-war misery, do to work and save, and to make work and research more profitable, desirable and more honorable than laziness and wasting. You are right, it is necessary to overcome the crisis of trust because technical interventions, financial services and credit cannot overcome it, trust is a personal matter and trust can be restored only with a moral point of view and leading by example.”

– Tomáš Baťa, 1932

As stated above the following text is not a textbook of philosophy. The general ambition is simple – to cover the special areas where conflicts between quality and ethics are visible, documented or well-known.

We hope that after reading this book, more people will be equipped enough to see the ethical and quality unbalance and act accordingly to eliminate such struggle in today’s world.

3 WHY DO THINGS CORRECTLY EVEN WHEN NO ONE IS WATCHING

Human society is guided by an infinite number of rules. These rules should guarantee an equal approach in a game called “fair play”. In other words, they suggest that any moral, personal or business investment could guarantee the appropriate response or outcome.

Activities within many industries are tied up by industrial, regional, local or best practice rules. These rules were created to protect the quality of production outputs. Manufacturers developed a wide range of standards and set up a fight among competitors with the same or similar brands. Each of them wants to be recognized as the most careful and most protective one that the final consumer needs, and as a producer compliant with today’s green standards.

Every standard defines rules of acceptability and these rules are derived from the tolerance limits. These limits provide guidance on how to distinguish between good and bad outputs, between acceptable and unacceptable final products or semi-finished commodity for further use.

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A necessary part of this principle are control elements inspecting what has been done at fixed checkpoints in production or assembly lines. Their role is to identify and reject poor quality products. Based on this fact, the workers apply their skills to meet the given standards to ensure that the rate of non-compliant products decreases.

They know that each and every product will be inspected so their professional honor should not be harmed by any inappropriate information pointing out they do not deliver quality work.

But even so, some workers are trying to devalue the effort and pursuit for excellence in production. Sometimes they are lucky and such an uncompleted product in terms of quality comes off the production line. We all are humans so even the inspectors can make a mistake.

However, a moral dilemma exists. If a worker is under the impression that this is possible, he may start to cheat in other aspects of his or her life. The general tolerance limits would decrease if there is no punishment for those who cheat. There would be more water in milk, more artificial parts in our meat and more crimes around us. The protection is easy.

We all have some professional ambitions. These ambitions have a thousand forms and components. If we are going to fulfill them, we can see that some shortcuts are possible. It is always better to act according to our internal moral rules and put all possible effort into our professional work than to be caught by an inspector.

A good example is golf. Golf is one of the few sports where the role of a referee has been eliminated. Every golf player is responsible for reporting the true and fair number of shots he made which are then recorded in the scorecard.

The moral impact of the game of golf has a great potential as a source of lessons learnt. It would be easy to claim a better score but it would be clear that the player is cheating and this unspoken fact would strike back against the cheater. Golf is known for many traits and one of them says that golf is a gentlemen's game. Gentlemen do not cheat, falsify records or manipulate with others to secure the hypothetical first prize for the winner.

In normal life, the majority of people do not risk their professional reputation because they know it would harm their future business success. They know it is always better to respect the rules than to violate them.

Modern society is connected through many information channels. These channels could be social networks, e-mails or established profiles. Disrespect to the professional code of conduct may be noted but not openly discussed. And a bad message can spread very quickly and we may not know who receives, controls or monitors such information.

From the perspective of mass production, it is cheaper, better and preferable to not risk customer outflow due to poor quality.

Fair play may sound simple but it has a very big impact. All attempts to circumvent the rule are tempting but at the end of the day such activities do not generate a good feeling. In other words, it is too risky because there is too much you may lose compared to the short-term benefits.

Henry Ford invented the car and he really changed the long-term habits of how people travelled and viewed their own individual freedom. Car became a symbol of free movement, ability to explore and travel. All these were benefits which were not delivered to few but to many. Mass production of Ford Model T cars was available to millions of people. Boosting and generating such a change in society required trust in Henry Ford's products. His factories assembled more than 20 million Model T cars which served at a high level of quality for many years. The standardization of the production line led to high quality and lower costs. The final effect was positive thinking about automobiles and their reliability. This undisputable parameter was a key success factor of the overwhelming global impact of the Henry Ford's factories.

Henry Ford did not only invent the car. He produced a car that was within the economic reach of the average American. While other manufacturers were content to target a market of the well-to-do, Ford developed a design and a method of manufacture that steadily reduced the cost of the Model T. Instead of pocketing the profits; Ford lowered the price of his car. As a result, Ford Motors sold more cars and steadily increased its earnings – transforming the car from a luxury toy to a mainstay of American society.¹

Since we know that practice makes perfect, why do we put so much emphasis on things being right the first time? Why do we force ourselves to function this way? Or stress our teams out? Or fire the wrong people when stress overcomes us and we have had it because people cannot live up to our impossible standards?

If this sounds familiar to you, take a deep breath and read the three reasons below. Let's understand what is really going on and find a solution together.

- 1) **Time is the most valuable thing you have.** This means we view doing things as something more than a waste time. While this is not necessarily the right mindset, in the moment it is hard not to view things in this light. Having a job is usually not the only thing on our schedules. Family, friends, health and other commitments are important to us as well. Therefore, getting things out of the way the first time in a prompt manner is much more convenient.
- 2) **It makes us feel more confident internally.** When we complete something correctly the first time, we gain this sense of internal pride. The truth is, it feels great to do something right the first time. Yes, it can look good externally, but when we know it only took us one shot it changes the way we feel about ourselves.
- 3) **We don't want to depend on others.** E-V-E-R. Most of the time when we have to do things a second, third or fourth time we have to go to others for advice or critiques. Not only does this string out the process, but we lose our independency and we hate it.

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We hope that reading the above three reasons can provide an initial correct perspective. We do not have to do things right the first time but we need to allow ourselves to get things done, know we are always worthwhile and have a little trust in those around us to give us good advice. Things cannot be always done right the first time. You believe that you can keep your independence, time and confidence even if it takes a few times to finalize the job.²

Every task requires you to invest some portion of energy, raw materials and your own life span time. No one wants to waste their own time and re-do things.

From the economical viewpoint, repetitions or, even worse, corrections of what has been done are ineffective waste of allocated resources. This is why we should concentrate on the effort to deliver the expected result at the first attempt. It would definitely require the attention, coordination and cooperation, communication and monitoring of the overall progress.

It is natural that some things collapse and may destroy the whole investment. We should be aware of it and allow this in a minimum number of cases. If any production struggles with timing, quality or reliability, there are a number of corrective tools like Six Sigma, Agile, the Just-in-Time concept or TQM. These tools were delivered for one reason – to help people minimize the failures which may happen. It is always better to do things the right way because professionals are not inventing the wheel every day.

Summary:

The above text discussed the dilemma of inclination of people to respect set rules when any form of surveillance exists. The positive effect of respecting ethical rules and guidelines dramatically increased the quality of life. Compliance with professional business standards is beneficial to every member of human society. The solution is to avoid procrastination by respecting available rules and adaptable guidelines.

4 WHY QUALITY IS MORE DEMANDING THAN EVER BEFORE

4.1 BANKS

Consumer behaviors and expectations are shifting in ways that are forcing banks to both redefine their priorities and transform their distribution models. To help map and describe these changes, Accenture's 2017 Financial Services Global Distribution & Marketing Consumer Study gathered the views of more than 32,000 banking customers across 18 markets. The research provides valuable insights into how customers want to interact with their banks, and where innovation can play its part. One of the clearest conclusions from the research: To re-establish trust with customers and secure their loyalty, banks will need more than just a digital-first approach. As digital offerings mature, banks must define their value proposition to encompass both digital innovation and traditional values to meet their customers' needs.

1. DATA AS A CURRENCY

Consumers are willing to share more of their personal data with their banks, but there is a clear trade-off – they understand the value of their data and expect to receive benefits for sharing it, in the form of offers, reduced interest rates, recognition and other rewards.

Globally, 67 percent will grant banks access to more personal data, but 63 percent want more tailored advice, and the same number demand priority services, such as expedited loan approvals, or a monetary benefit, such as more competitive pricing, in return for the information they share.

2. YOUNGER CONSUMERS DRAWN TO GAFA MODEL

Google, Apple, Facebook and Amazon (collectively known as GAFA) and other platforms are providing attractive alternatives to traditional banks, especially among younger generations. While 31 percent of consumers would consider purchasing banking services from an online provider, such as Google or Amazon, this rises to 41 percent among Gen Z respondents. This underlines the attraction of the highly responsive, tailored service consumers have become accustomed to on these platforms.

Further, younger customers increasingly want to engage via online platforms to help shape future banking products and services that cater to their needs. While only 8 percent of seniors want to participate in this type of co-creation via social media channels, this rises to 36 percent among Gen Y respondents.

3. AUTOMATED SUPPORT IS WELCOME

Banking customers are open to receiving entirely computer generated support, provided it can deliver the tailored and personalized services they need. Nearly three-quarters (71 percent) of banking customers, for example, say they are willing to receive automated support regarding which type of bank account they should open.

This is clearly viewed as a route to greater control over their banking experience: The potential for improved speed and convenience is cited as the main reason consumers will turn to automated support, with 39 percent citing this as a motivation.

4. PERSONALIZATION THAT STRETCHES BEYOND BANKING

In return for sharing their data, consumers will demand more personalized banking advice. But the expectation of a fair trade does not stop there. Nearly half (48 percent) of customers want relevant advice and product information at their fingertips as they



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go about their daily lives. For example, they want banks to send them information about the best mortgage deals when they are in the process of buying a property, contextual information that many banks currently do not provide.

The same number want banks to play a supporting role in the purchasing process for non-banking products, such as a house or new car, or services related to the purchase of a new house or car (such as insurance or assistance with the sale and/ or closing process). They say banks could assist with these important decisions by sending helpful information based on their location, price range and other personal preferences.

5. A NEW ROUTE TO TRUST

As consumers open up to increasingly data-driven services, personal relationships are no longer the main driver of trust. The biggest driver of loyalty for banking customers is the ability to trust their bank in protecting their personal data, with 43 percent citing this. Banks are more trusted than insurers as data custodians today, with only 57 percent of insurance customers willing to share more personal data, compared with 67 percent for banks. This topic is clearly important to customers, and is something banks could build on as they shift to a digital business model.

Data security is only one important pillar of trust, with customers also saying responsive customer service and brand integrity – as well as related elements such as conveniently located branches – are key to ensuring their loyalty.

There are three new types of future banking customers.

NOMADS

A highly digitally active group, ready for a new model of delivery.

- Not tied to traditional financial services providers, Nomads are happy to use Amazon or Google for financial services
- Nomads value digital innovation and want new ways of accessing service and advice
- Nomads are very open to the concept of computer-only advice

HUNTERS

Searching for the best deal on price.

- Receiving value for money is the key driver of loyalty for Hunters
- Human advisors remain crucial to Hunters – they do not feel they can get what they need without human advice
- Hunters cannot live with computer-only advice
- Hunters want to use traditional banks and financial services firms

QUALITY SEEKERS

Looking for high quality, responsive service and data protection

- Quality Seekers want a financial services provider who will put their interests first; this is a key loyalty driver, as is confidence that their personal information will be kept secure
- Providers that offer high-quality, responsive service is essential to Quality Seekers
- Quality Seekers are driven by trust and the level of service rather than by cost

New operating model for the banks:

1. LET CUSTOMERS DEFINE THEIR EXPERIENCE

Consumers are seeking speed and convenience as well as tailored advice, and they want it all on their own terms. Advances in artificial intelligence and machine learning technologies are opening the door for banks to provide effective automated support as an additional route for customers to access personalized information and guidance.

While Nomads are keen to embrace these new channels, even Hunters – who are less motivated by digital innovation – are relatively open to the idea of automated support, provided it delivers practical benefits. And all three groups show willingness to share data to obtain better products and services or more competitive pricing.

Further, there is growing appetite for emerging mobile tools that put more power into customers' hands. For example, customers want to transfer money overseas or make a payment to a friend in simple and efficient ways, with minimal interaction with their bank. Teaming up with innovative financial technology (fintech) firms or setting up incubator programs will help banks deliver this capability to their customers more quickly.

2. RE-WRITE CUSTOMER PROCESSES FOR THE DIGITAL ERA

Banks will need to establish new customer processes to deliver the digital service customers want, and to enable effective digital distribution of their products.

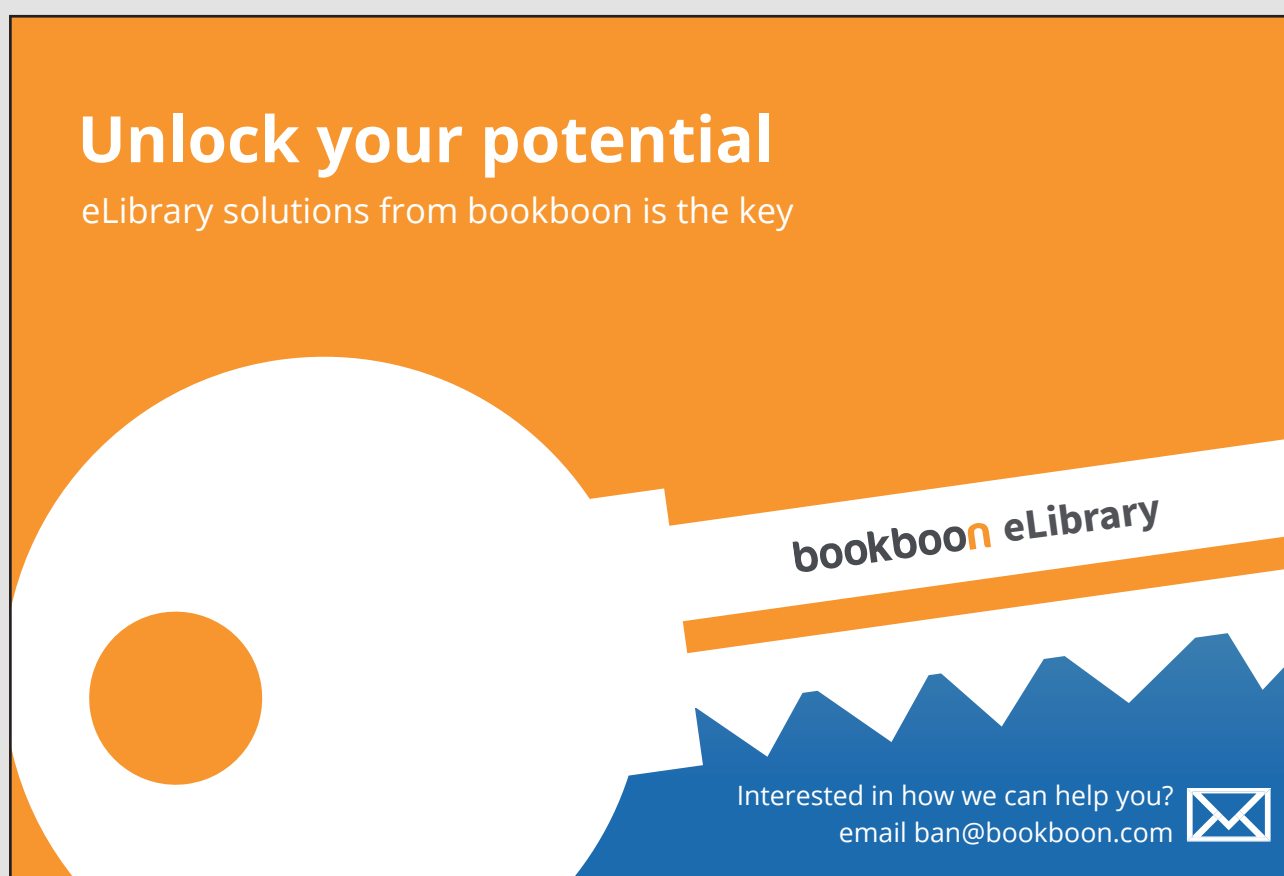
For example, as banks get hold of more consumer data, they will want to offer real-time access to targeted products, such as loans or new accounts, on their own website or via third-party platforms. Potential customers will be turned off if, mid-way through the process, they are cut off until presenting formal ID at a branch, so enhanced digital identification techniques will need to be implemented.

There is also customer appetite to help shape future products, particularly among Nomads (43 percent). Banks will need to establish processes that enable co-creation, so they can involve customers in their research and product development processes.

3. GET API-ENABLED

As they seek to multiply their interactions with customers, banks will need to think about products or services delivered through application program interfaces (APIs) that can be accessed and sold outside of the bank's boundaries, but with the assurance provided by the bank's ability to validate the identity and creditworthiness of all parties involved. For example, customer appetite for banks' assistance with major purchases, such as a car or house, creates an opportunity to provide dedicated portals for these needs, with a suite of tailored products that could be offered to address them.

The increasing openness of certain customer demographics to a GAFAM model of banking indicates a need to develop a platform model for banking services. Whether integrating their products onto third-party platforms, or curating proprietary platforms, banks will need the right API infrastructure to succeed. They will also need to plug into the dominant social media and messaging platforms where customers are likely to want to transact on an everyday basis.

An advertisement for Bookboon eLibrary. The background is orange. On the left, there is a large white gear with an orange circle in the center. A white banner with an orange border cuts across the gear, containing the text 'bookboon eLibrary' in black and orange. Below the gear, there is a blue jagged shape resembling a mountain range. In the bottom right corner of the advertisement, there is white text: 'Interested in how we can help you?' followed by 'email ban@bookboon.com' and a white envelope icon.

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4. TAILOR BRANCHES TO ADD VALUE

The branch is still an important part of the banking experience for many consumers, but its role need not be the same for all customer groups. For instance, the majority of basic transactions can now be delivered online, without the need to visit a branch, and the Nomads would be perfectly comfortable with this. Nomads might be prepared to visit a branch to speak with a mortgage advisor, but would rather make a transfer on-the-go via their mobile device.

On the other hand, Quality Seekers may still require a whole suite of services to be provided in the branch. By offering face time to complete more complicated transactions, banks will continue to out-compete emerging virtual banking rivals in the battle for these customers.

As banks look to implement branch efficiencies and drive down costs to serve their customers, they can design branches for specialist functions that will add the most value based on the needs of the local population. Detailed tracking of branch activity will be important in informing these decisions. The ultimate objective is to provide value to customers in all age categories by re-thinking and reinventing branch functions.

5. WIN THE DATA GAME

Banks will need to access more customer data to offer more competitive prices and faster, easier services, and to offer products that are relevant to customers' financial needs. This is particularly important for Hunters, the most price-conscious persona; 83 percent of Hunters say they search for the best deal on price.

This emerging data-driven relationship between bank and customer can also open a fresh opportunity for the bank to deepen customer trust by acting as a trusted steward of security. For Quality Seekers, for instance, confidence their bank will keep personal data secure is the top driver of loyalty, with 53 percent citing this. There may even be a role for banks in assuring customers' online security more generally, with some traditional banks already taking tentative steps in this direction.³

Summary:

The banking industry is the most recognized and reputable area of human activities. Ethical standards are as important as quality standards. No matter, who the bank clients are, the overall demand is for quality service along with highly ethical values. In the banking industry, there is plenty of potential for misusing clients' personal data but exploiting that option would ruin the whole industry. And that would be the beginning of the end of our civilization.

4.2 EU FOOD QUALITY

Food security is one of the most compelling global challenges. The rapid growth of the world's population puts great pressure on critical resources such as water, energy and food. Food security will become an ever greater priority for the EU and the world as the global demand for food increases and the challenges of sustainable production and equitable distribution become increasingly acute. The system of food production and distribution must meet the challenge of ensuring food security while at the same time dealing with the current impact of climate change on agriculture and adapting agriculture to lessen its future environmental impact. Half the EU's land is farmed, so initiatives to decrease emissions, maintain biodiversity, preserve natural resources and conserve areas of ecological and scenic value are of significant and increasing importance. In these demanding circumstances, the EU regards the promotion and assurance of food quality as an important instrument for EU farmers to increase their competitiveness and profitability. EU law already enforces strict requirements to guarantee the standard of European products. However, the Directorate-General for Agriculture and Rural Development believes that more should be done to communicate the qualities of these products to consumers. It is therefore committed to the improvement and extension of quality assurance schemes to identify and protect certain foodstuffs produced in accordance with particularly demanding criteria of quality or production method.

As the EU takes action to address these issues, it is necessary to ascertain levels of concern and awareness among EU citizens. The data provided by this Special Eurobarometer survey make it possible to evaluate public attitudes when buying food, awareness of quality labels and perceptions of the link between agriculture and the preservation of nature and countryside.

EU citizens are particularly concerned that sufficient food is produced to meet the needs of the world's population. Three-quarters (76%) of all respondents expressed this view, as did a majority of respondents in most Member States. There are lower overall levels of concern about the ability of the EU and Member States to meet the food needs of their populations. However, there are substantial differences between respondents by Member State, particularly with respect to national capacity to meet demand. Ninety-four percent of respondents in Greece are concerned about national food production, whereas only 11% of those surveyed in Denmark or the Netherlands are. Levels of concern about national food production and EU food production are strongly related to one another. Eighty-three percent of those who express concern about levels of food production in their country are also concerned about levels of production in the EU. Concern about national and EU-level food production is higher among those who have difficulty in paying bills 'most of the time' – (60% – national; 53% – EU) than the average citizen (43%; 40%). A large majority of EU citizens agree that the EU should:

- help other countries to produce more food (84%)
- produce more food to reduce its dependence on imports (81%)
- produce more food to meet rising demand in the EU and elsewhere (77%).

The vast majority of EU citizens say that quality (96%) and price (91%) are important to them when buying food, while a substantial majority (71%) say that the origin of food is important.

Quality, price and origin are considered important in most Member States with price being especially important for those citizens who have difficulties paying bills. Young EU citizens are less interested in the quality and origin of products. Sixty percent (60%) of respondents in the 15–24 age group see quality as very important, compared with the EU average of 65%. Fifty-seven percent said that origin was important for them, compared with the EU average of 71%. Fewer than half (47%) of EU citizens see product brands as important. Opinions on the importance of brands vary more widely between Member States than in the case of quality, price and origin. Brands are notably more important to respondents in NMS12 countries (62%) than to respondents in EU15 countries (43%). Two-thirds (67%) of EU citizens check food purchases to see if they have quality labels that ensure specific characteristics, although this varies substantially between Member States. Respondents who are in the 15–24 age group (58%), have fewer years of education (59%) or have difficulty paying bills (60%) are less likely to check for quality labels.



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Only a minority of EU citizens recognize logos of EU food quality assurance schemes. While just over one third of EU citizens (36%) are aware of the non-EU Fairtrade logo, a quarter (24%) are aware of the EU's Organic farming logo and only a small minority are aware of logos symbolizing the three elements of the EU's Protected Geographical Status scheme. A large majority of EU citizens agree that agriculture contributes to the beauty of the countryside (86%), helps to preserve and protect rural areas (89%), and is beneficial for the environment (81%). Agreement with these statements is high in most Member States and socio-demographic groups.

The quality of food is the most important factor for EU citizens. Ninety-six percent of respondents regard quality as important, with nearly two-thirds (65%) considering it very important. A substantial majority also prioritize price, with 91% seeing it as important and just over half (54%) as very important. Somewhat fewer respondents emphasize the origin of food, with over two thirds (71%) seeing it as important but only one third (34%) as very important. Brand information is clearly less important for those purchasing food. Half (50%) of EU citizens see this information as unimportant, with only 15% seeing it as very important. Respondents were not directly asked whether the importance of these criteria varies depending on the product. If a respondent gave such an answer spontaneously, it was recorded. However, very few respondents did, with the highest proportion – in the case of brand information – only 3%.

Consistent with the lower general interest in food quality seen earlier, young people are also less likely to check for quality labels. Fifty-eight percent of respondents in the 15–24 age group reported checking for these labels, compared with the EU average of 67%. Propensity to check for quality labels is also related to levels of education: while only 59% of respondents with 15 or fewer years of education check for labels, 77% of those with 20 or more years do. Finally, economic security also has an influence. Respondents who have difficulty paying bills most of the time (60%) are less likely to check for quality labels than those who almost never have this problem (69%).

EU citizens clearly understand that food security is a global issue, with a large majority expressing concern at the challenge of feeding the world's population. However, concern about the sufficiency of food production in the EU is driven more by respondents' assessments of the sufficiency of food production in their own country than by a general perception of food insecurity. In Greece and Portugal, where respondents are extremely concerned about domestic food production, levels of concern about production in the EU are also high. In Germany and the Netherlands, low levels of concern about domestic food security are accompanied by low levels of concern about EU food security. Food security also has a socio-demographic dimension. This survey finds that those who are financially vulnerable are most concerned about food security. This is reflected in attitudes to the EU response to the challenge of achieving food security. While the majority of EU citizens agree that the

EU should take steps to make itself less dependent on food imports and better equipped to take advantage of growing external markets, this response is more common among respondents in countries where concern about food insecurity is greater and – to a lesser extent – among people who are economically insecure. Most EU citizens regard agriculture as making a positive contribution to rural areas. This is consistent across most Member States and socio-demographic groups. There is a broad consensus that agriculture plays a beneficial role. Attitudes to food quality vary by Member State and price is an almost equally important consideration for many (particularly those respondents who experience difficulty paying their bills). However, a majority of EU citizens regard quality as important and often check food produce for information about this. However, only a minority of EU citizens recognize any of the logos introduced by the EU to ensure the quality and origin of certain types of food products.⁴

These two examples demonstrate how quality is obviously in high demand. The example from the banking industry shows how carefully banks are monitoring the modern trends in such traditional business and how new models of customers blended into their general strategy. On one hand, it is clear the banks feel a change in the behavior of their clients. On the other hand, they predict there will be more new commodities closely connected to the demand for quality.

Food quality is something that can be seen in our everyday life. EU invested a lot of resources in developing transparent food quality standards and policies which can guarantee the sustainability of food supply chains.

Summary:

Food production guidelines have a substantial direct and indirect impact on the future of the human race. Regulation of this industry might be a positive boost for food producers but limitation within the quality of the food consumed by individual customers. Food quality is something that can be seen in our everyday life. EU invested a lot of resources in developing transparent food quality standards and policies which can guarantee sustainability of food supply chains.

These two examples demonstrate how quality is obviously in high demand. The example from the banking industry shows how carefully banks are monitoring the modern trends in such traditional business and how new models of customers blended into their general strategy. On one hand, it is clear the banks feel a change in the behavior of their clients. On the other hand, they predict there will be more new commodities closely connected to the demand for quality.

5 RELATIONSHIP BETWEEN QUALITY AND INNOVATION

The most important considerations to help managers ensure the success of smooth quality and innovation implementation are:

- **Management commitment.**

Management must decide to add value for the business. Then it must effectively articulate the need to employees by documenting and communicating the company's quality vision and strategic quality objectives. It requires these be documented in a quality policy issued by top management.

- **A system of interrelated processes.**

Management must ensure all processes necessary to conform to customer requirements are documented, implemented and measured. These include all processes in the customer-supplier value chain from requirements (such as requests for quotations and contract and order management) through design, development, delivery, support and billing.

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- **Management review and metrics.**

Management must establish a systematic review of process metrics to determine necessary actions. While some standards require annual management review of the Quality Management System (QMS), we suggest monthly reviews as the QMS matures and quarterly thereafter. Such frequency will provide adequate review of customer satisfaction data, defect trends and the effectiveness of the QMS and key processes. Management and employees alike can then quickly facilitate improvement based on the data.

- **Customer feedback.**

Understanding, how customers perceive your products or services, is key to a company's success. There are plentiful excellent sources that provide helpful information regarding ways to obtain customer feedback. Regardless of the means, it requires to benchmark the opinions of major customers, monitor satisfaction trends and address problems quickly. Routinely seeking customer feedback and acting on it effectively not only improve the quality of products and services, but also demonstrate your sincerity and commitment to quality to customers.

- **Employee training and communication.**

Some standards require companies to document the planning and delivery of employee skills training and regularly share quality results with employees. Why is this necessary? Most employees will work hard to accomplish the company's objectives if they know them and know what results are being achieved. Furthermore, documenting processes equips employees to respond properly to customers and do their jobs right every time.⁵

Quality and innovation have been going hand-in-hand for a very long time. Progress in every human activity has been dependent on the quality of the final impact. For example, food production must deliver high quality food which provides the nutritional value required for survival on a daily basis. If stormy weather destroys the harvest and the expected outcome does not exist, a problem occurs. As a farmer, you do not have the chance to plant seeds and expect crops more than once a year.

In the IT industry, we can refer to Moore's Law which is a computing term that originated around 1970; the simplified version of this law states that processor speeds, or overall processing power for computers will double every two years. To break down the law even further, it specifically stated that the number of transistors on an affordable CPU would double every two years (which is essentially the same thing as stated before) but 'more transistors' is more accurate.

Due to the rapid rate that technology has grown at in the past few years, most computer technicians you speak with – whether they have heard of Moore’s Law or not will tell you that CPU speeds double each year. Though Moore’s Law had said every two years, this rapid increase in technological production has lessened the period in the minds of technicians and users alike.⁶

Looking at this fact we also can say the overall quality, speed, comfort and reliability of information services drives progress. What was a pure dream a few years ago is a living reality nowadays. All the IT gadgets like mobile phones making it possible to transmit our communication improved the living standards across the globe. Human individuals are much more approachable, linked and connected than ever before. IT services such as mobile banking, remote access to personal files, cloud computing, which enabled document management on the highest level with full control of all team participants, are something that boosts progress in the administration and expansion of rationalization and productivity. Never before in human history was there an easier access to information of any kind. Worldwide use of Internet services set completely new standards for the meaning of quality, reliability and delivery for customers.

This information revolution has a direct and also indirect impact on our lives. Our demand for quality is higher and higher every day. Old traditional quality standards, which are still valid in many industries, should be renewed or harmonized to meet the new standards.

Customer satisfaction reflects the expectations and experiences that the customer has with a product or service. Expectations reflect both past and current product evaluation and user experiences.

The problem companies face, however, is exactly how to do all this and do it well. They need to understand how to quantify, measure and track customer satisfaction. Without a clear and accurate sense of what needs to be measured and how to collect, analyze and use the data as a strategic weapon to drive the business, no firm can be effective in this new business climate. Plans constructed using customer satisfaction research results can be designed to target customers and processes that are most able to extend profits.

Too many companies rely on outdated and unreliable measures of customer satisfaction. They watch sales volume, they listen to sales reps describing their customers’ state of mind. They track and count the frequency of complaints. And they watch aging accounts receivable reports, recognizing that unhappy customers pay as late as possible. However, all these approaches require the addition of well-designed customer satisfaction survey programs.⁷

Summary:

Quality and progress operate as conjoined twins. Today's level of knowledge could bring enough evidence on how the mutual relationship between these two integral parts has a positive effect on overall innovation.

The current managerial level of knowledge gives priority to customer needs, requirements and customer satisfaction. The more clients are satisfied, the more clients will expect the same manner of corporate behavior focused on high quality and innovation.

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6 DIRECT AND INDIRECT TOOLS OF QUALITY MEASUREMENT

Over the last one hundred years, industrialization has led to the invention, development and use of many quality measurement tools. According to the best practice principles, these standards should be defined by four key features:

- Standards should be well documented
- Standards should be practical
- Standards should be easy-to-use
- Standards should return unambiguous results
- Standards should be accepted by the professional community

Six Sigma, Kaizen, Lean and many other systems are globally used and very popular. The tricky part is defining the basic concepts of what the standard is, how it could be defined and the best way to implement it.

6.1 WHAT ARE STANDARDS?

This is a more complex question than it might at first appear. They are certainly ‘clear and explicit statements about key elements of a given service’; they say ‘this is how things should be in this service’ and ‘this is what we (the purchaser and user) have the right to expect’. They can be expressed as statements of how much, how well, how often or how quickly something happens and can be percentages, numbers, frequencies or cost. In practice, we have few standards expressed as numbers or other quantities, because we intend above all that standards should be focused on outcomes for users, usually expressed at the individual level. Standards have certain qualities. They must be: as explicit and precise as possible; justifiable and logically sound; acceptable (to the stakeholders); validated; practicable; and written in plain language.

6.2 HOW DO YOU SET STANDARDS?

From the above, it will be clear that our view of what standards are provides a clear direction for the process of setting them. Once written, quality standards are policy, and therefore an appropriate policy officer is identified as the lead officer for each standard. A clear brief is made available on content, process and style. Generally a workshop is included

in the development process to allow stakeholders' perspectives to be shared and standards developed. Stakeholders are identified for each standard – users, carers, planners, purchasers and providers. Others are also included as appropriate, for example, regulators where these exist, and other agencies, for example, health and housing authorities. In all cases, draft standards are subject to rigorous internal scrutiny and internal/external consultation. Social services committee approval, and therefore county council approval, is sought for each. It follows that although we can make available our Directory of Quality Standards (which is copyright) we would strongly maintain that if another authority used the standards we have set, this would not constitute a quality approach to standard setting. In our view, if standards are to be valid, they must be developed in the setting in which they are intended for use, and with at least representatives of local stakeholders, or they will not be of real and lasting value. Furthermore, they require a local process of continuous improvement and review, and a systematic approach to implementation to make them worthwhile.

6.3 IMPLEMENTING QUALITY STANDARDS

A general approach to contracting for services based on quality: Our approach to implementing standards is 'accreditation', which we define as 'a process of working with providers to ensure that they can and do meet standards before services are purchased'. The implementation of this approach required the development of sets of tools which effectively translated the standards into indicators which could be used to measure attainment against the standards and make sense to providers, since the standards are, as we have said, addressed primarily to users and carers. This highlights the importance of one critical aspect of the accreditation process – the accrediting officer must talk to users in addition to staff and managers, separately and alone. Our first efforts at accreditation were undertaken with residential and nursing homes because we required a sensible way of establishing a relationship with them.⁸

6.4 QUALITY MEASUREMENT STANDARDS

The concept of quality management is applied in business of all sizes and all types. It is as relevant in manufacturing as it is in health care or food services. Of course, quality means different things for different industries, and takes a different meaning depending on whether a product, a service, or a combination of both is offered.

The core of quality management is being able to guide your business towards improved performance. There are three main components to quality management: quality assurance, quality control, and quality improvement. But it is not just about the condition of the

products you sell or the caliber of services your business offers but the processes to achieve consistent quality. This guide highlights some tools that can help you to setup a management strategy to improve quality and documents you can use to track improvement

Six Sigma Management Guide

Six Sigma is a business management strategy for improving the operational performance of a business by eliminating variability and waste. This philosophy takes a data-driven, methodological approach to eliminating defects with the aim of reaching six standard deviations from the desired target of quality. This means fundamental objectives and how to calculate the cost and savings of Six Sigma quality.

Six Sigma Template

Six Sigma is a highly structured approach to process improvement through strategy and discipline. If you are convinced that the Six Sigma management style will work for your



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business, this template is customizable for your specific needs. It is designed to reduce defects, lower costs and improve customer satisfaction.

Six Sigma Program Example

You now understand Six Sigma management and how to implement it. But if you would like to see an example of its practical use in business, this specific example is for the manufacturing industry. It can be adapted to your business.

Total Quality Management Guide

Total Quality Management is a set of practices put in place throughout a company that are geared to ensure the organization consistently meets or exceeds customer requirements. TQM places strong focus on process measurement and controls as means of continuous improvement. This Total Quality Management Guide discusses the primary elements of quality management, and includes charts, graphs, and tools to assist a company with setting up a program of quality management.

Quality Management Presentation

When you have determined what approach you will take for quality management you will have to educate and train your staff about new processes to improve performance. This Quality Management Presentation can be used to educate and implement the essentials of quality, as well as the discipline of quality management, into their daily work routines. The presentation provides an outline for quality in general, quality and business needs, principles for a quality system, and principles for quality management.

Quality Manager Job Description

If improving quality is a larger responsibility than you thought, it may be time to hire a Quality Manager. The job of a Quality Manager can encompass many different roles from managing day-to-day production activities to training engineers and operators to being the liaison to customers and suppliers. Use the Quality Manager Job Description to outline the position by listing key job tasks and specifications for the position customized to what your business requires.

Equipment Maintenance Log

Improving quality doesn't always require a full scale restructuring of your management style or hiring an additional person to oversee quality. Small changes such as improved documentation can significantly affect quality. One example is keeping track of the condition of your equipment to ensure top performance and output. This Equipment Maintenance Log provides a comprehensive spreadsheet for tracking equipment maintenance records by equipment type, model number, serial number, and location.

Preventive – Corrective Action Report

It is great to have a paper trail to track and fix mistakes. It is much better to have a form that helps fix the process so mistakes do not get made in the first place. Although the form's immediate purpose is to provide a mechanism for recording and correcting "nonconformances" (read: screw-ups), it has another, more important role: exposing the root causes of recurring problems.

Smart Vendor Audit Checklist

When your business depends on vendors to produce your products or as an intricate part of a process you want to make sure you hire the best. If you are not sure how to evaluate a potential supplier, the supplier audit form is designed to help your company recruit the best vendors.

Packing List Order Form

Again, documentation and checklists are staples of quality management. For example, each item on this packing list is important in terms of quality customer service and reduced costs. Shipping the wrong quantity or type of a product affects your inventory, while returns or inaccurate weight information can cost you more in shipping. A proper packing list is probably one of the easiest ways to improve quality and reduce waste.⁹

The number of tools, which were developed for managing quality in recent years, is nearly endless. Every single tool should be in agreement with fundamental rules:

- They should be easy-to-use
- They should be transparent for the users
- They should be capable to show results
- They should be supported by hard data
- They should be used by industries or best practices

Modern technologies changed the scope and traditional face of quality measurement. But the basic purpose, objectives and key users remained the same.

Quality management system implementation has become a must for construction companies in some countries to be able to enter public tenders. One of the most common quality standards is the ISO 9001 quality management standard and many companies seek ISO 9001 certification in today's highly competitive market. However, in getting this certification, most companies face difficulties, such as the high amount of paperwork, improper documentation, poor communication among employees and project participants, and low employee morale as a result of lack of motivation. In this study, a web-based office automation system was developed. Web facilities and the database management capabilities of Microsoft Visual Studio 2008 were applied to create a data warehouse that was aimed to reduce paperwork, create a proper documentation system, improve communication, and calculate employee performances, in order to create a motivation system for company personnel. Short-term feedback of the practical implementation of the system demonstrated its practicality and advantages, and the positive view of the managers. Also, it is anticipated that long-term feedbacks would also prove its appropriateness and ease of use.



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Quality management is a critical component in the successful management of construction projects. ISO 9001 certification is the most successful quality management system for many companies.

However, lack of enthusiasm still exists among workers and employees. They believe that the certification process and application of a quality standard will control their performance, and will act as a controller limiting them.

In today's highly competitive market, traditional organizational management methods cannot be considered appropriate strategies. Recent developments in database management systems, Internet technology and office automation systems encourage managers to apply these methods to their company in order to survive and compete with their competitors. Performance measurement is one of the most important decision tools for managers. Since 1980s, the focus of performance measures shifted from purely financial factors to a combination of financial and non-financial ones. The factors affecting performance measurement in different research studies are based on one, or a combination of some criteria like finance, operations, quality, safety, personnel and customer satisfaction. Methods like the balanced scorecard, the performance pyramid, the performance measurement questionnaire, the results and determinants framework, the performance prism are just building blocks of quality.

Thus, employee performance measurement and motivation of personnel could create a competitive environment among them, which in turn would help managers to control their subordinates, together with enhancing company performance.

Companies need to have proper information systems and database management systems to capture and keep different information, which are their most valuable resources.

Successful support of managerial decision-making is critically dependent upon the availability of integrated, high quality information, organized and presented in a timely and easily understood manner.

Despite the growing need for more information, every day organizations create billions of bytes of data about all aspects of their business. It is estimated that only a small fraction of the data that are captured, processed and stored within the company is actually ever made available to executives and decision makers. The concept of a Data Warehouse (DW) is part of the response by IT to meet this need. A functional DW organizes and stores all available data needed for informational and analytical processing over a historical time perspective and provides decision makers with consistent, timely, reliable and accessible data without a negative impact on the operational systems from which the data is extracted.

DW by itself does not create value. The value comes from the use of its data in other applications. Another fact is that a DW is not a ready package to be bought and used by a company; instead, it should be specifically designed to meet company needs. This idea encourages companies to develop their own DW and appropriate computer applications to solve and overcome their difficulties, and take the maximum benefit out of data warehousing capabilities.

An important concept of a DW is that its data comes from one or more operational applications, manipulated into a common format for the warehouse, and inserted into the warehouse with any necessary calculations or additional appended data. Then, the data are loaded into appropriate reference tables for efficient query performance, analysis, reporting or data mining by the user, through different available tools, such as web applications or crystal reports. A relevant data mining tool is On-Line Analytical Processing (OLAP), which provides a service for accessing, viewing and analyzing large volumes of data with high flexibility and performance. The essential characteristic of OLAP is that it enables a numerical and statistical analysis of data organized in a multi-dimension. DW typically uses multidimensional, as well as relational, storage structures. The multidimensional structure physically stores the data in array-like structures that are similar to a data cube. In the



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relational structure, the data are stored in a relational database using a special schema (star or snowflake) instead of a traditional design.

A number of research studies on DW applications in the construction industry show that it has considerable application potential. Historical data storage and access, data extraction from different internal and external data sources, data cleansing and analysis, and OLAP capability in report retrieving are the main characteristics of data warehousing, which encouraged authors to consider it for the present system development.

Thus, the data warehousing technique could be a proper solution for companies to develop integrated database management systems and decision tools.¹⁰

Summary:

The rich and very long history of various tools used for quality management has only one purpose. These tools should guarantee that quality becomes stable, equally distributed according to the modern understanding of what quality means. Ethical principles in combination with quality tools create a very powerful weapon but it has to be operated by fair-play approach only. Otherwise it will ruin both sides.

7 POSSIBILITY OF MISUSE OF QUALITY

Volkswagen shocked the world in September 2015 with its response to U.S. EPA where the German automaker admitted deliberately equipping the TDI engines with a defect device that was intended to bypass, defeat or render inoperative the vehicles emission system.

The “Dieselgate” scandal exposed unethical and deceptive practice at Volkswagen and hurt its brand image around the world. Among efforts to repair the relationships with key stakeholders affected, the Company has withdrawn its diesel cars from the market. The repair of damaged relationships with dealers include reimbursement to dealers to holding the inventory. For customers, Volkswagen prepared a “Goodwill Package” including gift cards, credits for services and the extension of roadside assistance.¹¹

It is evident that the root of this unethical scandal goes back to the business culture and structure of the company. Today’s business practices are far different from the past practices. The compliance-based business ethics like Volkswagen approach declines to treat employees ethically and also employees face the dilemma of losing their job or taking an unethical action; therefore, the company obtains reverse result. The actions of employees have a crucial role in the success or failure of the company, therefore it is important to value employees and improve their moral to accomplish tasks ethically. In value-based practices, a hierarchy does not exist and instead the employees work in teams to achieve the expected results. Moreover, corporate values promote democracy in the company which means executives have the freedom to voice their complaints to seniors or share their ideas within the company which might result in greater productivity. In addition, it is obvious that emissions and pollution are of significant concern to EPA. Thus it is undeniable that EPA’s new and strict emission standards imposed extreme pressure on the automobile industry. The EPA has an imperative role in alleviating the extreme pressure on automakers by providing and offering technology and research and development (R&D) aids. The Volkswagen case reveals that stringent emission standards resulted in the opposite expected outcome with a series of devastating events. Therefore, it is important to plan for feasible emission standards and to also provide technological and R&D support to automakers to prohibit such occurrences. All in all, in order to prevent such a scandal from occurring in the future, it is recommended to the companies to value their employees using a value-based approach. Besides, the EPA is recommended to provide supportive programs to automakers to ensure that the level of pollutants and emissions are under control.¹²

Besides Volkswagen, unethical behavior has been identified in several Fortune 500 companies. It is fair to say that no one could be comparable to Volkswagen “Dieselgate” experience.

Companies like Facebook, Fox News, Samsung and Wells Fargo were caught while unethical activities were identified. Censoring photos, sexual harassment, dangerous batteries which exploded and opening bank accounts without customer permissions.

The above information confirms that the biggest and most admired companies are not neutral towards unethical behavior. The companies listed in this chapter supported, initiated or formally agreed with such approach with a devastating effect on their customers, public reputation and image.

People often say anyone can make a mistake but it is a problem if you try to make the same mistake again. The vision of higher sales, better profit or increased number of customers would become a strong motivation. Any person in an executive role has a high potential to act unethically at some point.

But the important lesson learnt is that these side-steps from the straight way forward will be detected, audited and revealed one day.

Ethical behavior applicable in business is something like a compass which prevents any deviation from the original trajectory.



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Companies created ethical principles described in various codes of conduct and codes of ethics where trying to demonstrate their principles how they see the company interacting within the community, suppliers, customers and their own staff. Maybe the effective training in valid moral principles and the way of resistance to break them might be also beneficial.

It is not important to defend top managers who ordered, directed or supported an unethical practice. The problem is that this kind of activity is the final part of a long chain of small pressures bouncing the mind of a top manager every day.

Is it fair to ask for so much performance? Is it fair to anticipate continual growth even if the customer base for top brands is shrinking? Maybe here lies the answer why normally intelligent and responsible people are responsible for strange things.

The possibility of misusing quality is rooted in an attractive option to slightly manipulate hard data to secure business success. This practice is absolutely unethical because this kind of behavior is unprofessional. For example, certified auditors must complete special training to guarantee their independence. According to this training, no auditor should bend the facts according to the wish of the audited subject.

Quality is the highest mark of any product or service. Quality is something the customers rely on and they should not be disappointed.

The above examples show that some of the biggest and most powerful brand names may adopt an unethical approach. This means that even much smaller and “invisible” firms could do the same because they see it as an example. These are activities eroding the morale of professionalism and must not be followed. Every concession in quality is wrong and it may be seen as a morale failure or a breach of good manners.

It is easy to deviate from an ethical pathway. However, return back to it will cost a lot of effort and energy. These resources may be used differently. So, it is always better to play fair than to face the unpleasant consequences that may harm the work of entire teams.

Summary:

An ethical way of thinking and its implication in every area of human creativity, business and processing must be adopted and respected by all. Misuse of quality standards could lead to the collapse of industries, big corporations and relationships between customers and suppliers.

8 QUALITY MEANS SAVINGS

By implementing a quality assurance (QA) program in your business you can improve customer satisfaction and reduce internal costs. QA programs structure your business to produce consistent results, reducing waste and meeting customer expectations. The value of such a program is reflected in increased repeat business from satisfied customers and in streamlined business processes that function efficiently according to documented procedures.

The primary purpose of a QA program is to ensure that your products meet the expectations of your customers. If your products fulfill the functionality you claim, continue to work without problems over a reasonable period of time and have a pleasant appearance and handling, your customers will perceive your products as high quality. A QA program breaks down each of these factors into detailed requirements and checks that components, raw materials and the finished products have the specified characteristics. For example, a QA program includes test procedures for the required product functionality. The value of the program is in the increased customer satisfaction and the improved reputation of your company due to the high-quality products you supply.

When you test incoming components and material for adherence to specifications according to the requirements of your QA program, you weed out poor-quality parts and reject raw material that is not suitable for use in your products. As a result, fewer components fail during final testing and during use by customers. You reduce internal costs because you have to scrap or rework fewer products, and you save money on warranty claims because fewer customers have problems with your products. The lower failure rate for shipped products reinforces your good reputation and the customers see your products as high-quality.

The basic principle of a QA program is to ensure the specified level of quality through the use of parts and materials that satisfy defined specifications and the application of consistent procedures known to deliver particular results. A key part of this program is to train employees in the consistent application of QA procedures. When employees can rely on the characteristics of the parts and materials they use and know what procedures to follow to produce the required level of quality, they can work with a high degree of efficiency because there is less variation in the process. An effective QA program generates value through improving the efficiency of the production process through its focus on high-quality output.

A well-implemented QA program can be a source of pride for a company and its employees. Employee morale improves when employees are well-trained and know what to do to contribute to the company's success. If you publicize that you have an effective QA program, you can

reinforce your reputation as a high-quality supplier with your customers and strengthen employee commitment to the program. The value your QA program produces in a positive attitude of employees to their work adds to the value of high-quality products and increased customer satisfaction to provide excellent overall value for money.¹³

The system rewards providers not for prevention but for treating sick patients, even if the illness is caused by the service itself. We need a system that pays providers to develop and run services which keep patients well away, not least because one in ten will be harmed from using sickness services, adding extra costs. We need a system that rewards and supports providers in using improvements which save costs for them and the system, rather than penalizing them. The executive summary provides other conclusions from this review and synthesis of the literature about the costs and savings of improvements to quality and the effects on productivity. The evidence reveals how the system often rewards providers not for preventing adverse events or ill health, but for treating patients even if the illness is caused by the service itself. This review contributed some evidence and ideas for constructing a system that rewards and supports providers in using improvements which save costs, rather than penalizing them. These changes will require research and other activities to design and test the finance, measurement and support systems that could create incentives and enablers to use improvement changes and methods.¹⁴

Summary:

Quality assurance tools are here to deliver useful groundwork for analytical work. Just as soon as you know the exact price of quality in a production or service delivery environment, you can make plans. All savings might require some initial investment – material or moral – and this investment needs to pay off.

9 CORRELATION BETWEEN ETHICS AND QUALITY

Although there may not be a logical relationship between ethics and quality, it might be argued that these two concepts should be mentioned together due to their common associations. These two concepts seem to overlap over a large area in terms of their word meanings. When concepts of ethics and quality are discussed in different contexts, their complex and paradoxical extensions will appear without a doubt. However, there is a relationship between cognitive meanings of these two concepts. While ethics seeks to answer the question “what is good and right for” man and society, it overlaps with quality. Business ethics, on the other hand, had been previously defined as applications of moral norms and rules in business life. In this context, it is possible to see the ethical aspect within the concept of quality when quality is regarded as raising and improving the quality of business processes, and as development of business processes and product features on the basis of respect for domestic and foreign customers.

Behind the expanding concept of quality – to relate to all social areas and processes – is respect for man and society. In this context, it would not be an overstatement to argue

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that quality is the embodiment of ethics. Quality may hold different meanings for different individuals just as moral. Nonetheless, the absence of studies investigating these two concepts together renders an exploration of this relationship difficult. We observe that quality is concerned with designs of good and bad that guide our likes and actions, that it brings ethics to mind in this respect, and questions our beliefs, actions and experiences via a philosophical rhetoric with attributes of “good” or “bad”, “right” or “wrong”, “ethical” or “unethical” by rising above morality just as ethics. When we look at the reasons that make definitions of ethics and morality different, it is observed that ethics has a philosophy while quality concerns issues that are more life-like and concrete. Ethical elements concentrate on requirements for people’s cohabitation, norms and values of social life, relationships between individuals and society, and the purpose and meaning of individual life thereby attempting to embody the quality of life.

Ethics, like quality, is concerned with internal values on the one hand and shape up phenomena regarding social obligations of the external world on the other. So far, an attempt has been made to highlight parallelisms and similarities between quality and ethics. Philosophically, distinguishing between these similarities and determining conceptual boundaries is another requirement. This difference between concepts will be dealt with under the following titles. However, we deem it useful to emphasize the common associations that both of these concepts create in people’s minds.

Conceptually, ethics and quality serve the same purpose. Both concepts evoke what is good, fine and right. The objective that both these concepts wish to attain is to raise life standards for man. Whereas ethics endeavors to raise society and social standards to be compatible with human pride, the concept of quality concerns aims to raise life standards of man, who is the center of this social structure. In this context, ethics target more macro-level goals in comparison to quality. However, it is difficult to argue that this parallelism between ethics and quality is not affected by views about the application and diversity of individual objectives. The macro-micro difference that exists between ethics and quality generates two fundamental areas of difference. The first of these areas can be expressed as “ignored ethical issues” by bringing quality to the foreground and the second as “ignored issues of quality” by highlighting ethical issues. This differentiation between ethics and quality stems from preferences about individual and social priorities. Aside from this, another dimension where difference deepens is profit-making. The nature of capital, liberal interpretations, free market conditions and the fact that competition regards quality as a means for profit-making contribute to the goal of raising life standards of a group of individuals, while they also have a negative effect on the standards of another group of individuals.

The main focus of ethical codes is between relevant fields of interest of ethics and quality. The primary concern of ethics is feelings, interests and ideals about feelings while quality is

more focused on product and service. Those codes consist of elements of ethics and quality, they basically concentrate on fundamental principles and are generally impractical, and their effect on professional applications is limited, goal-oriented and suggestion-oriented and holds that the main tendency of codes is to highlight quality rather than ethics. Concepts of ethics and quality have various aspects that differ from one another.

These differences can be dealt with in fewer than five fundamental principles, i.e. feelings, price, measurability, behaviors and decisions.

The first one that needs special emphasis is that while ethics is concerned with the effect of feelings on life, quality concentrates on one product or service only. This does not mean that a quality product or service does not have an effect on a life related to feelings. Nevertheless, feelings are secondary to the concept of quality. For example, if a product does not possess the major qualities of a product or a service, this may cause some damage to the user. On the other hand, not all of the properties of the product or services related to quality have an effect on people's feelings. This indicates that quality is more important. The idea of generalizing an ethical case prevents individuals from making random decisions. In contrast to this, the statement of quality refers to dependence on a single entity such as a product or service.

The second one concerns a value-based approach and in this definition, quality is linked to price. It must be emphasized that the relativity of quality is different from the concept of relativity in ethics. The concept of relativity in ethics argues that concepts of good, bad, right and wrong have no universal standards. Relativity recognizes differences in various different cultures and time; it guides members of a certain ethical code at a certain time and in a certain country or countries. Relativity could be a necessary thought for a study comparing different codes.

The third one is that ethical expressions are usually explained in very general terms; for example, one must keep the promise made to another.

Conversely, terms of quality possess specific criteria for each feature. The peculiar nature of quality control and details that emerge through measurement contribute to quality control and quality assurance. Quality control is concerned with applications of probability and statistics on problems of product and service delivery; while quality assurance, on the other hand, ensures effective realization of quality control functions.

The fourth one is that both ethics and quality are expressions of behaviors; ethics is concerned with behaviors that test morality, while quality is concerned with behaviors that test products

and services. Ethical decisions assess what is good, bad, right or wrong; on the other hand, decisions of quality make assessments via standards on the basis of tests.

The fifth one says that whereas ethical actions and decisions are generally assessed on the basis of the actions of the first person or actor, decisions of quality are evaluated on the basis of the behaviors of a third person (listeners or consumers). The approach of contract that aims to provide services existing in ethics highlights behaviors of the first person; quality contract, on the other hand, pursues the approach of contract-based agreement that aims to provide services and highlights the importance of the third person's behaviors. Differences between ethical expressions and quality expressions indicate a strong emphasis on the measurement of quality standards, which are opposite the ethical codes. While ethics emphasizes improvement of character or virtue and education, quality movement places significant emphasis on techniques such as statistical methods. Moreover, ethics gives autonomy to people as a moral factor; while quality, on the other hand, highlights appropriateness. Cost and price are in the center of ethical controversies; in contrast, they must be paid specific attention in quality assurance systems. Briefly, the most prominent difference between ethics and quality is the direction of interest; feelings have priority in ethics, but in quality product and services are important. The objective of quality assurance is not just to control or exhibit quality; instead, it also aims to build quality at every stage



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of production through programs or systems. Professional surveys concentrate on technical efficiency rather than individual moral values. Another question is whether a customer is concerned with a professional's moral values or technical skills. This could be expressed in the following terms: if ethics defines properties of character, then quality defines properties of technique. Due to the aforementioned reasons, today's interest in professional ethics might be related to its effect on the quality of professional services. While ethics involves issues related to people, quality involves issues about products and services. This concept of quality overlaps with minimalist values of contemporary business. When interpersonal tensions rise, especially when ethical values are concerned, a significant degree of dissatisfaction or disturbance emerges. On the other hand, fewer interpersonal tensions arise in quality assessments. For example, Wolfe points out those moral obligations of modern society equal financial obligations. Besides, sovereignty of state minimizes our moral obligations in the formula of "taking care of others is not my responsibility, it is the state's". When we discuss quality, we make reference to quality control at the same time. We think about how we measure quality, what we are obliged to do to ensure quality and what remuneration we are to make for flawed quality. It is observed that, control, which is not one of the important features of ethics, and, consumer and modern technological society, which puts emphasis on measurability, achieve better harmony with properties of quality. According to Wolfe, the concept of quality, which highlights contracts that emphasize substitution of financial obligations for moral obligations, is more consistent with present day values. While punishment, which focuses on damage suffered by the user of a product or a service, is generally considered financial compensation for insufficient quality, punishment for disobedience in ethics focuses on those who provide services. The discussions above concern meanings attributed to ethics and quality and emphasize the differences between these meanings. Various properties and meanings that can assume quality and ethics might change the relationship between the two concepts.¹⁵

Summary:

The above text describes the important relationship between ethics and quality and most of the important aspects. The intimate relationship between these two parts indicates the fragility and common positive effect that benefits all end users of any production. Respect for these concepts drives the avalanche effect for all industries and service suppliers.

10 PRINCIPLE OF CONVENIENCE AND MUTUAL SUPPORT BETWEEN QUALITY AND ETHICS

This chapter is essential to understanding the essence of an extensive and varied picture of the relationship between ethics and quality and the implications of this relationship for economic and social practice. However, it is not possible to focus only on the consistent side of the relationship between quality and ethics, but it is also necessary to draw attention to those moments in which the other is not beneficial. The relationship between ethics and quality is an organic part of the necessary unity between mind and nature as described by Gregory Bateson. Our mind and nature, like its environment, are shaped as stochastic processes, and the relationship of morality and quality is one means of their mutual adaptation and at the same time the formation of their unity. Above all, the relationship between quality and ethics is not static. It is not just a backdrop or a tool, but it responds to changes in its environment or changing context, it even has its own dynamics in relation to its context and actively co-creates it. It has already been said that in a broader social, civilization or cultural context one can describe the relationship between ethics and quality as a two-way mutual nonlinear link, complexity. In the process of their interaction, of course both positive and negative feedback are applied to varying degrees. Depending on which type of feedback prevails, the relationship leads to ethics and quality identity or decay. Therefore, a certain dynamic balance between different forms of feedback is important. Thus, if we can say that the ethical content of the message of quality is an important means of quality, then it can be postulated that the degree of compatibility of this ethical content with the ethical state of the near and remote environment has direct repercussions for quality and shapes it. It is the eternal, natural desire of man to know, to control and to change the world around him to his image, which the relationship between ethics and quality changes and drives, is his engine. It is natural that they are not the only human motivations that enter into a game of ethics and quality, but these are essential. Remember that the relationship between quality and ethics exists and functions within the limits of identity and incompatibility. On the one hand, the identity and often self-serving, and perhaps even autistic, closure of communication itself is one. On the other hand, there is “non-communication” due to the impenetrability, the indistinct nature of the message that both parties send. The existence of any limits opens up the possibility of attempting to manipulate the process defined by them or the relationship to a current or generally advantageous position. The true blessing for managing work is the fact that everything recognizable in our world has its limits. Who can find them, can try not only to manipulate, but sometimes even employ management or, especially in technical practice, even direct management. Since the source of the

dynamics of ethics and quality is the aforementioned human desires, it is natural that the most effective way to effectively use all the possibilities that ethics and quality of life can offer to our lives is simply systematic ethical education. It has two forms. It can be about education that unifies ethical or moral standards in a given community and identifies some as correct and the other as wrong. Similarly, such a way of ethical education approaches the ethical or moral message of others. Whether it deliberately or inadvertently helps to divide the community into “we” and “they”. This form of ethical education is not only for all cultures and civilizations, but also for farms and corporations from the territorial, ideological, professional and personal perspective. Communities, churches, political parties, professional chambers, and various sports and leisure clubs, all have their written or unwritten rules and traditions. They regard them as important for the quality of their own existence and functioning, and, in their spirit, they level the field between the individual members. Here is a note that ethics ends where it becomes a label, a timeless set of rules of external behavior. It is just a label that allows us to communicate even where there is no ethical understanding, because communication is ritualizing and dehumanizing. The label can hide real ethical differences and misunderstandings in order to establish ritualized communication that is generally better than none. The above label relates, for example, to the profession of diplomacy, and there is also a court label. That is, places where, under certain conditions, very diverse and even hostile interests may be encountered. It is certainly to the detriment

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of all of us that the “political etiquette” is not of general significance in the current social practice, and rather it can be said that it does not even exist. The lack of a political label is often advocated by the need for transparency as a natural component of ethics. Transparency itself is not and cannot be ethical, it is a mere physical phenomenon. Public and well-known are not necessarily more correct than hidden and secret. The essence of the second concept of ethical education is the effort to understand the general nature of ethics and morality. It is an effort that accompanies man and society of all human history. Today, this concept is highly up-to-date in the face of the rapid development of technology, globalization and multiculturalism. Not only in academic terms, as is the case so far, but especially in everyday life practice. Enlightenment and modern times claimed that morality can be replaced by reason, that reason can live without morality, that it was not necessary to think about it and to be troubled by conscience, but this feeling was false and, as a result, dangerous to individuals and society. The postmodern context has brought the need of most people in this world to be able to properly navigate in a whole range of situations that cannot be addressed by any enumeration in any community. It is not just direct contact with other people, but also information and communication mediated by a variety of live mediators, traditional paper and electronic media, and even artificial intelligence algorithms. Both ways of education can be compared to the different ways in shooting instructions. One of them serves to teach shooting, which is preceded by accurate aiming with sights. That is how the snipers shoot. The second way corresponds to shooting taught straight from the holster, as we know it from the “wild west heroes”. This corresponds to the prevailing form of weapons. The first way is better for bullet firearms, the second one for shotguns.

Generally speaking, we should try to make our ethical message of quality and our ability to receive the message as broad as possible. Simply put, two bullets or two beams will hardly ever meet. It is important to know that there may be such ethics both on the part of the creator of the quality and on the part of the recipient, which can shift the relationship of ethics and quality completely beyond reality and not only quality but production itself cannot bear this conflict. An ethical message that is beyond the message of a technological, material, aesthetic, or price component of a complex image of quality is an important measure that determines the social acceptance of production. An example of this is the fur of pups of seals, which at the turn of the sixties and seventies turned from desired and prestigious goods and a symbol of a high social status into an unacceptable part of the wardrobe and a symbol of cruelty and cynicism. At the same time, it was still the same high-quality product called the Ladies Fur Coat. Similarly, we witnessed a change in public opinion in the case of the Vietnam War or changes in the views of the scientific community surrounding the invention and the use of an atomic bomb. Recently, in western civilization, we have been witnessing a phenomenon that is generally called “correctness,” and it enters the social, political, family, individual and intimate life at all its levels and forms. The movement for correctness constantly increases the pressure on change in quality and the form of ethics and

thus destroys it, because ethics is something that is very tolerant in interpersonal relations and it hates any petrification, including legislative. Correctness has a similar devastating effect on ethics as a totalitarian state, which also has the right to guard ethics and be its arbiter. “Everything inside the state, nothing out of the state, nothing against the state” ultimately destroys ethics and quality, and personally controls their relationship. We all recall the horror of the cultural revolution in China and its victims, as well as the victims of Nazism and Stalinism, the Russian or French Revolutions and other “Great Leaps”, but we seem to be subject to excessive pressure of correctness that dehumanizes and algorithmizes us. Dehumanization and algorithmization are the essence of all genocide and mass murder in the history of mankind. But there is one more thing that has something to do with the above-mentioned situation, which cannot be overlooked. These are cases in which quality and its message are not only unthinkable, but virtually unrecognizable. It is a so-called cultural shock or even a complete passage of cultural patterns and signals, when we do not even notice the ethical signal of the given quality and even the quality itself. Similarly, our signal may not be detected, often inconsistent with our intentions and assumptions. If we are already talking about the importance of education to understanding the essence of ethics and morality, then finding ways of communicating where no communication has ever been or has not been possible is one of its key tasks. It is basically about the expansion of that Batesonian unity of mind and nature with another stone. This chapter would be incomplete if we did not mention the name of the most beautiful misunderstanding or disagreement between ethical messages and the ethics currently in force. That name is humor. And humor, whether it is happening accidentally, unintentionally or based on some ideas, humor is the spice of human lives and life altogether. The dynamics of the relationship between ethics and quality is an inexhaustible source of the ups and downs of man and his civilization, the source of movement and change of Universum, the co-creator of the future.

Summary:

Ethics, quality and their relationship are an organic part of the necessary unity of mind and nature. The dynamics of the nonlinear complexity of the relationship between ethics and quality is driven primarily by human aspirations for knowledge, control and change of the world. This relationship is not always without a conflict, it is not always „convenient“ and it is not „mutually supportive“ only in the positive sense. Things and processes around us are changing along with our judgments about them and we are changing them ourselves. The key is to recognize the ethical and human signals in the signals that go to us, as well as to make sure that our signals can be recognized by us. To do so, comprehensive, individual, family, group, social and general ethics could be directed.

11 ETHICS IN SERVICES, PRODUCTION AND BUSINESS

Morals, ethics and professional ethics

Morality is the set of norms through which societies historically define behavior that is viewed as good or bad, as acceptable or not by the community. Ethics, on the other hand, may be seen as being synonymous with morality, the science or theory of moral practices. Ethics is also thought of as the character or ethos of an individual or a group – the hierarchy of values and norms which he/she or they identify for him/herself or themselves against a prevailing moral code. Generally, we will use the term ethics in the latter sense. Morals or morality originate in social practices while ethics, as a science, is a rational endeavor. Ethics, as a set of principles, give a rational justification for behavior. They define individual and group priorities, and in the end, they may arrive at a systematic body of moral norms, as individual and group practices get interwoven.

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Professional ethics

Professional groups, although limited by moral norms, define their own ethics. They give priority to one or other social objective. They hierarchically organize their values and beliefs. For instance, artists value beauty highly; business entrepreneurs, profit; economists and managers, efficiency; politicians, power; jurists, justice; and the military, order. Professional ethics will share values in common with society. Although the hierarchy of values will vary from time to time and from group to group, there is a general understanding of professional ethics. On the other hand, there are differentiations among professions such that we can suggest as it were ethics of beauty, truth, justice, order, profit, innovation, efficiency, power, etc. These professional ethics are related and subordinated to the existing morality of a society and are observed and interpreted. Morality, in turn, was discovered from divine (religious) or secular (natural) sources or was invented by a logical process of reasoning and deduction according to Walzer. Thus we have set up a system of moral legitimacy. Professional ethics are legitimized by an existing morality which, in turn, is given value by revelation, logical deduction (invention), or simply by interpretation.

Moral principles and safety

The attempt to observe strict moral principles is a classical characteristic of the bureaucracy and particularly of high ranking officials. There is nothing more detrimental for a top civil servant than to be accused of corruption or even of lenient moral principles. An official has two sources of recognition: technical competence and reputation or honor. Regarding the latter, the strict observation of moral principles is important to a civil servant. If a civil servant is caught in an ethical violation and tarnishes his or her reputation, his or her career is seriously damaged. This is sometimes less critical for a politician or a businessman whose criteria for success do not depend so much on personal honesty. A politician depends on popular support and a businessman on profits. Popular support may depend on the moral reputation of a politician. And as democracy and civic awareness strengthens, this becomes increasingly true. However, the capacity that voters have to control the honesty of politicians is limited. The capacity that bureaucratic superiors have of controlling the conduct of their subordinates is higher than that of the voters controlling the behavior of politicians.

Promoting Ethics in the Public Service

Security is another defining trait of a bureaucracy. It is a trait associated more with the lower than the higher bureaucracy, as the latter tend to feel more personally secure and ready to confront more risks. But even senior bureaucrats value security considerably more than

politicians and businessmen. They traditionally avoid risk. They accept a smaller monetary gain than businessmen and less power than politicians in exchange for higher job security. Thus morality and security come together. A strict moral code enhances civil servants career and security. However, this alone does not prevent corruption. Corruption will occur more where the bureaucracy is less professional, where the legal system is less defined, where the internal and external controls on the bureaucracy is faltering, where a political regime is more authoritarian resulting in less freedom of the press, weaker opposition parties, a weaker civil society, and fewer mechanisms of social control and participation.¹⁶

Summary:

Professional ethics are a very important part of a mature managerial culture. The role of a manager requires the unavoidable respect to the ethical principles which might be included in the code of ethics. The number of companies that have introduced and adopted such principles increased dramatically. It shows that this is a widely accepted practice to be applied globally.



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12 ETHICS ACCORDING TO CONSUMER AND SUPERVISOR AUTHORITY

One problem in talking about business ethics is that there is no unanimity as to what is ethical and what is unethical. Little disagreement exists with regard to flagrant ethical violations such as embezzlement or stock fraud. Views become clouded, however, with regard to less obvious ethical questions, such as whether it is ethical to take longer than necessary to do a job or to engage in a few minutes of personal business on company time.

One concrete action that can be taken to encourage ethical standards is to establish a code of ethics. A code of ethics is a written statement of principles that should be followed in the conduct of business. Ideally, a code of ethics is comprehensive and addresses issues applicable to all areas of the organization. In general, codes of ethics are designed to serve three basic purposes:

- 1) to demonstrate a concern for ethics
- 2) to transmit ethical values and standards to those working in the organization
- 3) to affect employee behavior by establishing behavioral expectations

If a code of ethics is to achieve its purposes and help mold the ethical environment of the organization, it must be communicated to all employees. The code can be communicated through company mailings, e-mails, bulletin board postings, employee handbooks, and general announcements. Many organizations require all new employees to sign a form confirming that they have read the company's code of ethics. Even more important than the method of communication is that the code be actively supported by all levels of management.

Support for the code of ethics must start at the top of the organization and filter down through all levels. Employees must perceive that managers at all levels believe in and adhere to the code of ethics. If a comprehensive code of ethics does not exist, supervisors can clearly communicate their ethical expectations through their actions and personal behaviors.

Although ethical behaviors of supervisors do not often make newspaper headlines, situations that test their ethics arise almost daily. Where it exists, a code of ethics provides the framework within which supervisors must act. However, numerous situations not specifically covered by a code of ethics often arise. In these situations, supervisors need to use individual judgment. It is often these judgments that most influence employee ethics. The supervisor must set the

example. Subscribing to the theory of “Do what I say, not what I do” doesn’t work. Employees are much more impressed by what supervisors do than by what they say. Employees’ notions as to what is acceptable and not acceptable are largely based on the supervisor’s actions. If employees perceive a supervisor as being slightly unethical or dishonest, they are likely to feel that similar behavior on their part is acceptable. For example, if employees have a reason to believe that their supervisor is “borrowing” things from the storeroom, they may not see anything wrong with their doing the same thing. On the other hand, some employees may still feel that doing this is wrong and thus lose respect for the supervisor.

The supervisor’s general attitude toward ethics can greatly affect the ethics of the employees. The supervisor’s failure to take corrective action in certain situations can also affect the ethical behavior of the employees. They often interpret such failures as condoning or giving tacit approval. The importance of the supervisor’s role in setting the ethical tone of the organization is reinforced by the 2003 study conducted by the Ethics Resource Center. The study found that the overwhelming majority of respondents believed their supervisors set good examples for ethical behavior.

LOYALTY

The category of loyalty has to do with where a supervisor’s loyalties lie. Does the supervisor place personal interests ahead of everything else, or is he or she dedicated to the goals and needs of the employees, the organization, the family, or others? Regardless of the supervisor’s leadership qualities, communication skills, or general knowledge, his or her personal influence will not be effective unless the employees view the stated objectives positively. Supervisors who are perceived as being interested only in themselves and their futures will have difficulty in getting the full cooperation of employees. Employees may ask themselves, “Would this supervisor destroy another person’s career in order to advance?”

HUMAN RELATIONS

This category centers on a supervisor’s concept of fairness. It is concerned with how the supervisor treats other people, especially subordinates. Ethics play a major role in determining how a supervisor treats subordinates. Is the supervisor consistent in the way that he or she deals with different subordinates, or does the supervisor play favorites? Are all of the supervisor’s interpersonal dealings honest, or does he or she have a tendency to “talk behind people’s backs”? Does the supervisor deceive his or her peers in order to make them look bad? Is the supervisor genuinely interested in the careers of subordinates?

OVERT PERSONAL ACTIONS

The category of overt personal actions includes all of the other actions taken by a supervisor that may reflect his or her ethics. Those actions may be internal or external to the organization. Behavior inside the company would include such things as not circumventing organizational policy. External actions would include such things as how supervisors handle themselves in the community.

Corporate culture can be defined as “the set of important understandings (often unstated) that members of a community share in common. Culture in an organization compares to personality in a person. Humans have fairly enduring and stable traits that help them protect their attitudes and behaviors. So do organizations. In addition, certain groups of traits or personality types are known to consist of common elements. Organizations can be described in similar terms. They can be warm, aggressive, friendly, open, innovative, conservative, and so forth. An organization’s culture is transmitted in many ways, including long-standing and often unwritten rules; shared standards regarding what is important; prejudices; standards for social etiquette and demeanor, established customs for relating to peers, subordinates, and superiors; and other traditions that clarify to employees what is and is not appropriate behavior. Thus, corporate culture communicates how people in the organization should behave by establishing a value system conveyed through rites, rituals, myths, legends, and



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actions. Simply stated, corporate culture means “the way we do things around here.” In this light, corporate culture can certainly have a major impact on an organization’s ethical standards and the ethical behaviors of its members.

Social responsibility is a term that is often linked to organizational ethics. Social responsibility refers to the obligation that individuals or businesses have to help solve social problems. Most organizations in the United States feel some sense of social responsibility. Businesses’ concept of their role in society has changed dramatically over the past century. Beginning in the 1960s, many people began to believe that corporations should use their influence and financial resources to address social problems. They believed corporations should help solve problems such as poverty, crime, environmental destruction, and illiteracy. According to this view, businesses should be responsible corporate citizens, not just maximizers of profit. Businesses have obligations to all of the people affected by their actions, known as stakeholders. Stakeholders include a company’s employees, customers, suppliers, and the community. Since the 1960s, corporations have increasingly demonstrated their commitment to social change.

With regard to subordinates, the supervisor must first recognize the problem and then build a case. For various reasons, supervisors are often reluctant to admit to problems involving dishonest employees. Some supervisors believe that bringing such a problem into the open would be bad for morale. Others mask the problem by arguing that “everybody does it.” The problem is compounded if the dishonest employee has been with the company a long time and has a good work record. Whatever the case, such an employee should be confronted and dealt with appropriately. The supervisor must gather proof of the employee’s dishonesty. This does not mean taking the word of others; it means carefully documenting the available evidence. For example, if an employee is suspected of stealing from the supply cabinet, care should be taken to document what was missing, the times it was missed, and the employee’s whereabouts at those times. Once the supervisor is confident of the facts, he or she should confront the employee and follow the disciplinary system. The keys here are (1) recognize the problem, get the facts, and document the case; (2) confront the employee; and (3) follow the established disciplinary system. The general approach followed in dealing with dishonest peers and other managers is similar to the one followed in dealing with dishonest subordinates. Since the relationships involved are significantly different, however, some deviation from this approach may be necessary. Moreover, you may not be in a position to deal directly with the problem. For example, if you suspect that a supervisor in another area is dishonest, you may never be in a position to prove or disprove your suspicions. In this case, you should deal cautiously with that supervisor and alert your boss as to your suspicions. When dealing with dishonest peers and other managers, it is in most cases better to report your suspicions and findings to your boss and let him or her confront those involved. Supervisors should be aware that the usual tendency in dealing with dishonest

employees is to do nothing and hope that the problem will go away. Unfortunately, the problem rarely goes away; it usually gets worse. In this same light, it is helpful to remember that most situations involving employee dishonesty start out small and grow.

Gain the Respect of Subordinates

Gaining the respect of subordinates goes a long way toward building a power base. If your subordinates respect you, they will stand up for you in a crisis – they will give you active support when you need it. Others in the organization will interpret the support as a sign of power. Being competent and doing your job well is one of the best ways to gain the respect of subordinates.

Help Employees Be Successful

Helping subordinates be successful in their jobs not only reflects positively on a supervisor's performance but also promotes loyalty to the supervisor. Employees who believe that their supervisors are supportive and that their supervisors want them to succeed will go to great lengths to please their supervisors.

Be “in Good” with Your Boss

A certain amount of power goes with being in good with your boss. Subordinates and peers treat you with a certain respect if they know you have a close relationship with your supervisor. A later section in this chapter discusses ways “*to keep your boss happy.*”

Seek Responsibility

Responsibility is accountability for reaching objectives, using resources properly, and adhering to organizational policy. Supervisors can gain power by seeking and accepting responsibility. The key here is to aggressively seek out additional responsibility rather than waiting for it to come. Peers and subordinates will automatically bestow a certain degree of power on the supervisor who has considerable responsibility.

Organization politics refer to the practice of using means other than merit or good performance for bettering your position or gaining favor in the organization. Organization

politics include such things as trying to influence the boss, trying to gain power, and trying to gain a competitive edge over your peers. Many people often associate sneaky, devious, or unethical behavior with the phrase “*organization politics*.” However, this is not necessarily the case. There are many forms of organization politics that are not sneaky, devious, or unethical. Only when an individual pursues self-interest to the detriment of others or the organization does the behavior become unethical. When viewed in this light, almost any approach to organization politics can be ethical or unethical, depending on how it is used. Because organization politics are a reality in organizations, supervisors should understand them and know how to use them in a positive and ethical manner.

This chapter discusses the importance that ethics and organization politics play in the life of the supervisor. It offers numerous guidelines to assist supervisors in dealing with ethical questions and to enhance their understanding of organization politics.

- **Define ethics and discuss what behaviors are considered unethical.**

Ethics are standards or principles of conduct that govern the behavior of an individual or a group of individuals. Ethics are generally concerned with moral duties or with questions relating to what is right or wrong. Blaming or taking advantage of an innocent co-worker, divulging confidential information, falsifying reports, claiming

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credit for someone else's work, unauthorized use of an expense account, and pilfering company materials and supplies are generally considered unethical behaviors.

- **Explain what a code of ethics is and describe what a code of ethics typically covers.**
A code of ethics is a written statement of principles that should be followed in the conduct of business. A code of ethics typically addresses such topics as ethical standards, questionable payments, meals, gifts, purchasing policies, and employee involvement in political campaigns and non-corporate political activities.
- **Discuss the role that supervisors play in setting the ethical tone of an organization.**
As the final link between management and operative employees, supervisors play a major role in setting the ethical tone of the organization. Employees look to their supervisors for cues as to what is considered ethical behavior and what is not.
- **Identify the major areas that require ethical conduct by supervisors.**
Most of the areas requiring ethical conduct by supervisors can be grouped into three general categories: (1) loyalty, (2) human relations, and (3) overt personal actions.
- **Define the term corporate culture and explain how it can impact an organization's ethical standards.**
Corporate culture can be defined as "the set of important understandings (often unstated) that members of a community share in common." Corporate culture communicates how people in an organization behave by establishing a value system conveyed through rites, rituals, myths, legends, and actions. These rites, rituals, myths, legends, and actions have a direct impact on the organization's ethical standards.
- **Explain the concept of social responsibility.**
Social responsibility refers to the obligation that individuals or businesses have to help solve social problems.
- **Outline the steps the supervisor should follow when dealing with a dishonest subordinate.**
When dealing with a dishonest subordinate, the supervisor should recognize the problem, get the facts, and document the case; confront the employee and follow the established disciplinary system.
- **Describe how a supervisor can positively increase his or her power base.**
Things that a supervisor can do to increase his or her power base include gain the respect of subordinates, help employees be successful, be "in good" with your boss, and seek responsibility.

- **Define organization politics.**

The term organization politics refers to the practice of using means other than merit or good performance for bettering your position or gaining favor in the organization. Because organization politics are a reality in organizations, supervisors should understand them and know how to use them in a positive and ethical manner. Organization politics include such things as trying to influence the boss, trying to gain power, and trying to gain a competitive edge over your peers.

- **Discuss several guidelines the supervisors should follow when socializing with other members of the organization.**

While there are no absolute hard and fast rules in this area, the following guidelines should be followed:

- Don't be overly eager to socialize with subordinates or superiors
- Don't do anything while socializing that will later cause problems
- Don't try to put on a false front to impress your boss or other superiors
- Don't try to use your rank when socializing with subordinates
- Don't make any work-related promises to subordinates while socializing
- Don't date or become romantically involved with subordinates

WHISTLER BLOWING

In situations where supervisors and/or employees are not supported by their bosses regarding ethical or wrongdoing concerns, they must sometimes resort to whistle-blowing. Whistle-blowing is defined "as the attempt by an employee or former employee of an organization to disclose what he or she believes to be wrongdoings in or by the organization." One problem with whistle-blowing is that the whistle-blower places himself or herself at some risk should management react negatively or defensively to the information provided. There are many cases where employees have been fired or received other negative repercussions from whistle-blowing. Fortunately, over two-thirds of EU states have passed legislation to protect whistle-blowers from retaliation.

Power is the ability to get others to respond favorably to instructions and orders. Put another way, power is the ability to influence others to do what you ask. The use of or desire for power is often viewed negatively in our society because power is often linked with the capacity to punish. While there are some negative types of power, there are also several very positive types. Fortunately, not everybody seeks or enjoys equal degrees of power. However, every supervisor needs some amount of power. Supervisors who have built a broad power base can more readily get employees' attention and cooperation and are more likely to be respected by higher-level managers. In this light, there are many positive things that supervisors can do to increase their power base in a positive manner.¹⁷

Summary:

The above principles show some new trends that support an ethical approach with a huge impact on quality. The role of a whistle blower has been recently introduced and it clearly demonstrates that companies demand ethics and quality within their business practice.



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13 ETHICS, ROBOTS AND QUALITY

Robots present an interesting double picture. We can see them simply as our tools, as things we use. Alternatively we can see them as agents, as embryonic persons. The ethical implications of robotics look very different depending on which of these views we adopt.

Considering them as tools akin to cars or factory control systems, ‘robot ethics’ solely concerns our responsibilities towards the human community and the environment in our use of robot technology. This is a debate already covered in the extensive literature on the ethics of technology and IT. To some people that’s the end of the argument. But if instead we view robots as potential agents or persons, with a degree of autonomy that approaches or may even exceed human autonomy, then ‘robot ethics’ depends upon the notion that robots might in some sense be moral agents in their own right.

In a more radical view, robots must seriously be considered to be not merely tools, but subject to ethical considerations in their own right, at least in principle. They have an intrinsic rather than just instrumental status. In this view there is no reason why electronics versus biology should make a difference to ethical status: it is rather a matter of design or functionality.

There is a reason for taking this radical view seriously, at least as a pragmatic stance. The likely proliferation of autonomous robots in factories, on battlefields, in public places and in homes means that robots may soon be occupying roles and making decisions which if taken by humans would be seen as having deep moral importance.

These robots may be crude beasts, and may resemble humans only in very superficial ways. Alternatively they may resemble humans in certain subtle and important ways, while not at all in their superficial respects. For example, they may get about on wheels rather than legs, but have powerful perceptual and decision-making faculties which allow us to put them in charge of situations previously the preserve of highly responsible professionals.

Here then are two positions: conservative, seeing robot ethics as a theoretical fantasy; and radical, seeing it as a pragmatic necessity. On the face of it, they seem incompatible, but are they? We may grant that at least for the foreseeable future robots won’t approach humans in ways which would allow them to be full members of the moral community, as ethical agents in some proper sense. All the same, there’s still an urgent technical and moral imperative on us to arrive at ways to ensure that robot behavior adequately approximates to morally-acceptable human behavior – that is, to develop what can be called a ‘paraethics’ for artificial agents.

In any case this is what I shall argue. Even if robots are sealed off from participating in ethics in the strict senses that some moral philosophers define, there nevertheless is a form of ethics in which they could and should participate.

There may be a strong pull towards saying, conservatively, that electronic robots will remain non-experiencing creatures, however complex and high-functioning in their capacities, and however closely some may come to resemble humans. If so, then as non-sentients, perhaps, they cannot directly be either moral consumers or producers.

But that very restrictive view may be misguided; many would say it is. Even if we accept it, a possible future world with robots all around us (and around each other) is fraught with too many dangers for us to leave the question of robot ethics there. We have suggested that we have to develop a special form of ethics for use by and towards robots focused on moral expectations about how they treat us and themselves, and about how we treat them. Otherwise we may find any such techno-future much harder to deal with than all the previous techno-futures that have already arrived.¹⁸

What is left to deal with is the importance of quality ethics in the light of the fact that this world has experienced and is experiencing situations where humanity and the ethics associated with it can be either minimized or completely disappear, or they do not even manifest themselves or exist at all due to the nature of the matter itself. These are historical periods and places full of fanaticism of all kinds, from religious to humanistic, from reaction to revolutionary. In addition to a number of religious cults, let's recall the model fanatic revolutionaries whose pride was that they completely discarded any morality and conscience just to break down everything old and to establish the new, including mass killing or even genocide of old order bearers. Similarly, we can remember reactionaries who managed to change and destroy and kill many just to maintain status quo. We remember the situation in extermination concentration camps, where humanity and ethics were pushed into completely absurd positions. Today, we can see examples of the various types of absence of humanity and ethics around us, while currently the widest and also the most serious area of communication without any humanity and ethics is artificial intelligence (AI).

We will allow this text to touch on the manifestations of fanaticism and inhumanity only very marginally in order to ascertain the limit of the very existence of quality ethics. Attention will be paid to artificial intelligence, which is being increasingly promoted in social life as current societies begin to change significantly. The authors of the book allow themselves to pronounce the idea that there are basically four simple factors of making fundamental changes to social paradigms. These are the number and diversity of sources of information, the quality of their network and the freedom of movement of information within it. Today, there is a clear tendency and desire of a growing and increasingly more influential group of

people to secure freedom of movement of information no matter what. When we realize what all is based on the principle of borders and hence the limitation of the movement of information, i.e. states, communities, social systems, protection of intellectual property, but also family and friendship, the dimension and possible consequences of this movement are getting clearer. It has the character of a new faith and religion, which legitimizes the elimination of borders of all kinds, including integrity and identity of individuals.

These facts related to the development of the influence of AI on communication as a whole highlight the importance of quality ethics in today's world where its field of activity is narrowing significantly.

Summary:

The massive use of robots in the production industry created new limits in terms of how humans might recognize their support, functionalities and the expected impact on the whole society. From the ethical viewpoint, some principles should be set up for how robots can be exploited, used or modified to meet the global demand for outputs. Nowadays, robots would mean quality but another meaning would be ethics in the foreseeable future.

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14 UNDERSTANDING WHY ETHICAL BEHAVIOR IS NEEDED

You probably have read much about the basics of ethics, leadership, stewardship, morality and social responsibility. Accordingly, you have most likely formed a good understanding of them based on your experiences and thoughts.

However, most people do not really take the time to understand the true meaning of values, ethics and morality.

Values are core beliefs or desires that guide or motivate our attitude and actions. What one values drives his or her behavior. Some people value honesty or truthfulness in all situations; others value loyalty to a higher degree in certain situations.

Ethics is the branch of philosophy that theoretically, logically and rationally determines right from wrong, good from bad, moral from immoral and just from unjust actions, conducts and behavior. Some people define ethics simply as doing what you say you will do or walking the talk.

Overall, ethics establishes the rules and standards that govern the moral behavior of individuals and groups. It also distinguishes between right and wrong conducts. It involves honest consideration to underlying motive, to possible potential harm and to congruency with established values and rules.

Applied ethics refers to moral conclusions based on rules, standards, code of ethics and models that help guide decisions. There are many subdivisions in the field of ethics; some of the common ones are descriptive, normative and comparative ethics. Business ethics, more specifically, deals with the creation and application of moral standards in the business environment.

Consider the following dilemma and how the terms values, ethics and morals apply.

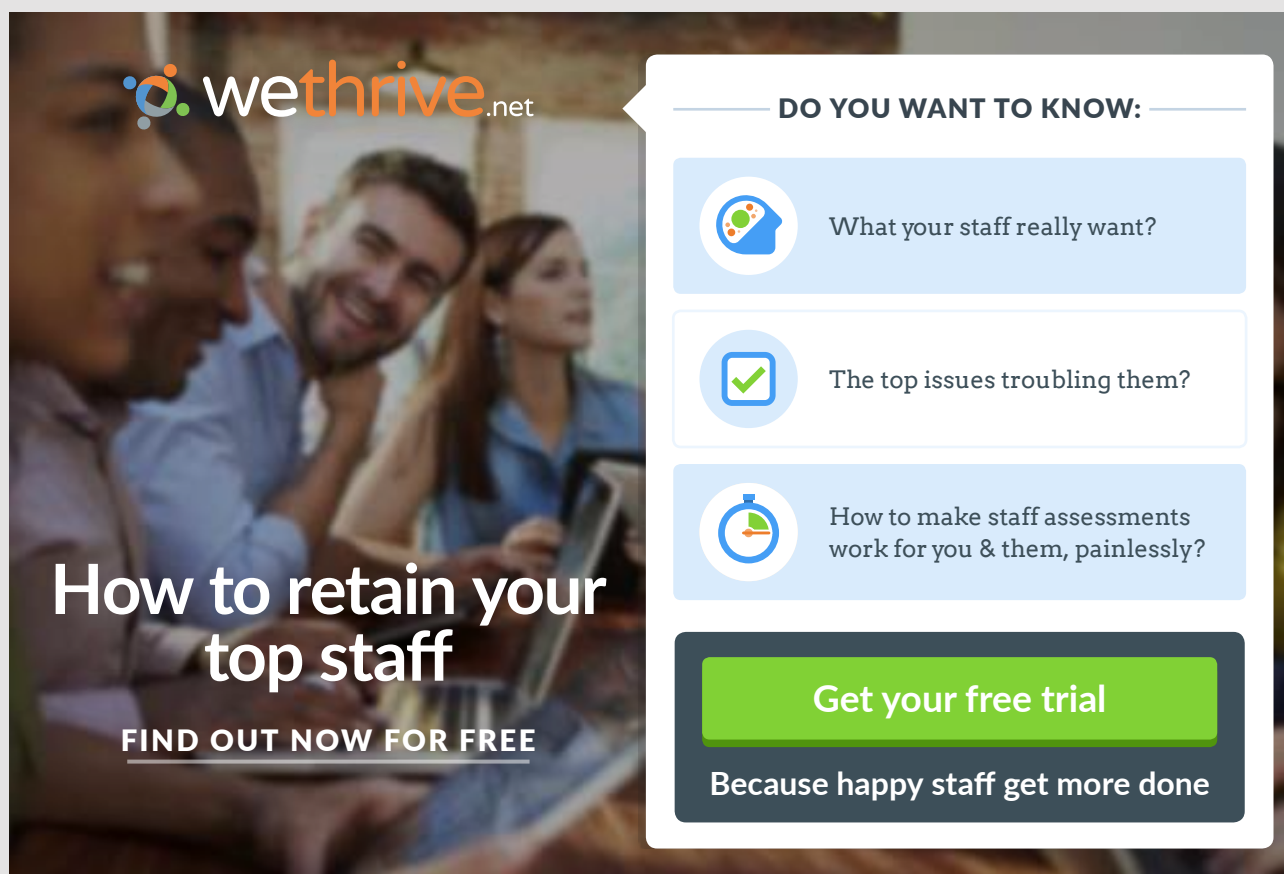
A thief named Zar guarantees that you will receive the agreed upon confidential information from your competitor in five days. Zar is professing a value – he will deal with you honestly because you, as the customer, are very important to his business. When Zar has delivered the proper documents within the agreed upon time (five days), one can say that Zar has behaved ethically because he was consistent with his professed values.

The following year, you ask Dar, who is a competitor to Zar, to do the same thing. He makes the same promise as Zar by professing the same values. Five days later, Dar only delivers part of the information, which is not totally accurate, and at the same time, blackmails you for more money. Dar says that if does not get more money, he will go to the authorities and the competitor to report this business dealing.

One can say that Dar has behaved unethically because his actions were not consistent with his professed values. And, you can conclude that all three parties involved in stealing insider information have acted immorally as judged by majority of the population.

Overall, values are professed statements of one's beliefs, ethics is delivering on one's professed values and morals are actions of good conduct as judged by the society that enhance the welfare of human beings.

With an understanding of values, ethics and morals while using ethical principles, a business owner or leader can form a framework for effective decision-making with formalized strategies. The willingness to add ethical principles to the decision-making structure indicates a desire to promote fairness, as well as prevent potential ethical problems from occurring.



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Corporate ethics programs are part of organizational life, and organizations can use such sessions to further discuss the meaning of values, ethics and morals in the context of their businesses. Organizational codes of ethics should protect individuals and address the moral values of the firm in the decision-making processes.

Corporate codes of ethics are not merely manuals for how to solve problems; they are tools that can empower everyone in the organization to say, “I am sorry, that is against our policy or that would violate our company’s code of ethics.”

Doing so will increase the personal commitment of employees to their companies because people take pride in the integrity of their corporate culture.¹⁹

Summary:

Ethical behavior is often an unseen treasury among today’s men and women. We may claim that this topic is one of the biggest triggers that will contribute to the next level. All issues discussed in the above text describe how moral based behavior is a source from which everyone can benefit.

15 ETHICS AND CRIME TOLERANCE

Understanding how we make and follow through on ethical decisions is the first step to making better choices; taking a systematic approach is the second. We'll explore both of these steps in this chapter. After examining the ethical decision-making process, we'll see how guidelines or formats can guide our ethical deliberations.

Components of Moral Action

There are a number of models of ethical decision-making and action. For example, business ethics educators Charles Powers and David Vogel identify six factors or elements that underlie moral reasoning and behavior and that are particularly relevant in organizational settings. The first is moral imagination, the recognition that even routine choices and relationships have an ethical dimension. The second is moral identification and ordering, which, as the name suggests, refers to the ability to identify important issues, determine priorities, and sort out competing values. The third factor is moral evaluation, or using analytical skills to evaluate options. The fourth element is tolerating moral disagreement and ambiguity, which arises when managers disagree about values and courses of action. The fifth is the ability to integrate managerial competence with moral competence. This integration involves anticipating possible ethical dilemmas, leading others in ethical decision-making, and making sure any decision becomes part of an organization's systems and procedures. The sixth and final element is a sense of moral obligation, which serves as a motivating force to engage in moral judgment and to implement decisions.

James Rest of the University of Minnesota developed what may be the most widely used model of moral behavior. Rest built his four-component model by working backward. He started with the end product – moral action – and then determined the steps that produce such behavior. He concluded that ethical action is the result of four psychological subprocesses:

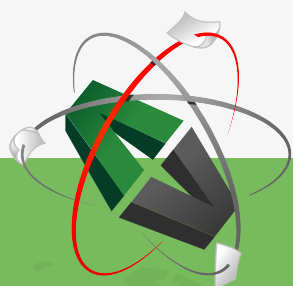
- 1) moral sensitivity (recognition),
- 2) moral judgment,
- 3) moral focus (motivation), and
- 4) moral character.

Component 1: Moral Sensitivity (Recognition)

Moral sensitivity (recognizing the presence of an ethical issue) is the first step in ethical decision making because we cannot solve a moral problem unless we first know that one exists. A great many moral failures stem from ethical insensitivity. The safety committee at Ford Motor decided not to fix the defective gas tank on the Pinto automobile because members saw no problem with saving money rather than human lives. Wal-Mart was slow to respond to concerns raised by employees, labor groups, environmentalists, and others about wage violations, sexual discrimination, poor environmental practices, and other issues. Many students, focused on finishing their degrees, see no problem with cheating. (You can test your ethical sensitivity by completing the “Self-Assessment: Moral Sensitivity Scenarios.”) According to Rest, problem recognition requires that we consider how our behavior affects others, identify possible courses of action, and determine the consequences of each potential strategy. Empathy and perspective skills are essential to this component of moral action. If we understand how others might feel or react, we are more sensitive to potential negative effects of our choices and can better predict the likely outcomes of each option.

A number of factors prevent us from recognizing ethical issues. We may not factor ethical considerations into our typical ways of thinking or mental models. We may be reluctant to use moral terminology (values, justice, right, wrong) to describe our decisions because

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we want to avoid controversy or believe that keeping silent will make us appear strong and capable. We may even deceive ourselves into thinking that we are acting morally when we are clearly not, a process called ethical fading. The moral aspects of a decision fade into the background if we use euphemisms to disguise unethical behavior, numb our consciences through repeated misbehavior, blame others, and claim that only we know the “truth”.

Fortunately, we can take steps to enhance our ethical sensitivity (and the sensitivity of our fellow leaders and followers) by doing the following:

- Active listening and role playing
- Imagining other perspectives
- Stepping back from a situation to determine whether it has moral implications
- Using moral terminology to discuss problems and issues
- Avoiding euphemisms
- Refusing to excuse misbehavior
- Accepting personal responsibility
- Practicing humility and openness to other points of view

In addition to these steps, we can also increase ethical sensitivity by making an issue more salient. The greater the moral intensity of an issue, the more likely it is that decision makers will take note of it and respond ethically. We can build moral intensity by doing the following:

- Illustrating that the situation can cause significant harm or benefit to many people (magnitude of consequences)
- Establishing that there is social consensus or agreement that a behavior is moral or immoral (e.g. legal or illegal, approved or forbidden by a professional association)
- Demonstrating probability of effect, that the act will happen and will cause harm or benefit
- Showing that the consequences will happen soon (temporal immediacy)
- Emphasizing social, psychological, physical, or psychological closeness (proximity) with those affected by our actions
- Proving that one person or a group will greatly suffer due to a decision (concentration of effect)

Finally, paying attention to our emotions can be an important clue that we are faced with an ethical dilemma. Moral emotions are part of our makeup as humans. These feelings are triggered even when we do not have a personal stake in an event. For example, we may feel angry when reading about mistreatment of migrant workers or sympathy when we see a picture of a refugee living in a squalid camp. Moral emotions also encourage us to take action that benefits other people and society as a whole. We might write a letter

protesting the poor working conditions of migrant laborers, for instance, or send money to a humanitarian organization working with displaced persons.

Anger, disgust, and contempt are other-condemning emotions. They are elicited by unfairness, betrayal, immorality, cruelty, poor performance, and status differences. Anger can motivate us to redress injustices like racism, oppression, and poverty. Disgust encourages us to set up rewards and punishments to deter inappropriate behaviors. Contempt generally causes us to step back from others. Shame, embarrassment, and guilt are self-conscious emotions that encourage us to obey the rules and uphold the social order. These feelings are triggered when we violate norms and social conventions, present the wrong image to others, and fail to live up to moral guidelines. Shame and embarrassment can keep us from engaging in further damaging behavior and may drive us to withdraw from social contact. Guilt motivates us to help others and to treat them well.

Sympathy and compassion are other-suffering emotions. They are elicited when we perceive suffering or sorrow in our fellow human beings. Such feelings encourage us to comfort, help, and alleviate the pain of others. Gratitude, awe, and elevation are other-praising (positive) emotions that open us up to new opportunities and relationships. They are prompted when someone has done something on our behalf, when we run across moral beauty (acts of charity, loyalty, and self-sacrifice, for example), and when we read or hear about moral exemplars. Gratitude motivates us to repay others; awe and elevation encourage us to become better persons and to take steps to help others. In sum, if we experience anger, disgust, guilt, sympathy, or other moral emotions, the chances are good that there is an ethical dimension to the situation that confronts us. We will need to look further to determine if this is indeed the case.

SELF-ASSESSMENT MORAL SENSITIVITY SCENARIOS

Instructions: Read each vignette and consider the following statement:

There are very important ethical aspects to this situation. (1 = strongly disagree, 7 = strongly agree)

Then briefly explain your rating for each vignette in the space below it. For more information on the ethical issues raised by the scenarios, see Item 1 under “For Further Exploration, Challenge, and Self-Assessment.”

Vignette 1

One of your most important customers, a medical clinic, called yesterday. The clinic had ordered a product 10 days ago (products are normally delivered within 7–10 days), but it had not arrived. Quickly, you traced the order to the shipping office. You asked the shipping clerk about the order, and she said, “I shipped it 2 days ago!” As you left the shipping office, you glanced at her desk and saw her shipping receipts. You could clearly see that the order was shipped this morning. You called the client back with the news that the product was on its way. As you talked with the client, you learned that the delay of the product had allowed the condition of some patients to worsen quite dramatically.

Vignette 2

Last Monday, you were sitting at your desk examining a request that a customer had just faxed to you. The customer was proposing a project that would make a tremendous amount of money for your company but had an extremely demanding time schedule. Just as you were about to call the customer and accept the project, one of your employees, Phil, knocked on the door. He entered your office, politely placed a letter of resignation on your desk, and told you he was sorry, but in two weeks, he would be moving to another state to be closer



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to his ailing parents. After he left, you thought about the proposed project and determined that even though Phil would be gone, you could still meet all of the customer's deadlines. You called the customer and accepted the project.

Vignette 3

Earlier today, a salesman who works in Iowa called you and told you about an experience he had last week. One of his customers placed a small order of about \$1,500 worth of product from corporate headquarters. The home office immediately shipped the package through a freight company, and it arrived the next day at the freight company's warehouse in Iowa. The salesman went to the warehouse just as it was closing and talked to one of the managers. The manager said that everyone had gone home for the day, but he assured him that the package would be delivered directly to his office the next day. The salesman knew that the customer did not need the materials for at least another 3 days, but he didn't want to wait. He placed a \$20 bill on the counter and asked the warehouse manager one last time if there was anything he could do. The manager found the paperwork, got the product from the back of the warehouse, and brought it out to the salesman.

Component 2: Moral Judgment

Once an ethical problem is identified, decision makers select a course of action from the options generated in Component 1. In other words, they make judgments about what is the right or wrong thing to do in this situation. Moral judgment has generated more research than the other components of Rest's model. Investigators have been particularly interested in cognitive moral development, the process by which people develop their moral reasoning abilities over time. Harvard psychologist Lawrence Kohlberg argued that individuals progress through a series of moral stages just as they do physical ones. Each stage is more advanced than the one before. Not only do people engage in more complex reasoning as they progress up the stages, but they also become less self-centered and develop broader definitions of morality.

Kohlberg identified three levels of moral development, each divided into two stages. Level I, preconventional thinking, is the most primitive and focuses on consequences. This form of moral reasoning is common among children who choose to obey to avoid punishment (Stage 1) or follow the rules in order to meet their interests (Stage 2). Stage 2 thinkers are interested in getting a fair deal: You help me, and I'll help you.

Conventional thinkers (Level II) look to others for guidance when deciding how to act. Stage 3 people want to live up to the expectations of those they respect, such as parents, siblings, and friends, and value concern for others and respect. Stage 4 individuals take a somewhat broader perspective, looking to society as a whole for direction. They believe in following rules at work, for example, and the law.

Kohlberg found that most adults are Level II thinkers. Level III, postconceptual or principled reasoning, is the most advanced type of ethical thinking. Stage 5 people are guided by utilitarian principles. They are concerned for the needs of the entire group and want to make sure that rules and laws serve the greatest good for the greatest number. Stage 6 people operate according to internalized, universal principles such as justice, equality, and human dignity. These principles consistently guide their behavior and take precedence over the laws of any particular society. According to Kohlberg, fewer than 20% of American adults ever reach Stage 5, and almost no one reaches Stage 6.

Critics take issue with both the philosophical foundation of Kohlberg's model and its reliance on concrete stages of moral development. They contend that Kohlberg based his postconventional stage on Rawls's justice-as-fairness theory and made deontological ethics superior to other ethical approaches. They note that the model applies more to societal issues than to individual ethical decisions. A great many psychologists challenge the notion that people go through a rigid or "hard" series of moral stages, leaving one stage completely behind before moving to the next. They argue instead that a person can engage in many ways of thinking about a problem, regardless of age.

Rest (who studied under Kohlberg), Darcia Narvaez, and their colleagues responded to the critics by replacing the hard stages with a staircase of developmental schemas. Schemas are networks of knowledge organized around life events. We use schemas when encountering new situations or information. You are able to master information in new classes, for instance, by using strategies you developed in previous courses. According to this "neoKohlbergian" approach, decision makers develop more sophisticated moral schemas as they develop. The least sophisticated schema is based on personal interest. People at this level are concerned only with what they may gain or lose in an ethical dilemma. No consideration is given to the needs of broader society. Those who reason at the next level, the maintaining norms schema, believe they have a moral obligation to maintain social order. They are concerned with following rules and laws and making sure that regulations apply to everyone. These thinkers believe that there is a clear hierarchy with carefully defined roles (e.g. bosses-subordinates, teachers-students, officers-enlisted personnel). The postconventional schema is the most advanced level of moral reasoning. Thinking at this level is not limited to one ethical approach, as Kohlberg argued, but encompasses many different philosophical traditions. Postconventional individuals believe that moral obligations are to be based on shared ideals,

should not favor some people at the expense of others, and are open to scrutiny (testing and examination). Such thinkers reason like moral philosophers, looking behind societal norms to determine whether they serve moral purposes. (Refer to “Leadership Ethics at the Movies: Michael Clayton” for an example of a leader who shifts to a higher level of moral reasoning.)

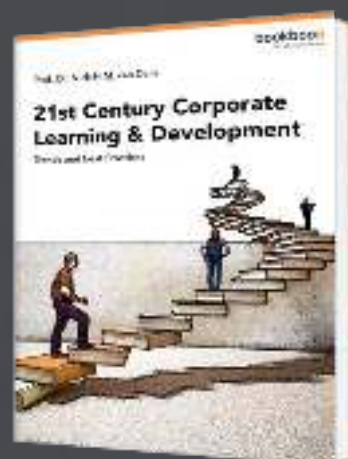
Rest developed the Defining Issues Test (DIT) to measure moral development. Subjects taking the DIT (and its successor, the DIT-2) respond to six ethical scenarios and then choose statements that best reflect the reasoning they used to come up with their choices. These statements, which correspond to the three levels of moral reasoning, are then scored. In the best-known dilemma, Heinz’s wife is dying of cancer and needs a drug he cannot afford to buy. He must decide whether to steal the drug to save her life.

Hundreds of studies using the DIT reveal that moral reasoning generally increases with age and education. Undergraduate and graduate students benefit from their educational experiences in general and ethical coursework in particular. When education stops, moral development stops. In addition, moral development is a universal concept, crossing cultural boundaries. Principled leaders can boost the moral judgment of a group by encouraging members to adopt more sophisticated ethical schemas.

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Models of cognitive development provide important insights into the process of ethical decision making. First, contextual variables play an important role in shaping ethical behavior. Most people look to others as well as to rules and regulations when making ethical determinations. They are more likely to make wise moral judgments if coworkers and supervisors encourage and model ethical behavior. As leaders, we need to build ethical environments. Second, education fosters moral reasoning. Pursuing a bachelor's, master's, or doctoral degree can promote your moral development. As part of your education, focus as much attention as you can on ethics (i.e. take ethics courses, discuss ethical issues in groups and classes, reflect on the ethical challenges you experience in internships). Third, a broader perspective is better. Consider the needs and viewpoints of others outside your immediate group or organization; determine what is good for the local area, the larger society, and the global community. Fourth, moral principles produce superior solutions. The best ethical thinkers base their choices on widely accepted ethical guidelines. Do the same by drawing on important ethical approaches such as utilitarianism, the categorical imperative, altruism, communitarianism, and justice-as-fairness theory.

Component 3: Moral Focus (Motivation)

After concluding what course of action is best, decision makers must be focused (motivated to follow through) on their choices. Moral values often conflict with other significant values. For instance, an accounting supervisor who wants to blow the whistle on illegal accounting practices at her firm must balance her desire to do the right thing against her desire to keep her job, provide income for her family, and maintain relationships with her fellow workers. She will report the accounting abuses to outside authorities only if moral considerations take precedence over these competing priorities.

Psychologists report that self-interest and hypocrisy undermine moral motivation. Sometimes individuals genuinely want to do the right thing, but their integrity is “overpowered” when they discover that they will have to pay a personal cost for acting in an ethical manner. Others never intend to follow an ethical course of action but engage in moral hypocrisy instead. These decision makers “want to appear moral while, if possible, avoiding the cost of actually being moral.” In experimental settings, they say that assignments should be distributed fairly but then assign themselves the most desirable tasks while giving less desirable chores to others. Both self-interest and hypocrisy encourage leaders to set their moral principles aside. For example, corporate executives may declare that lower-level employees deserve higher wages. However, whether they really want to help workers or just want to appear as if they do, these executives are not likely to pay employees more if it means that they will earn less as a result.

Rewards play an important role in ethical follow-through. People are more likely to give ethical values top priority when rewarded through raises, promotions, public recognition, and other means for doing so. Conversely, moral motivation drops when the reward system reinforces unethical behavior. Unfortunately, misplaced rewards are all too common, as in the case of electronics retailers who reward employees for selling expensive extended warranties on new products. Such warranties are generally a bad deal for consumers.

Emotions also play a part in moral motivation. As noted earlier, sympathy, disgust, guilt, and other moral emotions prompt us to take action. We can use their motivational force to help us punish wrongdoers, address injustice, provide assistance, and so on. Other researchers report that positive emotions such as joy and happiness make people more optimistic and more likely to live out their moral choices and to help others. Depression, on the other hand, lowers motivation, and jealousy, rage, and envy contribute to lying, revenge, stealing, and other antisocial behaviors.

To increase your moral motivation and the moral motivation of followers, seek out and create ethically rewarding environments. Make sure the reward system of an organization supports ethical behavior before joining it as an employee or a volunteer. Try to reduce the costs of behaving morally by instituting policies and procedures that make it easier to report unethical behavior, combat discrimination, and so on. Work to align rewards with desired behavior in your current organization. Be concerned about how goals are reached. If all else fails, reward yourself. Take pride in following through on your choices and on living up to your self-image as a person of integrity. Tap into moral emotions while making a conscious effort to control negative feelings and to put yourself in a positive frame of mind.

Component 4: Moral Character

Executing the plan of action takes character. Moral agents have to overcome opposition, resist distractions, cope with fatigue, and develop tactics and strategies for reaching their goals. This helps explain why there is only a moderate correlation between moral judgment and moral behavior. Many times deciding does not lead to doing.

The positive character traits contributes to ethical follow-through. Courage helps leaders implement their plans despite the risks and costs of doing so while prudence helps them choose the best course of action. Integrity encourages leaders to be true to themselves and their choices. Humility forces leaders to address limitations that might prevent them from taking action. Reverence promotes self-sacrifice. Optimism equips leaders to persist in the face of obstacles and difficulties. Compassion and justice focus the attention of leaders on the needs of others rather than on personal priorities.

In addition to virtues, other personal characteristics contribute to moral action. Those with a strong will, as well as confidence in themselves and their abilities, are more likely to persist. The same is true for those with an internal locus of control. Internally oriented people (internals) believe that they have control over their lives and can determine what happens to them. Externally oriented people (externals) believe that life events are beyond their control and are the product of fate or luck instead. Because they have personal responsibility for their actions, internals are more motivated to do what is right. Externals are more susceptible to situational pressures and therefore less likely to persist in ethical tasks.

Successful implementation also requires competence. For instance, modifying the organizational reward system may entail researching, organizing, arguing, networking, and relationship-building skills. These skills are put to maximum use when actors have an in-depth understanding of the organizational context: important policies, the group's history and culture, informal leaders, and so on.

Following the character-building guidelines will go a long way to helping you build the virtues you need to put your moral choices into action. You may also want to look at your past performance to see why you succeeded or failed. Believe that you can have an impact. Otherwise, you are probably not going to carry through when obstacles surface. Develop

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your skills so that you can better put your moral choice into action and master the context in which you operate.

Component 5: Decision-Making Formats

Decision-making guidelines or formats can help us make better ethical choices. Taking a systematic approach encourages teams and individuals to carefully define the problem, gather information, apply ethical standards and values, identify and evaluate alternative courses of action, and follow through on their choices. They're also better equipped to defend their decisions. Four ethical decision-making formats are described in the pages to come. All four approaches are useful. You may want to use just one or a combination of all of them. The particular format you use is not as important as using a systematic approach to moral reasoning. You can practice these guidelines by applying them to Case Study 7.1 and the scenarios described at the end of the chapter.

You will probably find it difficult at first to follow a format. That's because using a format takes a significant amount of effort, and we are used to making rapid judgments mentally when faced with ethical choices. Without being conscious of the fact, we quickly invoke decision-making rules we have learned through experience, such as "it is always good to obey authority" or "always be as fair as possible." Or we intuitively come to a rapid decision based on our emotions and cultural background. Often these quick responses are good ones. But not always. There may be times, for instance, when authority needs to be disobeyed or fairness must be set aside for compassion. Our intuitions are wrong when they are based on mistaken cultural beliefs. For example, many Americans used to immediately condemn interracial couples. As time passed, society recognized that this reaction was biased, unfounded, and unjust.

I suggest that, when confronted with ethical dilemmas like those in Case Study 7.1, you write down your initial reaction before using a format. Later compare your final decision to your immediate response. Your ultimate conclusion after following a series of steps may be the same as your first judgment. Or you might find that you come to a significantly different decision. In any case, you should be comfortable with your solution because your deliberations were informed both by your preconscious experiences, emotions, and intuitions as well as by your conscious reasoning.

15.1 CASE STUDY

Over the past year several employees of a national fast-food chain have been shot or injured when intervening in fights or crimes occurring in the restaurant's parking lots. As a result, corporate headquarters drafted a new policy that forbids workers from leaving the building in such emergencies, instructing them instead to dial 911. Those who violate the policy will immediately be fired. Imagine that you are day-shift manager at one of the company's locations where a shooting has occurred. You call 911 but notice that the victim, who is lying right outside the door, is bleeding profusely. No one else is stepping up to help the injured man. You have first-aid training and believe you can stabilize his condition before the ambulance arrives. The shooter has apparently fled the scene. Would you disobey company policy and help the shooting victim?

Kidder's Ethical Checkpoints

Ethicist Rushworth Kidder suggests that nine steps or checkpoints can help bring order to otherwise confusing ethical issues.

- Recognize that there is a problem. This step is critically important because it forces us to acknowledge that there is an issue that deserves our attention and helps us separate moral questions from disagreements about manners and social conventions. For example, being late for a party may be bad manners and violate cultural expectations. However, this act does not translate into a moral problem involving right or wrong. On the other hand, deciding whether to accept a kickback from a supplier is an ethical dilemma.
- Determine the actor. Once we've determined that there is an ethical issue, we then need to decide who is responsible for addressing the problem. I may be concerned that the owner of a local business treats his employees poorly. Nonetheless, unless I work for the company or buy its products, there is little I can do to address this situation.
- Gather the relevant facts. Adequate, accurate, and current information is important for making effective decisions of all kinds, including ethical ones. Details do make a difference. In deciding whether it is just to suspend a student for fighting, for instance, a school principal will want to hear from teachers, classmates, and the offender to determine the seriousness of the offense, the student's reason for fighting, and the outcome of the altercation. The administrator will probably be more lenient if this is the offender's first offense and he was defending himself.
- Test for right-versus-wrong issues. A choice is generally a poor one if it gives you a negative, gut-level reaction (the stench test), would make you uncomfortable if it

appeared on the front page of tomorrow's newspaper (the frontpage test), or would violate the moral code of someone that you care a lot about (the Mom test). If your decision violates any of these criteria, you had better reconsider.

- Test for right-versus-right values. Many ethical dilemmas pit two core values against each other. Determine whether two good or right values are in conflict with one another in this situation. Right-versus-right value clashes include the following:

Truth telling versus loyalty to others and institutions. Telling the truth may threaten our allegiance to another person or to an organization, such as when leaders and followers are faced with the decision of whether to blow the whistle on organizational misbehavior (see Chapter 5). Kidder believes that truth versus loyalty is the most common type of conflict involving two deeply held values. Personal needs versus the needs of the community. Our desire to serve our immediate group or ourselves can run counter to the needs of the larger group or community.

Short-term benefits versus long-term negative consequences. Sometimes satisfying the immediate needs of the group (giving a hefty pay raise to employees, for example) can lead to long-term negative consequences (endangering the future of the business).

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Justice versus mercy. Being fair and even-handed may conflict with our desire to show love and compassion.

- Apply the ethical standards and perspectives. Apply the ethical principle that is most relevant and useful to this specific issue. Is it communitarianism? Utilitarianism? Kant's categorical imperative? A combination of perspectives?
- Look for a third way. Sometimes seemingly irreconcilable values can be resolved through compromise or the development of a creative solution. Negotiators often seek a third way to bring competing factions together. Such was the case in the deliberations that produced the Camp David peace accord. Egypt demanded that Israel return land on the West Bank seized in the 1967 War. Israel resisted because it wanted a buffer zone to protect its security. The dispute was settled when Egypt pledged that it would not attack Israel again. Assured of safety, the Israelis agreed to return the territory to Egypt.
- Make the decision. At some point we need to step up and make the decision. This seems a given (after all, the point of the whole process is to reach a conclusion). However, we may be mentally exhausted from wrestling with the problem, get caught up in the act of analysis, or lack the necessary courage to come to a decision.

At this point in the process, there's little to do but decide. That requires moral courage – an attribute essential to leadership and one that, along with reason, distinguishes humanity most sharply from the animal world. Little wonder, then, that the exercise of ethical decision-making is often seen as the highest fulfillment of the human condition.

- Revisit and reflect on the decision. Learn from your choices. Once you've moved on to other issues, stop and reflect. What lessons emerged from this case that you can apply to future decisions? What ethical issues did it raise?

There is a lot to be said for Kidder's approach to ethical decision making. For one thing, he seems to cover all the bases, beginning with defining the issue all the way through to learning from the situation after the dust has settled. He acknowledges that there are some problems that we can't do much about and that we need to pay particular attention to gathering as much information as possible. The ethicist recognizes that some decisions involve deciding between two "goods" and leaves the door open for creative solutions. Making a choice can be an act of courage, as Kidder points out, and we can apply lessons learned in one dilemma to future problems.

On the flip side, some of the strengths of Kidder's model can also be seen as weaknesses. As we'll see determining responsibility or ownership of a problem is getting harder in an increasingly interdependent world. Who is responsible for poor labor conditions in third-

world countries, for instance? The manufacturer? The subcontractor? The store that sells the products made in sweatshops? Those who buy the items? Kidder also seems to assume that leaders will have the time to gather necessary information. Unfortunately, in situations like that described in Case Study time is in short supply. Finally, the model seems to equate deciding with doing. As we saw in our earlier discussion of moral action, we can decide on a course of action but not follow through. Kidder is right to say that making ethical choices takes courage. However, it takes even more courage to put the choice into effect.

The SAD Formula

Media ethicist Louis Alvin Day of Louisiana State University developed the SAD formula in order to build important elements of critical thinking into moral reasoning. Critical thinking is a rational approach to decision making that emphasizes careful analysis and evaluation. It begins with an understanding of the subject to be evaluated; moves to identifying the issues, information, and assumptions surrounding the problem; and then concludes with evaluating alternatives and reaching a conclusion. Each stage of the SAD formula – situation definition, analysis of the situation, decision – addresses a component of critical thinking. To demonstrate this model, I'll use a conflict involving mandatory vaccinations of health care workers.

Situation Definition:

Health care professionals are at risk for contracting infectious diseases and spreading them to their patients. For that reason, the U.S. government determined that health care workers should be one of the first groups to receive flu vaccines such as the one designed to combat the H1N1 (swine flu) virus. Vaccination can reduce the likelihood of catching the flu by 70%–80% and is one of the best ways to prevent a pandemic. However, fewer than half of U.S. health workers get flu shots every year (rates are also low in Great Britain and Hong Kong). Medical personnel who fail to be vaccinated often do so for the same reasons as other Americans. They don't like shots, it is not convenient to get them, they claim they seldom get sick, or they believe the vaccine makes them ill (though scientists deny that this happens).

Health officials have tried a variety of strategies to increase the percentage of doctors and nurses receiving vaccinations, including promotional campaigns and prize drawings. However, these voluntary efforts have fallen short. Concerned about low participation rates, particularly in light of the danger posed by the swine flu, Hospital Corporation of America, MedStar

Health (Maryland), Virginia Mason (Seattle, WA), BJC HealthCare (St. Louis, MO), and the state of New York began mandatory vaccination programs. A number of clinics and doctor's offices followed suit. Employees were told they would lose their jobs if they did not get the vaccine. Exceptions were made for those likely to have an allergic reaction (eggs are used in the production of the shots) or those with religious objections. Some health care workers and their unions immediately protested the stricter vaccination policies, labeling such programs as intrusive violations of individual rights.

Day says that the ethical question to be addressed should be as narrow as possible. In our example, we will seek to answer the following query: Are mandatory flu-vaccination policies for health care workers ethically justified?

Analysis Evaluation of Values and Principles:

Competing principles and values are clearly present in this situation. On the one side, medical administrators and public health officials put a high value on the responsibility of medical personnel to patients and argue that mandatory vaccinations will save lives, particularly those of vulnerable populations like the sick, those with compromised immune systems, pregnant



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women, the very young, and the elderly. In requiring mandatory vaccinations in New York, the state's health commissioner asserted: "The rationale begins with health-care ethics, which is: The patient's well-being comes ahead of the personal preferences of health-care workers." (The commissioner later rescinded his edict when there was a shortage of the vaccine.) The chief medical officer of MedStar Health said the decision to require vaccinations "is all about patient safety." On the other side of the debate are individuals, employee unions, and groups who put their priority on individual rights. They believe that making flu shots a condition of employment takes away the right to make personal medical decisions, and they have concerns about the safety of the vaccines despite the assurances of medical experts. Opponents also worry that mandatory programs will spread from the health care sector into other areas of society. A representative of an organization wanting to limit government expansion said: "You start with health-care workers but then expand that umbrella to make it mandatory for everybody. It's all part of an encroachment on our liberties."

External Factors:

Some influenza strains, like H1N1, pose greater risks than other strains and spread more rapidly, making vaccinations even more important. Medical employees already have to be inoculated for other conditions like mumps, measles, and tuberculosis, and there haven't been widespread protests about these requirements. In addition, medical personnel have to follow such mandatory safety procedures as washing their hands before surgery. Vaccinations appear to be a safety measure like hand washing. However, past inoculation programs have made some medical professionals skeptical about current efforts. Earlier vaccines did make recipients sore and could cause mild flu-like symptoms. The H1N1 vaccine seemed to be rushed into production, raising concerns that recipients were serving as "guinea pigs." Nurses, doctors, and home health givers, like other Americans, are increasingly worried about substances they put in their bodies.

Moral Duties or Loyalties:

Professor Day borrows from theologian Ralph Potter for this part of his model. Potter believes we need to take into account important duties or loyalties when making ethical choices. In this case, the following duties have to be kept in mind:

- Loyalty to self (individual conscience)
- Loyalty to patients
- Loyalty to vulnerable populations
- Loyalty to fellow employees

- Loyalty to others in the same profession
- Loyalty to the public

Medical officials seem primarily concerned for patients, vulnerable populations, and the larger community. Low vaccination rates threaten patients and clients and help the virus spread. Health care workers who refuse flu shots also damage the credibility of the medical profession. Why should patients be vaccinated if their doctors and nurses don't think it is safe or necessary to do so? Vaccination objectors are more concerned for their individual rights and, in some cases, their personal safety. They seem to overlook their primary duty, which is to serve their patients. Yet not all appear to be acting out of selfish motives. Some resisters are concerned about setting a precedent that could reduce the rights of their fellow citizens in the years to come.

Moral Theories:

Each of the ethical perspectives can be applied to this dilemma. From a utilitarian perspective, the benefit of protecting personal rights has to be weighed against the dangers of spreading the flu virus. However, the immediate benefits of slowing the virus also need to be weighed against the long-term costs – loss of individual rights and government intrusion. Based on Kant's categorical imperative, we could ask if we would want everyone to be vaccinated (probably) or if we would want everyone to refuse to be vaccinated (probably not). However, employees who resist the mandatory shots should carry through on their decision regardless of the consequences, such as losing their jobs. Rawls's theory could be applied to say that required vaccinations are justified because they protect the least advantaged members of society. Communitarianism also seems to support the mandatory vaccination position. Medical leaders put their emphasis on responsibility to patients, vulnerable groups, and the public. Objectors seem to emphasize individual rights rather than duties. Advocates of mandatory vaccinations have a stronger altruistic focus because such efforts are designed to reduce sickness and suffering. Opponents may argue, however, that they are demonstrating concern by protecting the rights of others.

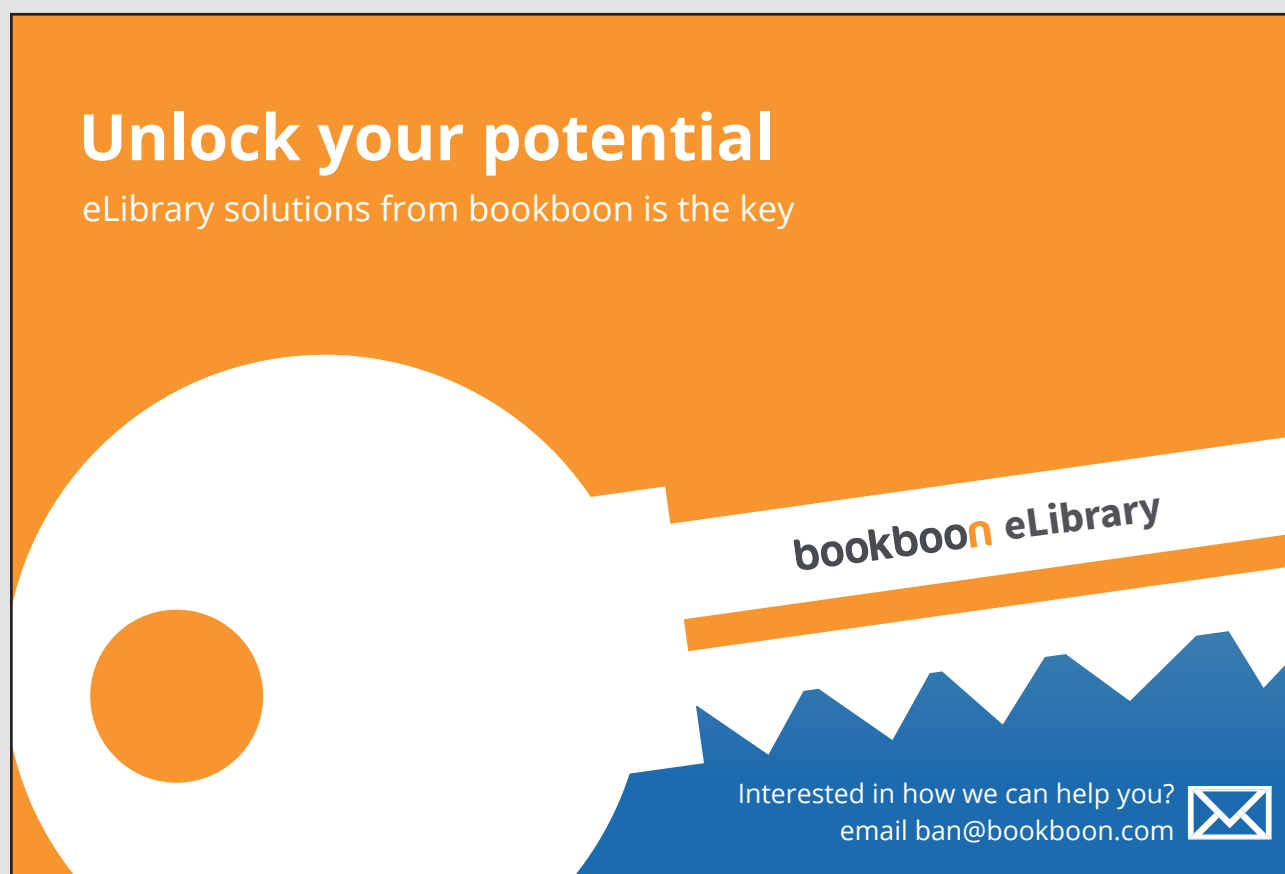
Decision:

Decisions often emerge out of careful definition and analysis of the problem. It may be clear which course of action is best after external constraints, principles, duties, and moral theories are identified and evaluated. In our example, mandatory flu vaccination programs for health care workers appear to be morally justified. Such programs put the needs of others first and reduce suffering and death. They seem consistent with other requirements placed

on health care workers and support the patient-focused mission of the medical profession. Health care employees should prevent sickness, not spread it. This option also seems to be best supported by moral theory. Nonetheless, opponents of mandatory vaccination programs are right to point out that we should be cautious about requiring health treatments. Just because mandatory influenza vaccinations are justified for health care workers does not mean that we should require all citizens to be vaccinated (that's a different question for analysis) or force citizens into other medical treatments.

The SAD formula does encourage careful reasoning by building in key elements of the critical thinking process. Following the formula keeps decision makers from reaching hasty decisions. Instead of jumping immediately to solutions, they must carefully identify elements of the situation, examine and evaluate ethical alternatives, and then reach a conclusion.

Three elements of the SAD formula are particularly praiseworthy. First, the formula recognizes that the keys to solving a problem often lie in clearly identifying and describing it. Groups are far less likely to go astray when members clearly outline the question they are to answer. Second, Day's formula highlights duties or loyalties. In the case of vaccinations, prioritizing loyalties is key to supporting or opposing mandatory vaccination programs. Third, the formula incorporates moral theories directly into the decision making process.

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The strengths of the SAD model must be balanced against some troubling weaknesses. Day implies that a clear choice will emerge after the problem is defined and analyzed. Nevertheless, that may not always be the case. Even in our example, there is room for dispute. While it appears as if mandatory vaccinations are morally justified, those who put a high value on personal freedoms will likely remain unconvinced. They raise valid concerns about the long-term impact of such programs as well. Focusing on a narrowly defined question may exclude creative options and make it hard to apply principles from one decision to other settings. Finally, the formula leaves out the important implementation stage.

15.2 NASH'S 12 QUESTIONS

Ethics consultant Laura Nash offers 12 questions that can help businesses and other groups identify the responsibilities involved in making moral choices. She argues that discussions based on these queries can be useful even if the group doesn't reach a conclusion. Managers who answer the questions surface ethical concerns that might otherwise remain hidden, identify common moral problems, clarify gaps between stated values and performance, and explore a variety of alternatives.

1. Have you defined the problem accurately? The ethical decision-making process begins with assembling the facts. Determine how many employees will be affected by layoffs, how much the cleanup of toxic materials will cost, or how many people have been injured by faulty products. Finding out the facts can help defuse the emotionalism of some issues (perhaps the damage is not as great as first feared).
2. How would you define the problem if you stood on the other side of the fence? Asking how others might feel forces self-examination. From a company's point of view, expanding a local plant may make good sense by increasing production and efficiency. Government officials and neighbors might have an entirely different perspective. A larger plant means more workers clogging already overcrowded roads and contributing to urban sprawl.
3. How did this situation occur in the first place? This question separates the symptoms from the disease. Lying, cheating customers, and strained labor relations are generally symptoms of deeper problems. Firing an employee for unethical behavior is a temporary solution. Probe to discover the underlying causes. For example, many dubious accounting practices are the result of pressure to produce high quarterly profits.
4. To whom and to what do you give your loyalties as a person or group and as a member of the organization?
5. What is your intention in making this decision?

6. How does this intention compare with the likely results? These questions probe both the group's intentions and the likely products. Honorable motives don't guarantee positive results. Make sure that the outcomes reflect your motivations.
7. Whom could your decision or action injure? Too often groups consider possible injury only after being sued. Try, in advance, to determine harmful consequences. What will happen if customers ignore label warnings and spread your pesticide indiscriminately, for example? Will the guns you manufacture end up in the hands of urban gang members? Based on these determinations, you may decide to abandon your plans to make these items or revise the way they are marketed.
8. Can you engage the affected parties in a discussion of the problem before you make your decision? Talking to affected parties is one way to make sure that you understand how your actions will influence them. Few of us would want other people to decide what's in our best interest. Yet we often push forward with projects that assume we know what's in the best interests of others.
9. Are you confident that your position will be as valid over a long period of time as it seems now? Make sure that your choice will stand the test of time. What seem like compelling reasons for a decision may not seem so important months or years later. Consider the U.S. decision to invade Iraq, for instance. American intelligence experts and political leaders tied Saddam Hussein to terrorist groups and claimed that he was hiding weapons of mass destruction. After the invasion, no solid links between Iraqis and international terrorists or weapons of mass destruction were discovered. Our decision to wage this war doesn't appear as justified now as it did in the months leading up to the conflict.
10. Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, or society as a whole? No ethical decision is too trivial to escape the disclosure test. If you or your group would not want to disclose this action, then you'd better reevaluate your choice.
11. What is the symbolic potential of your action if understood? Misunderstood? What you intend may not be what the public perceives (see Questions 5 and 6). If your company is a notorious polluter, contributions to local arts groups may be seen as an attempt to divert attention from your firm's poor environmental record, not as a generous civic gesture.
12. Under what conditions would you allow exceptions to your stand? Moral consistency is critical, but is there any basis for making an exception? Dorm rules might require that visiting hours end at midnight on weekdays. Yet, as a resident assistant, is there any time when you would be willing to overlook violations? During finals week? On the evening before classes start? When dorm residents and visitors are working on class projects?

Like the ethical checkpoints, the 12 questions highlight the importance of problem identification and information gathering. They go a step further, however, by encouraging us to engage in perspective taking. We need to see the problem from the other party's point of view, consider the possible injury we might cause, invite others to give us feedback, and consider how our actions will be perceived. We also need to envision results and take a long-term perspective, imagining how our decisions will stand the test of time. Stepping back can keep us from making choices we might regret later. For example, the decision to test nuclear weapons on U.S. soil without warning citizens may have seemed justified to officials waging the Cold War. However, now even the federal government admits that these tests were immoral.

We suspect that some groups will be frustrated by the amount of time it takes to answer the 12 questions. Not only is the model detailed, but discussing the problem with affected parties could take a series of meetings over a period of weeks and months. Complex issues such as determining who should clean up river pollution involve a variety of constituencies with very different agendas (government agencies, company representatives, citizens' groups, conservation clubs). Some decision makers may also be put off by the model's ambiguity. Nash admits that experts may define problems differently, that there may be exceptions to the decision, and that groups may use the procedure and never reach a conclusion. Finally, none of the questions use the ethical standards we identified or addressed the problem of implementing the choice once it is made.



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15.3 THE CASE STUDY METHOD

The case study method is widely used for making medical diagnoses. At many hospitals, groups made up of doctors, nurses, and other staff members meet regularly to talk about particularly troublesome cases. They may be unable to determine the exact nature of the illness or how to best treat a patient. Many of these deliberations involve ethical issues such as whether to keep a terminally ill person on life support or how to respond to patients who demand unnecessary tests and procedures. The group solicits a variety of viewpoints and gathers as much information as possible. Members engage in analogical reasoning, comparing the specifics of a particular case with similar cases by describing the patient, her illness, and relationships with her family. Instead of focusing on how universal principles and standards can be applied in this situation, hospital personnel are more concerned with the details of the case itself. Participants balance competing perspectives and values, reach tentative conclusions, and look for similarities between the current case and earlier ones.

Medical ethicist and communication scholar David H. Smith argues that the case-based approach is a powerful technique because it is based on narrative or story. When decision makers describe cases, they are telling stories. These narratives say as much about the storyteller as they do about the reality of the case. “Facts” are not objective truth but rather are reflections of what the narrator thinks is true and important. Stories knit these perceptions into a coherent whole. When discussing the fate of patients, it is not enough to know medical data. Hospital personnel need to learn about the patient’s history, the costs and benefits of various treatment options, and other factors such as the wishes of relatives and legal issues. Smith outlines the following steps for case-based decision making:

1. **Foster storytelling.** Alert participants to the fact that they will be sharing their story about the problem. Framing the discussion as a storytelling session invokes a different set of evaluation criteria than is generally used in decision making. We judge evidence based on such factors as the quality of sources and logical consistency. We judge stories by how believable they seem to be, how well the elements of the story fit together and mesh with what we know of the world, and the values reflected in the narrative.
2. **Encourage elaboration of essential events and characters.** Details are essential to the case study method. Additional details make it easier to draw comparisons with other examples.
3. **Encourage the sharing of stories by everyone with an interest in the problem.** Bringing more perspectives to bear on the problem reveals more details. In the end, a better, shared story emerges. Consider the case of an elderly man refusing a heart operation that could extend his life. Finding out why he is rejecting the surgery is an important first step to solving this ethical dilemma. As nurses, social workers, and doctors share information, they may discover that the patient is suffering from

depression or feels cut off from his family. Addressing these problems may encourage the patient to agree to the operation and thus resolve the moral issue.

4. **Offer alternative meanings.** Change the interpretation of the story by doing the following:

- Providing additional expert information and pointing out where the facts of the story do not fit with other facts. The first diagnosis may not be correct. Press on when needed. In the case of our patient, claims that he is alienated from his family would be rejected if his children and grandchildren visit him daily.
- Focusing attention on the characters in the story (the patient) rather than on some overarching ethical principle such as utilitarianism or the categorical imperative.
- Examining analogies critically to make sure they really hold. Don't assume that the reasons one patient turns down treatment are the same as those of other patients, for example.
- Offering alternative futures that might come to pass depending on decisions made by the group. In our case, what will be the likely outcome if treatment is delayed or never given? How much will the patient improve if he has the heart operation? Will attempts to persuade him backfire, locking him into his current position? What might happen if the hospital enlists his family to force him into compliance?

The case study method is significantly different from the others presented in this chapter. These other models outline a linear, step-by-step process for resolving ethical dilemmas that call for the application of universal ethical principles or standards. The case study approach is not linear but circular, calling on participants to share a variety of perspectives. Decision makers keep ethical principles in mind but don't try to invoke them to provide the resolution to a problem. They use them as general guides instead and focus on the case itself. Though unique, the case study method still requires decision makers to meet, systematically share information and analyze the problem, evaluate options, and reach a conclusion.

We often make choices based on stories. A good narrative is more persuasive than statistical evidence, for instance, and frequently uses the type of analogical reasoning reflected in the case study approach. For example, when faced with an ethical decision about whether to tell your current employer about a job offer from another firm, you probably would consider the following: (1) the details of the situation (your relationship to your immediate supervisor, how hard it will be to replace you, your loyalty to the organization); (2) similar situations or cases in your past (what happened when you revealed this information before leaving your last job); and (3) what your friends did when facing similar circumstances. The case study method takes advantage of our natural tendency to reason through story and analogy.

As we noted, universal principles can be difficult to apply to specific situations. There always seem to be exceptions to the rule. (“In general, don’t lie, but it may be OK to lie if it protects someone else from danger.”) A strength of the case study approach is that it acknowledges that specific circumstances often shape how a general principle can be used to resolve a particular dilemma. This approach also avoids polarization caused by invoking ethical absolutes. Take the abortion debate, for example. Proponents and opponents of abortion are locked into their positions by their interpretations of such values as freedom and the sanctity of life. The case study method suggests that some middle ground can be found by examining specific cases. After all, some pro-life advocates allow abortion in cases where the mother’s life is in danger. Some in the pro-choice camp are uncomfortable with late-term abortions.

The case study approach has its downside. To begin, it minimizes objective reality. Although we always see ethical dilemmas through our perceptual filters, there do appear to be verifiable facts that ought to come into play in decision making. Crime scene evidence should be essential to determining a defendant’s guilt or innocence, for instance. Some criticized the verdict of the O.J. Simpson murder trial in the mid-1990s because they thought that the jury overlooked factual DNA evidence and accepted the story of police misconduct instead. The same evidence was offered in a later civil trial. Jurors in that case concluded that the

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football star was indeed guilty of murdering his ex-wife and her friend and forced him to pay damages to the families.

A practical problem with the case study method is its dependence on detail. In real life, leaders may not have the luxury of being able to solicit stories and probe for additional information. They must make decisions quickly, particularly in crises. Students face a similar problem when discussing cases in class. Short cases, such as the ones in this text, may leave out details you think are important. Yet you have to resolve them anyway. Finally, consensus, though likely in this format, is not guaranteed. One overall story may emerge, but it may not. This is often the case in medical diagnoses. Two doctors may reach different conclusions about what is wrong with a patient. Differences in values, perspectives, and definitions of “facts” may keep ethical decision makers apart.

Implications and Applications

- Ethical behavior is the product of moral sensitivity, (recognition), moral judgment, moral focus (motivation), and moral character.
- Increase your sensitivity to potential ethical issues through perspective taking, using moral terminology, increasing the moral intensity of issues, and being sensitive to the presence of moral emotions like anger, disgust, guilt, or sympathy.
- Improve your ability to make moral judgments by creating an ethical environment that provides ethical role models and guidelines, continuing your education with a special focus on ethics, considering the needs and perspectives of broader audiences, and basing your decisions on widely accepted moral principles and guidelines.
- Foster your moral motivation and that of followers by rewarding ethical choices, responding to moral emotions, and controlling negative feelings.
- Your chances of following through on ethical decisions (moral character) are higher if you demonstrate virtue, believe you have some control over events in your life, and develop the necessary skills to put your plan into action.
- Decision-making guidelines can help you make better ethical choices. Possible ethical decision-making formats include Kidder’s ethical checkpoints, the SAD formula, Nash’s 12 questions, and the case study method. The particular format you choose is not as important as taking a systematic approach to ethical decision making.
- Your initial reaction to an ethical dilemma, based on emotions, cultural influences, past experiences, and intuitions, can inform the conclusion you reach using a decision-making format.
- Whatever format you follow, make every effort to gather in-depth, current, and accurate information.

- Creativity is as vital in making ethical decisions as it is in generating new products and programs. Sometimes you can come up with a “third way” that resolves ethical conflicts.
- Moral dilemmas often involve clashes between two core (good) values. Common right-versus-right dilemmas are truth versus loyalty, short term versus long term, individual versus community, and justice versus mercy.
- Think of ethical deliberation as an ongoing process. You may go through a sequence of steps and use them again. Return to your decision later to evaluate and learn from it. As soon as one ethical crisis passes, there’s likely to be another on the horizon.
- Don’t expect perfection. As a leader, make the best choice you can after thorough deliberation but recognize that sometimes you may have to choose between two flawed alternatives.

For Further Exploration, Challenge, and Self-Assessment

1. Analyze your scores on the moral sensitivity test found in “Self-Assessment: Moral Sensitivity Scenarios.” According to the investigator who developed these vignettes, you should have noted important ethical issues in Vignette 1, which involved



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- significant harm to patients, and in Vignette 3, which involved bribery. Is this how you responded? Why did you answer the way you did? What do you learn from this assessment? How can you improve your sensitivity to the presence of ethical issues?
2. Apply the four-component model to the process you went through when faced with a moral dilemma. How successfully did you complete each stage? What would you do differently next time? Write up your analysis.
 3. Develop a plan for improving your moral reasoning as part of your education. How can you take advantage of your college experiences to become more of a postconventional thinker?
 4. Which of the four decision-making formats do you find most useful? Why?
 5. In a group, brainstorm a list of possible ethical dilemmas faced by a college student. How many of these problems involve a clash between two important values (right versus right)? Identify which values are in conflict in each situation.
 6. Apply each of the formats to each scenarios. First reach your own conclusion based on your initial reactions without using a format and then discuss the situation in a group. See whether you can reach a consensus. Make note of the important factors dividing or uniting group members. Do you reach different conclusions depending on the system you follow?
 7. Use a format from the chapter to analyze an ethical decision facing society (e.g. gay marriage or gay ordination, illegal music file sharing, illegal immigration). Write up your analysis and conclusions.²⁰

Summary:

This long text documented in sufficient detail how ethics may influence crime tolerance. It is important to point out that lack of ethics generates natural appetite for criminal behavior. All the theory may be applied to a very simple example of something that happened in NYC during the 1990s. NYC Mayor improved the external design of streets to eliminate street crime based on the fact that people like to behave well in a good-looking urban environment.

16 ETHICS AS CULTURAL EXPRESSION

Ethical standards are the standards of our environment that are acceptable to most people. In the western world these standards are, in large part, based on Judeo-Christian principles. Generally referred to ethical standards are what the majority accepts as good, and the way they behave without imposed rules and regulations. Within our societal structure, sanctions are often imposed on those who fail to follow ethical standards, and laws dictate consequences for those found guilty of unethical behaviors.

Ethical thinking involves the intricate process used to consider the impact of our actions on the individuals or institution we serve. While most decisions are routine, we can unexpectedly face an ethical dilemma when unusual situations occur suddenly for which an immediate response is needed. The foundation of ethical decision-making involves choice and balance; it is a guide to discard bad choices in favor of good ones. Therefore, in making ethical decisions, one of the first questions to consider is ‘what would a reasonable man do in this situation?’ For tougher decisions, advisors may find three rules of management helpful.

When people work closely together on a project, individuals tend to take on the core values of the group. Individuals within a group often compromise their own values in favor of those held by the group. Because of this, groups should use the three rules of management to assess whether their organizational decisions are ethical. Since group dynamics are an increasingly vital measure of organizational success, and standards of behavior are viewed within the context of profit and integrity, it is imperative that the group conceptualize the impact of their decisions.

To be truly comprehensive, advisor development programs must address ethics and the role culture and values play in ethical decision-making. Our institutions have become more diverse. This is true in regard to easily recognizable differences, such as race and age, but also in terms of hidden differences, such as culture and disability. Care must be given to the reexamination of values and perspective and how these influence so many ethical dilemmas.

We must understand that values are acquired in childhood and manifest themselves on our campuses as permanent perceptions that shape and influence the nature of our behaviors. Values involve emotion, knowledge, thought, and ultimately choice of response. Values vary between individuals and, because values govern behavior, they color the way individuals view and respond to their world. It is important to understand the impact values have on choice. While values can, and do, change over time, they represent a significant component of personality. It is through individual values that culture is defined, and provides broad

social guidelines for desirable standards. Generally described as normal societal standards or norms, values influence how people make choices.

When working with people, it is imperative that we appreciate that each person's intrinsic values are different. Because values are so ingrained, we are not often aware that our responses in life are, in large part, due to the values we hold and are unique to our own culture and perspective. Furthermore, we seldom reflect on the fact that the people with whom we associate hold their own unique set of values that may be different from our own. Advisors need to be aware that, like their students, they bring their own set of values to the advising session. Thus advisors must be aware of, and open to, these differences in values as they work within their institution's regulations and standards. Sometimes these are, or seem to be, conflicting.

Students are often developing their decision-making processes and may question the values held by their families and society. In our multi-cultural environment, ethical standards need to be addressed in advising situations and in our classrooms so that conduct can be understood and ethical challenges avoided. For example, plagiarism is an issue frequently addressed on North American campuses. We assume that our students have a common understanding of the issues involved, and have learned the requirements for appropriately



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citing sources. However students from cultures where vast memorization is expected or knowledge is considered common ownership often do not recognize that papers presented in our institutions must include proper citation of thoughts borrowed from others.

In “What is Ethical Behavior for an Academic Adviser?” the authors explain three continua of moral behavior. Advisors should locate their comfort zone along each of the following ethical continua and steer clear of either extreme:

Neutral vs. prescriptive. Those who operate in a neutral mode are reluctant to tell students what to do, preferring instead to let students discover the appropriate action with minimal guidance. On the other end of this continuum, a prescriptive advisor uses the authority of the position to express opinions and make recommendations.

Encouraging vs. discouraging. On one extreme, advisors look for ways to give positive messages to students while withholding any criticisms. Advisors in the other extreme look for opportunities to chastise or dwell on negative consequences of student behaviors.

Judgmental vs. nonjudgmental. This continuum only exists within the advisor, not in the advisor’s interactions with students. Judgmental advisors scrutinize everything, accepting nothing at face value. Nonjudgmental advisors accept what students or colleagues tell them without criticism.

To be ethically successful, it is paramount that we understand and respect how values impact our social environment. How we perceive ourselves and operate within our environment is of such importance that institutions establish rules of ethical behavior that relate to practice. Institutions that examine power and responsibility, and audit their ethical decisions regularly, develop employees that function with honesty and integrity and serve their institution and community.

Without the emphasis on ethics, organizations can miss the opportunity to reinforce responsibility for their internal and external environment. This failure can lead to an outcry of negative public opinion, or even worse, legal issues. The measure of ethical success within institutions of higher learning has always been important, but no more so than in today’s environment of regulatory and public scrutiny. Advisors, as a part of their institution, are accountable to it in a legal and moral sense. It is important that advisors operate within the constraints of ethical standards. We do a disservice to ourselves, our students, our institutions, and our profession if we do not address these issues regularly.²¹

Summary:

Culture is a very wide area of human creativity. Ethical aspects as reflected in culture may remind people of the true and fair principles of the human race. The approaches described above are just the initial tools and methods describing this topic.





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17 ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

We define business ethics as the principles and standards that determine acceptable conduct in business organizations. The acceptability of behavior in business is determined by customers, competitors, government regulators, interest groups and the public, as well as each individual's personal moral principles and values.

For example, the Competition Bureau of Canada announced on August 18, 2003, that Akzo Nobel Chemicals BV pleaded guilty in the Federal Court of Canada and was sentenced to fines totaling \$2.9 million for its part in conspiracies to fix prices in the market for an important animal feed additive and a chemical used in numerous commercial and consumer products. Many consumers and social advocates believe that businesses should not only make a profit but also consider the social implications of their activities. We define social responsibility as a business's obligation to maximize its positive impact and minimize its negative impact on society. Although many people use the terms social responsibility and ethics interchangeably, they do not mean the same thing. Business ethics relates to an individual's or a work group's decisions that society evaluates as right or wrong, whereas social responsibility is a broader concept that concerns the impact of the entire business's activities on society. From an ethical perspective for example, we may be concerned about a health care organization or practitioner overcharging the provincial government for medical services. From a social responsibility perspective we might be concerned about the impact that this overcharging will have on the ability of the health care system to provide adequate services for all citizens. The most basic ethical and social responsibility concerns have been codified as laws and regulations that encourage businesses to conform to society's standards, values, and attitudes. At a minimum, managers are expected to obey these laws and regulations. Most legal issues arise as choices that society deems unethical, irresponsible or otherwise unacceptable. However, all actions deemed unethical by society are not necessarily illegal, and both legal and ethical concerns change over time. Business law refers to the laws and regulations that govern the conduct of business. Many problems and conflicts in business can be avoided if owners, managers, and employees know more about business law and the legal system. Business ethics, social responsibility, and laws together act as a compliance system requiring that businesses and employees act responsibly in society.

THE ROLE OF ETHICS IN BUSINESS

Although we will not tell you in this chapter what you ought to do, others – your superiors, coworkers, and family – will make judgments about the ethics of your actions and decisions.

Learning how to recognize and resolve ethical issues is an important step in evaluating ethical decisions in business. You have only to pick up *The National Post* or *The Globe and Mail Report on Business* to see how truly difficult it is to deal with legal and ethical issues. In an Ethics Officer Association survey, 48 percent of employees surveyed indicated they had done something unethical or illegal in the past year. The costs of unethical and fraudulent acts committed by US employees total US\$400 billion annually. Such losses are significant, but the impact of a single environmental error on a corporation can be staggering.

It is reported that the total cost to Exxon to settle claims related to the Valdez oil spill off the coast of Alaska was US\$3.2 billion. During the period between the spill in 1989 and the settlement in 1995, Exxon's reported profits in total US\$5.8 billion. Allegations against Talisman Energy Inc. surrounding their activities in Sudan in conjunction with their 25 percent ownership of the Greater Nile Oil Project have also been costly. Share prices were battered and ultimately Talisman's interest in the project was sold to the state-owned Oil Company of India. Even the sale of their investment has not resolved the matter a lawsuit was launched against Talisman by an organization called the American Anti-Slavery Group on behalf of southern Sudanese caught in the crossfire of Sudan's 18-year-old civil war. Talisman sought dismissal of the suit on the grounds that it was improperly brought in the United States. However, in March of 2003 a US judge ruled that Talisman could be held liable for genocide if there is proof that the company co-operated with the Sudanese government to wage war on civilians near the oil fields. This decision does not reflect the outcome of the case. It means the judge has decided jurisdictionally that he can hear the case. Investors do not like uncertainty and the continuation of the case will not only result in significant legal costs for Talisman but is likely to have a continued detrimental effect on the value of Talisman shares. It is not just altruism that motivates corporations to operate in a socially responsible manner, but also consideration of the "bottom line." There are good business reasons for a strong commitment to ethical values:

- Ethical companies have been shown to be more profitable.
- Making ethical choices results in lower stress for corporate managers and other employees.
- Our reputation, good or bad, endures.
- Ethical behavior enhances leadership.

The alternative to voluntary ethical behavior is demanding and costly regulation. Regular readers of the news will have seen reports of unethical or aggressive sales tactics used to prey upon vulnerable consumers, most often seniors. Examples include persons claiming to be inspectors citing roof and chimney repairs as being needed or even required by law. Others, while not resorting to such subterfuge, utilize sales techniques that are confusing or hard to resist for the vulnerable. In the past, persons falling prey to such tactics who signed purchase contracts in their homes had, in Ontario, only 24 hours to rescind the contract. Such direct sales contracts had to be cancelled in writing. As of May 18, 2001 the Ontario

Consumer Protection Act provides a ten-day “cooling-off” period in which to cancel a direct sales contract worth \$50 or more. This is just one example of the ongoing efforts of both the federal and provincial governments in Canada to respond to unethical business practices. It is important to understand that business ethics go beyond legal issues. Ethical conduct builds trust among individuals and in business relationships, which validates and promotes confidence in business relationships. Establishing trust and confidence is much more difficult in organizations that have established reputations for acting unethically. If you were to discover for example that a manager had misled you about company benefits when you were hired, your trust and confidence in the company would probably diminish. And if you learned that a colleague had lied to you about something, you probably would not trust or rely on that person in the future. KPMG, a leading accounting and consulting firm, provides assistance to firms that want to develop ethics programs to avoid ethical problems and build trust and integrity in business relationships. Well-publicized incidents of unethical activity – ranging from health care fraud to using the Internet to gain personal information from young children to charges of deceptive advertising of food and diet products to unfair competitive practices in the computer software industry – strengthen the public’s perception that ethical standards and the level of trust in business need to be raised.



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RECOGNIZING ETHICAL ISSUES IN BUSINESS

Learning to recognize ethical issues is the most important step in understanding business ethics. An ethical issue is an identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical. In business, such a choice often involves weighing monetary profit against what a person considers appropriate conduct. The best way to judge the ethics of a decision is to look at a situation from a customer's or competitor's viewpoint: *Should liquid-diet manufacturers make unsubstantiated claims about their products? Should an engineer agree to divulge her former employer's trade secrets to ensure that she gets a better job with a competitor? Should a salesperson omit facts about a product's poor safety record in his presentation to a customer?*

Such questions require the decision maker to evaluate the ethics of his or her choice. Not all shortcomings in business ethics are global in scope. Many affect us more directly and with greater immediacy. With the increasing complexity of modern cars, fewer people can assess the appropriateness of repairs made by mechanics or the fairness of the charge for carrying out those repairs.

The Automobile Protection Association (APA) periodically uses a "Mystery Car" to evaluate auto repairs facilities. Their tests in May of 2002 found that the chances of overpaying for auto repairs were one in three. While some overcharges may be the result of honest error, it seems unlikely that the rate would be that high.

Using a newly serviced vehicle with a disconnected vacuum hose as the test, the APA encountered repair costs ranging from no charge at a Vancouver Canadian Tire to \$670 at Mini tune and Brake, also in Vancouver. A total of 39 shops were tested in Vancouver, Montreal and Toronto. Thirteen shops overcharged for work done or performed unnecessary repairs for a failure rate of 33 percent. Our financial well-being and that of honest businesses requires not only that we be aware of the high profile cases reported in the news but also that we exercise vigilance in our daily activities.

Many business issues may seem straightforward and easy to resolve but in reality, a person often needs several years of experience in business to understand what is acceptable or ethical.

For example, if you are a salesperson, when does offering a gift – such as season basketball tickets – to a customer become a bribe rather than just a sales practice? Clearly, there are no easy answers to such a question. But the size of the transaction, the history of personal relationships within the particular company, as well as many other factors may determine whether an action will be judged as right or wrong by others.

Ethics are also related to the culture in which a business operates. In Canada or the United States, for example, it would be inappropriate for a businessperson to bring an elaborately wrapped gift to a prospective client on their first meeting – the gift could be viewed as a bribe.

In Japan, however, it is considered impolite not to bring a gift. Experience with the culture, in which a business operates, is critical to understanding what is ethical or unethical.²²

The principles may be used by management across national and sub-national levels of government. Political leaders may use them to review ethics management regimes and evaluate the extent to which ethics is operationalized throughout government. The principles are intended to be an instrument for countries to adapt to national conditions. They are not sufficient in themselves – they should be seen as a way of integrating ethics management with the broader public management environment.

1. Ethical standards for public service should be clear

Public servants need to know the basic principles and standards they are expected to apply to their work and where the boundaries of acceptable behavior lie. A concise, well-publicized statement of core ethical standards and principles that guide public service, for example in the form of a code of conduct, can accomplish this by creating a shared understanding across government and within the broader community.

2. Ethical standards should be reflected in the legal framework

The legal framework is the basis for communicating the minimum obligatory standards and principles of behavior for every public servant. Laws and regulations could state the fundamental values of public service and should provide the framework for guidance, investigation, disciplinary action and prosecution.

3. Ethical guidance should be available to public servants

Professional socialization should contribute to the development of the necessary judgement and skills enabling public servants to apply ethical principles in concrete circumstances. Training facilitates ethics awareness and can develop essential skills for ethical analysis and moral reasoning. Impartial advice can help create an environment in which public servants are more willing to confront and resolve ethical tensions and problems. Guidance and internal consultation mechanisms should be made available to help public servants apply basic ethical standards in the workplace.

4. Public servants should know their rights and obligations when exposing wrongdoing

Public servants need to know what their rights and obligations are in terms of exposing actual or suspected wrongdoing within the public service. These should include clear rules and procedures for officials to follow, and a formal chain of responsibility. Public servants also need to know what protection will be available to them in cases of exposing wrongdoing.

5. Political commitment to ethics should reinforce the ethical conduct of public servants

Political leaders are responsible for maintaining a high standard of propriety in the discharge of their official duties. Their commitment is demonstrated by example and by taking action that is only available at the political level, for instance by creating legislative and institutional arrangements that reinforce ethical behavior and create sanctions against wrongdoing, by providing adequate support and resources for ethics-related activities throughout government and by avoiding the exploitation of ethics rules and laws for political purposes.

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6. The decision-making process should be transparent and open to scrutiny

The public has a right to know how public institutions apply the power and resources entrusted to them. Public scrutiny should be facilitated by transparent and democratic processes, oversight by the legislature and access to public information. Transparency should be further enhanced by measures such as disclosure systems and recognition of the role of an active and independent media.

7. There should be clear guidelines for interaction between the public and private sectors

Clear rules defining ethical standards should guide the behavior of public servants in dealing with the private sector, for example regarding public procurement, outsourcing or public employment conditions. Increasing interaction between the public and private sectors demands that more attention should be placed on public service values and requiring external partners to respect those same values.

8. Managers should demonstrate and promote ethical conduct

An organizational environment where high standards of conduct are encouraged by providing appropriate incentives for ethical behavior, such as adequate working conditions and effective performance assessment, has a direct impact on the daily practice of public service values and ethical standards. Managers have an important role in this regard by providing consistent leadership and serving as role models in terms of ethics and conduct in their professional relationship with political leaders, other public servants and citizens.

9. Management policies, procedures and practices should promote ethical conduct

Management policies and practices should demonstrate an organization's commitment to ethical standards. It is not sufficient for governments to have only rule-based or compliance-based structures. Compliance systems alone can inadvertently encourage some public servants simply to function on the edge of misconduct, arguing that if they are not violating the law they are acting ethically. Government policy should not only delineate the minimal standards below which a government official's actions will not be tolerated, but also clearly articulate a set of public service values that employees should aspire to.

10. Public service conditions and management of human resources should promote ethical conduct

Public service employment conditions, such as career prospects, personal development, adequate remuneration and human resource management policies should create an environment conducive to ethical behavior. Using basic principles, such as merit, consistently in the daily process of recruitment and promotion helps operationalize integrity in the public service.

11. Adequate accountability mechanisms should be in place within the public service

Public servants should be accountable for their actions to their superiors and, more broadly, to the public. Accountability should focus both on compliance with rules and ethical principles and on achievement of results. Accountability mechanisms can be internal to an agency as well as government-wide, or can be provided by civil society. Mechanisms promoting accountability can be designed to provide adequate controls while allowing for appropriately flexible management.

12. Appropriate procedures and sanctions should exist to deal with misconduct

Mechanisms for the detection and independent investigation of wrongdoing such as corruption are a necessary part of an ethics infrastructure. It is necessary to have reliable procedures and resources for monitoring, reporting and investigating breaches of public service rules, as well as commensurate administrative or disciplinary sanctions to discourage misconduct. Managers should exercise appropriate judgement in using these mechanisms when actions need to be taken.²³

Business organizations today, apart from being economic entities, are also considered to be social institutions, primarily for two reasons. Firstly, since business organizations exist and operate within a social structure, they must earn social acceptance, without which they will collapse. Secondly and more importantly, since business organizations exercise a definite and extensive influence on our social lifestyle, they must discharge social responsibilities.

Corporate Social Responsibility (CSR) is one of the implementation used to carry out the reputation and goodwill as well as the existence of the business house becomes transparent, through the implementation of CSR. It is introduced to harmonize the business effectively in the society.

Business today no longer exists only to maximize profits. They exist and operate for a number of reasons one of which should be the welfare of the society in which they operate and grow. As the business has the irreversible impact on the society, hence the business should be socially responsible, socially conscious and they should carefully consider the social and ethical implications of their decisions. If the motive of the business is to earn profit only, then profits can be earned in various ways, even the profit can be earned in a dishonest manner e.g. black marketing, hoarding, adulteration etc. But these types of acts degenerate business into misleading the public.

Hence, profit motive of business must go in line with the service motive, to fulfill social obligations for social welfare.²⁴

Summary:

The key message of the above text is that ethical companies are more profitable, more demanded and more attractive for the current and future employees. An ethical approach defines some limitations compared to unethical trends like bribery, accepting gifts or special services. OECD did a good job naming these bad practices, and the constant pressure on the elevation of ethical standards across companies will bring a new mindset where old habits will be forgotten.

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18 NECESSITY OF ETHICS OF QUALITY FOR BUSINESS LIFE

Ethics concern an individual's moral judgements about right and wrong. Decisions taken within an organization may be made by individuals or groups, but whoever makes them will be influenced by the culture of the company. The decision to behave ethically is a moral one; employees must decide what they think is the right course of action. This may involve rejecting the route that would lead to the biggest short-term profit.

Ethical behavior and corporate social responsibility can bring significant benefits to a business. For example, they may:

- Attract customers to the firm's products, which means boosting sales and profits
- Make employees want to stay with the business, reduce labor turnover and therefore increase productivity
- Attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees
- Attract investors and keep the company's share price high, thereby protecting the business from takeover.

Knowing that the company they deal with has stated their morals and made a promise to work in an ethical and responsible manner allows investors' peace of mind that their money is being used in a way that arranges with their own moral standing. When working for a company with strong business ethics, employees are comfortable in the knowledge that they are not by their own action allowing unethical practices to continue. Customers are at ease buying products or services from a company they know to source their materials and labor in an ethical and responsible way.

For example, a coffee company which states all their raw beans are picked from sustainable plants where no deforestation has occurred, by people paid a good living wage, in an area where investments have been made to ensure that producing the coffee for a foreign market has not damaged the local way of life, will find that all these elements of their buying strategy becomes a selling point for their final product.

A company which sets out to work within its own ethical guidelines is also less at risk of being fined for poor behavior, and less likely to find themselves in breach of one of a large number of laws concerning required behavior.

Reputation is one of a company's most important assets, and one of the most difficult to rebuild should it be lost. Maintaining the promises it has made is crucial to maintaining that reputation.

Businesses not following any kind of ethical code or carrying out their social responsibility leads to wider consequences. Unethical behavior may damage a firm's reputation and make it less appealing to stakeholders. This means that profits could fall as a result.

The natural world can be affected by a lack of business ethics. For example, a business which does not show care for where it disposes its waste products, or fails to take a long-term view when buying up land for development, is damaging the world in which every human being lives, and damaging the future prospects of all companies.

Ethics are important to businesses for many reasons. Businesses can increase sales or increase their reputation.²⁵

Ethics lay the strategic decision-making. Leaders and workers of a business characterized by ethical behavior make decisions that are socially acceptable. They allow all the stakeholders to participate in the decision-making process.

Ethics may increase employee retention. Employees always want to stay longer in a business where the employers value their rights and opinions. To them, their basic needs are satisfied.

An ethical business attracts investors. A business that promotes ethics in its management and operations creates an investment-friendly environment. Investors like putting their money where they are sure it is safe.

Ethics minimize costs. Fewer funds are spent on employee recruitment since most employees are retained in the business.

Ethical practices help in building and maintaining reputation. A large part of ensuring business success is down to maintaining a good reputation among your customers. One of the main things that customers will scrutinize when they decide whether they trust or want to engage with a business or not is that business's ethics. If you can brand yourself explicitly as an ethical business, so much the better!

An ethically oriented company is bound to avoid fines. They comply with the law, file their tax returns in time, ensure quality of products and services, etc.

Ethics in a business attracts more employees. When your company is reputable, more people will be interested in working for you.

Good business ethics are the key to enhancing productivity. People will work harder at their jobs if they believe that what they are doing is ethical. They will not be held back by moral qualms, and they may feel extra motivated to work because they feel that by doing so they are making the world a better place. So if you want to keep growing your profit until you are making big bucks, you need to keep your business totally ethical.

Ethics create customer loyalty. A reputation built on good ethics helps create a positive image in the marketplace. This, in turn, makes customers trust your products and services. They also pass information to their friends and family, hence, creating more customers for you.

Ethics encourage teamwork. Employers and employees who trust one another work together harmoniously and effectively.

A business that values ethics attracts more suppliers. A business without suppliers is as good as a failed enterprise. Suppliers are attracted to a company that appreciates what they supply and pay them promptly.



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Ethics enhance partnerships. Partnerships are very crucial in the business world. They help expand your marketplace and improve business relations. In order to get a good partner(s), your reputation must be built on a strong business ethics foundation.

Ethics reduce business risks. As trust and loyalty are built on ethics, chances of losing potential customers, suppliers, employees and even the company itself are minimal.

They improve a company's bottom line (last line that shows profit or loss). The bottom line of your business will increase since costs and risks are reduced.

Ethics increase business profits. The decrease in risks and costs means that the output is likely to be higher than the input hence the company makes a profit.

Ethics lead to sustainable growth in sales. An increase in customers leads to an increase in demand. Therefore, more goods and services are sold. It may seem that a little selfishness might help your business, however this is never the case. Selfish or unethical actions may seem to give your business a temporary boost, but they will thwart your long-term goals. Ethical action is the key to sustainability and success in business.

Good ethics in a business boost the morale of the employees. Good business ethics involves rewarding your employees. When an employee is rewarded, he/she works harder leading to more profits.

Ethics help build consumer confidence. Other than customer loyalty, business ethics makes consumers believe in you even during difficult times. For example, when a company's product is found to be faulty and the company takes full responsibility, consumers are bound to trust that it was just a mistake.

Ethics enables a company to make good use of limited resources. Instead of wasting the company's resources on themselves, company leaders can put them to good use.

Ethics in business allow for healthy competition. It is common to find two or more companies that offer similar services and goods. A company characterized by ethical behavior will not engage in malpractices such as spreading false information about the other company or lowering their prices. Instead, they will allow the customers to choose what they like.

Ethics lead to long-term gains. A company that values ethics believes in small, but long-term benefits rather than big, but short-term returns.

Ethics help maintain quality. An ethical company will strive to deliver goods and services of high quality to their customers even in times when the demand is higher than supply.

Ethics offer extra asset protection. Employees, who abide by business ethics, are in a position to respect and protect the business's assets. For instance, they will not make long personal calls using the business line.

Ethical practices foster community improvement. Ethics teaches the art of giving back. Ethically oriented companies will help a community to be better through things like road construction or schools construction.

Good business ethics are an end in themselves. Both inside and outside of business, having good ethics is an end in itself, and something that we can derive satisfaction from in its own right. So, if you want employees, vendors and consumers to feel satisfied, then running an ethical business is very important. That way, when people go to work they will feel a sense of satisfaction at doing something that is morally sound. And, when people buy your products or services, they can do so safely by knowing that what they are doing is ethical.²⁶

Summary:

Having an ethical business is essential to building a business that is truly successful in the long term. Good business ethics keep your customers satisfied and encourage people to buy into your business.

Business ethics and profit go hand in hand. An ethically oriented business with desire to dominate its market niche is likely to reap a lot of benefits. An unethical company, however, is doomed to fail even if they started with high profit records. Ethics are there to make relations better and stronger.

19 ETHICS AND QUALITY ARE A “JOINT VENTURE”

Many of us don't consider the importance of ethics in our business and work environments, though they surround us wherever we go. Think about it – most of us want to work for ethical organizations. We also want to feel good about ourselves and the work we do, as well as the people we work for.

Managers are equally concerned about the people they hire, the people that report to them, and the people whose responsibility plays a large part in the successful running of any business regardless of industry or field. In today's sue-happy society, lapses in ethical behavior, as well as poor decisions, may cost a business their customers, consumer confidence, and even sanctions and fines.

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The Importance of Business Ethics

In light of the fairly recent savings and loan crises, Wall Street insider trading, price-fixing, racial discrimination, sexual harassment and environmental accidents, disasters, and issues of safety, the importance of business ethics in the 21st century has reached an all-time high.

Ethics in government has long been an issue with American voters and can range from financial scandals that originate in Congress, to personal travails of high government officials and sexual harassment in the military. Child sexual abuse within religious institutions, schools and sports organizations also receive regular and abundant media attention.

Scandals ranging from performance-enhancing drug use by high-profile athletes, academic plagiarism and mismanagement of charity funds concern each and every one of us to a certain degree. Such scandals and examples of inappropriate or unethical behavior may affect us at our place of work, our school, and even our homes.

Ethics reflect morals, standards, and values from all socioeconomic levels and demographics. Race, gender, and age don't play a huge role in whether or not something is considered ethical or unethical. It seems odd that in today's society, we feel compelled to announce and publicly recognize good deeds, when in fact such deeds used to be considered the norm.

A stranger rescues a woman from a mugger, a young man pulls an elderly woman from a car stranded on railroad tracks moments before a train demolishes it, and a woman jumps into an icy pond to save a toddler who has wandered away from his mother. These stories personify the basic and innate goodness that is found in most people, and yet we give such individuals certificates and awards, parades and accolades. In many cases, this is because we, as a society, have become increasingly cynical about the ability of people to perform selfless deeds without expectation of reward.

Unfortunately, these traits are not so commonly found in our bosses, our corporate directors, and even in some of our government officials. Many consumers don't like to deal with local and state forms of government because of their highhanded practices, their attitudes, and endless reams of red tape.

Many of us work for employers who don't appear to care one whit about employee benefits and job security, but only about production numbers and costs. Many employers are not so concerned with quality as quantity, and as such, many employees are caught in the conundrum of balancing their own sense of right and wrong with maintaining their monthly paycheck.

Responsibilities and Obligations

The study of business ethics is a study of values, principles, and standards within a business environment. It is also a barometer of standards that ought to be, or should be, followed in a wide variety of business structures. While there is no concrete answer to every ethical question or dilemma that might arise in a wide range of scenarios, there is no single, correct way to “learn” a concrete definition of business ethics.

Rather, business ethics involve a wide range of disciplines, including law, public policy, management, and to some degree, the study of philosophy and psychology. Instead of concrete rules, business ethics incorporate principles, concepts, and goals in various business settings. Unfortunately, there is a large difference between expected ethical behaviors and judgments. The concept is more than knowing the difference between good and bad, or right from wrong, and has as much to do with character, attitude, and motivation as anything else.

The study of business ethics is not to tell people how to behave, but to engage students, employees, and employers in a process that involves thought and questions based on customary values and morals. Every student of business ethics must be able to think for him- or herself. Because of this, there always will be a large number of differences in what people perceive as ethical or unethical behavior.

One of the largest challenges for those teaching or learning business ethics is to find a balance between the intellectual or spiritual sense that may be applied in a wide range of scenarios in society in general. The leading trend is to enable business managers to empower employees to make their own decisions.

The word ethics comes from the Greek word *ethos*, which means “conventional” or “customary”. In many cultures, values and morals are directly connected to religious views. Philosophical ethics defines the difference between what someone does to what someone should do. As such, some aspects of ethics delve into the field of philosophy and abstract thinking. Many people are cynical about such an approach to the study of business ethics because it requires that one seeks an understanding of what is valued rather than what should be valued. As with anything else, this is often a personal choice and decision. After all, none of us want someone to tell us what we should feel about anything.

Perhaps this area of study requires each of us to attempt to determine how various business decisions will affect our lives. Do the decisions or practices engaged in our daily business environment promote well being or undermine it?

Socrates, the ancient Greek philosopher, said: “The unexamined life is not worth living.” As such, each of us often struggles with our own feelings of morality, virtues and instances

where we must determine whether something is right or wrong. Business ethics address both morality and virtue as determining factors of how we should act and behave both in our personal lives and within a business environment.

A fundamental goal of business ethics is to encourage students to ask such questions as “What should I do?” or “What kind of person am I supposed to be?” Even better, “What would I do if...?”

For example, business ethics address public policy. Business ethics require us to define how we should live both as an individual and as a part of a larger community. As such, the study of business ethics is extremely relevant in all areas of business, and indeed, any area of contact between providers and consumers in order to encourage responsible and ethical modes of behavior.

The Ethical Decision-Making Process

When it comes to making sound ethical decisions, several factors come into play. Moral awareness is one of them. Moral awareness is defined as the recognition of the existence of

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an ethical dilemma. Another key factor in making an ethical decision involves a judgment that decides what’s right and what’s wrong. Ethical behavior, or taking action to do the right thing, is another part of the ethical decision-making process triangle.

Keep in mind that most decision-making processes are divided into two types: individual decisions and organizational decisions. A business manager must be able to represent the organization, while the individual is more concerned with the morality of such a decision. Individuals often know what the right thing to do is, but find it difficult to do so because of pressure from inside groups or organizations. Because of this, it is extremely important for businesses and organizations to manage their conduct and to maintain codes of ethics and conduct to determine what is expected in such environments.

Individuals are characterized by their differences and biases. Internal pressures and the culture of the organization itself influence organizations. In both instances, awareness of standard morals, as well as judgments based on such morals, automatically lead to ethical behavior. It sounds rather simple, though the concept is complex, and quite difficult at times to employ in an organizational business structure.

Many studies of business ethics focus on corporate scenarios. Students hear about Enron, Wall Street insider trading and political scandals, but what about ethical dilemmas that are faced by small business managers, or individual employees at all levels? Various types of ethical dilemmas are faced on a day-to-day basis in multiple organizations. Mom-and-pop grocery stores may face such dilemmas as easily as the CEO of a major corporation.

The study of business ethics and law often merge when it comes to standards of conduct expected by all aspects of society. Many people believe that by following laws, people will exhibit ethical behavior. However, there are times when laws may appear to be unethical.

Ethics in the Workplace

Whether you realize it or not, everyone should be concerned about ethics in the workplace. Whether you’re an employer or an employee, certain expectations and desirable working conditions promote this concept. In many industries and corporations, management and staff have worked together to promote ethical conduct at all levels of the business environment.

Small Business Ethics

Business ethics are not just designed for huge corporations and organizations. Whether a business employs thousands of workers, business ethics are an important aspect of any work environment.

A common ethical problem may have a big impact on small business, as well as large corporations. Discrimination, prejudice, or disputes between employers and employees all have an impact on how well a business is likely to run. Developing a good, strong relationship between workers and employers is essential in order to meet expectations, and to promote consideration and the rights of all parties involved.

An employer pays a salary and benefits to an employee who is expected to perform a particular job or task. At the other end of the spectrum, an organization or business manager expects their employees to behave in a certain manner. Concepts such as virtue, honesty and loyalty are rewarded, while dishonesty and deceit offer a fast track to unemployment.

Both employers and employees expect to be treated fairly. Various issues involving ethics crop up in small businesses as well as large corporations. Such issues may include but are not limited to:

- Human resource issues
- Discrimination
- Harassment
- Conflicts of interest

Some examples of human resource issues are those that occur where people work together in a small environment. It can include and impact such topics as privacy, performance evaluation, the hiring and firing process, discrimination and various types of harassment.

However, when it comes to such issues, everyone expects to be treated fairly. This means being treated as an equal, and with impartiality. For example, many people might feel that responsibilities or work is unbalanced if two people perform the same task and only one is rewarded.

Discrimination isn't just about race. It's about religion, sex, age, and culture. Discrimination is against the law in the United States, and while many companies do have policies prohibiting any type or hint of discrimination, many people are likely to discover that the reality between policy and actuality are quite different.

Age discrimination is one of the most talked-about issues in the workplace in the 21st century. Forced retirement, layoffs, and termination with or without severance pay affects older workers more than any generation before. Because the baby boomer generation is one of the largest in history, this disparity is going to play an important role over the next decade.

It is important for business managers, no matter how big or small a business, to be able to manage different types of people – this includes those of different age groups, religious, demographic, and cultural backgrounds. As of the year 2000, nearly 85 percent of new workers in the workforce are women, immigrants, and minorities.

Discrimination is a serious issue. In the United States, citizens consider it their right to be able to work in any place that their training, education, and skills make them suitable for. The Equal Employment Opportunity Commission (EEOC) is a great resource for demographic information and legislation that prohibits discrimination based on "*race, religion, sex, color, and national origin.*"

Sexual harassment is an unwelcome behavior that makes someone feel uncomfortable at his or her place of work. It can be subtle or obvious. In most cases, sexual harassment typically involves the inappropriate behavior of a supervisor over a lower ranking employee.



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The law defines two types of sexual harassment: a hostile work environment, or a quid pro quo scenario.

A hostile work environment is defined as a worker or employee who is uncomfortable due to actions or comments relating to sex or sexuality by another person in their place of work. However, does this mean that a male boss who puts his arms around a female worker is harassing her? Not necessarily. Sexual harassment in the workplace does not involve merely physical gestures, but verbal remarks of a sexual nature.

The quid pro quo scenario is the age-old, “sexual favors for advancement in the workplace” routine. Lines become blurred over issues such as complementing someone’s appearance or making jokes that may be considered sexual in nature.

Sexual harassment is a form of discrimination and becomes a business ethics issue because it directly relates to job satisfaction, comfort levels, and perhaps even promotions or advancements.

Conflicts of interest occur at any point in time when a person’s objectivity or judgment may be compromised. The mere appearance of a conflict of interest may prove devastating to a company’s reputation even though nothing happened. For example, consider a scenario where an accountant has a client who needs to have his books “adjusted” in order to escape a huge income tax fine. The client offers the accountant and his or her employees extravagant holiday gifts or vacations as a “reward.” Such an offer may be construed as a subtle bribe and are inappropriate to accept.

Accepting the gifts may be construed as a conflict of interest and may prove damaging to the accountant if other clients were to discover that such a gift had been accepted. In a way, a relationship with the client such as this may constitute a conflict of interest due to influence.

When business decisions involve someone with whom a person has a personal relationship, it is wise for someone else to make any final financial or operations decisions. Avoiding the appearance of a conflict of interest in any situation like this will help to avoid people being charged with partiality.

The bottom line is that anything that can be construed as a bribe or a kickback is definitely a conflict of interest, and it doesn’t matter if that bribe comes in the form of cash or Super Bowl tickets.

Codes of Conduct

To help define the boundaries for small and large business owners, codes of conduct and ethics have been developed by major corporations as well as mom-and-pop grocery stores. It doesn't matter whether those codes of conduct or ethics are 300 pages long, or one page long – they serve as a guideline to how a business should be run – from the industry level all the way down to employees and individuals.

Small-business owners can take the example from major industrial corporations. When it comes to best practices, adopting or enforcing a code of conduct provides employees and managerial staff with training in respect to expectations of behavior and conduct within any workplace environment. After all, CEOs are not the only ones concerned with ethics.

Managers are concerned with business ethics because of the importance of preventing and managing unacceptable or unethical behavior in their place of business. For example, theft in the workplace costs American businessmen and women an average of \$30 billion a year. Such behavior is a management problem that needs to be addressed and dealt with at all levels.

Employees care about business ethics because they want to be treated fairly. Many employees, who feel that their employers are being unfair in regard to work expectations, pay, or other issues may believe that they, in turn, can behave in any manner they see fit. This is the “sticking it to the man” mentality. Many employees may also feel that it's okay to lie about sales figures, shortchange customers, or otherwise hamper competition because they feel they're doing their boss a favor.

A manager wants to be able to hire and keep good workers. Studies have shown that applicants are more apt to be attracted to companies and businesses that are ethical, not only in word but also in deed. This means maintaining honest and respectful treatment of employees.


Employees want to care about whom they work for. They want to work for a company or business with a good reputation. It doesn't matter whether it's the mom-and-pop grocery store on the corner, or a pet store, or an accounting firm, or a carpet cleaning business.

Both employers and employees at the small-business level have various responsibilities, just as those who work for huge corporations. Issues of employee health and safety, privacy, trust and loyalty are important in any place of business.²⁷

Summary:

A survey conducted in a women’s magazine illustrated the fact that many people who were polled would not like to work for a company with a history of accidents, environmental, or work-related accidents, or those who had been involved in any type of insider trading. In a separate survey, workers claimed that they placed other issues before pay rate, including respectful treatment, communication between employer and employee, and pride in work.

All of us want to be treated fairly, and given as much of a chance to succeed as anyone else. As employers, we want to be able to trust our employees with our business. Because everyone wants to be treated fairly, it would seem logical that both sides of the business spectrum would be able to respect and cater to these needs. Often, however, this is not the case. Because of this, strict guidelines, codes, and regulations have made their way into the corporate workplace.



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20 CLOSING

The ethics of quality is a complex and widely visible issue and all possible consequences have a high potential to erode and negatively affect the world of business, services, supply and demand as we know it.

The previous chapters presented examples of unethical behavior which might lead to conflicts with customers, society or the business environment.

I will not repeat all the lessons learnt but let me stress the following wishes formulated by a wise man a long time ago:

I see society as a society of reason, sentiment and beliefs, on the basis of which there are possibilities of choice and the dual relationships of their individual and group members, who create different ways of life and enable their neighborhood, coexistence and connection.

I see a company confessing and sharing values of peace, variability and leisure, which will take care of the dignity, trust and sufficiency of its members.

I see a society in which all the generally recognized fundamental rights of the members of this society are in accordance with their duty to protect the rights of others.

I see a society in which there is an enormous controversy between those who make up and those who are injuring and destroying and whose justice stands for the restriction of black passengers.

I see a company that will primarily manage the natural and intellectual wealth in its territory, share it, intensively innovate and trade properly with it.²⁸

The modern trends might dictate the new rules of efficiency and productivity. The future might bring new standards in the area of consumption but we should never accept the lowering of the bar of the ethics of quality.

Ethics of quality has a large potential to erase the understanding of what is crime, what is good and what is value. These basic words and many more are framing our basic workplace where we do our daily business and how we define ourselves.

If these basic meanings get some other or different values, we might live in danger. This danger is the world heading towards an unprecedented interpretation of basic values.

Ethics of quality represents the rule how to preserve a collaborating and successful society. Any deviation could be the starting trigger of future problems.

21 CONCLUSION

The topic of this book is the question why one should do good things even when nobody is looking. That was also the initial working title of the whole text. The authors believe that it would be appropriate to revisit this question and try to find an answer that would follow the text of the third chapter in a constructive way.

It has already been said that the relationship between ethics and quality can be seen as their mutual communication, which of course is the communication of living people more or less mediated by technical means. We could spend a long time pondering on whether the chicken or the egg came first, but it is obvious that in the context this book there is initially some human activity aimed at creating a certain quality. The authors again point out that high or good quality may not necessarily be associated with doing something good.

In any production, a message is sent out to your environment about the existence of your intentions and the originator and it may transmit a whole range of different signals. Among those, we will pay attention to ethical signals. It is possible to basically distinguish between three types of these signals.

The signal of the first type carries a purely ethical message, for example, via the controversial material in it (fur of seal pups), function (treatment of women suffering from hysteria) or shape (swastika religious symbols). Sometimes this controversy is simply attributed to a higher type of mental or social innovation that is not consumption-ready. Innovation is essentially an ethical message.

The second type of signal is the quality of the processing itself, i.e. the signal of the quality of the work done. As a special complex type of an ethical signal, it is necessary to state the price and other declared values, such as lifetime. The price is an ethical message in itself. Let's think about a number of responses such as, for example, a scandalous price, a reasonable price, an okay purchase, etc., all of this, of course, with production life, material and quality of work.

The third type of signal is the type of social utility value perceived by the consumer. It may be a technical invention (such as a Tesla electric car or mobile phones). During the initialization phase of its market entry, these products have to overcome certain resistance of the consumer environment and, with their high reliability and quality, inspire potential consumers. Usually, the price of these new products is very high and can be reduced depending on whether a growing number of users can be acquired. However, if the Tesla electric car or the mobile phone did not fully fulfill their primary functions, these products

would have never obtained their market shares. In other words, at the outset, there is no certainty that any new products will find their customers, and therefore a high level of reliability and quality has to be taken into account. The “why do good things even when nobody is looking” principle can be the deciding factor between success and failure. There are many factors in the game, but it is essential to make sure that they are reliable. The quality of ethics is the consumer’s trust which must not be disappointed.

Here is the answer to the question. If I transmit a signal or even a message by the quality of my production, it is better in every aspect if the message is positive. The reason is simple. A positive message is more likely to have a positive response. This is evidenced by a simple life experience, even though life is full of disappointment. Communication of quality and ethics will also be guided by the simplest rule “tit for tat” aka “a blow for a blow”. This rule of communication strategy has a number of forms, such as a generic variation, which increases the number of positive signals to “peeling pearls”. The applicability and effectiveness depends on the current context. At this point, the authors refer to a number of papers on the subject of the so-called “prisoner’s dilemma”.

They are authors such as R. Axelrod, A. Rapaport, R. Trivers, R. May, M. Nowak, K. Sigmund and many others. The “tit for tat” principle is not universal or it cannot be evolutionarily

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stable because the strategy – like everything else in our environment comes and goes – is going extinct, and it is paying the price of the passage of time. As Anaximandros of Miletus wrote, the first positive step is to not spoil anything significant. The aim of this book is to send a positive message through the quality of production regardless of the environment's attention.

This is true regardless of whether we intend to do evil or good. If we decide to do anything, we should do it on our own behalf and properly or we will lose our reputation. Among other things, we are sending out an important ethical message that it is our own responsibility towards ourselves, and that makes our environment believe that we will also act responsibly towards the place we live in and the surrounding community. This is a great ethical response despite the fact that we have practically left our own interest behind.

Let's not forget that we cannot give our neighbors and our environment anything we do not have ourselves. It is more enjoyable if we can miss it.

Maybe this approach doesn't make us happy. Maybe it makes us better. But the judgement the authors would like to leave on the readers.

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