Ethics' Positive Impact on Business

Ethical people are those who recognize the difference between right and wrong and consistently strive to set an example of good conduct. In a business setting, ethical behavior is behavior that means applies the principles of honesty and fairness to relationships with coworkers and customers. Ethical individuals make an effort to treat everyone with whom they come in contact as they would want to be treated themselves

The advantages of ethical behavior in business include helping your business to build customer loyalty, avoid legal problems and attract and retain talented employees.

Build Customer Loyalty

Consumers may let a company take advantage of them once, but if they believe they have been treated unfairly, such as by being overcharged, they will not be repeat customers. Having a loyal customer base is one of the keys to long-range business success, since serving an existing customer does not involve marketing costs, whereas acquiring a new one does.

Enhance a Company's Reputation

A company's reputation for ethical behavior can help it create a more positive image in the marketplace, which can bring in new customers through word-of-mouth referrals. Conversely, a reputation for unethical dealings hurts the company's chances to obtain new customers, particularly in this age of social networking when dissatisfied customers can quickly disseminate information about the negative experience they had.

Retain Good Employees

Talented individuals at all levels of an organization want to be compensated fairly for their work and dedication. They want career advancement within the organization to be based on the quality of the work they do and not on favoritism. They want to be part of a company whose management team tells them the truth about what is going on, such as when layoffs or reorganizations are being contemplated.

Companies that are fair and open in their dealings with employees have a better chance of retaining the most talented people. For instance, employees who do not believe the compensation methodology is fair are often not as dedicated to their jobs as they could be.

Positive Work Environment

Employees have a responsibility to be ethical from the moment they have their first job interview. They must be honest about their capabilities and experience. Ethical employees are perceived as team players rather than as individuals just out for themselves. They develop positive relationships with coworkers. Their supervisors trust them with confidential information, and they are often given more autonomy as a result.

Employees who are caught in lies by their supervisors damage their chances of advancement within the organization and may risk being fired. An extreme case of poor ethics is employee theft. In some industries, this can cost the business a significant amount of money, such as restaurants whose employees steal food from the storage locker or freezer. One approach ethical companies take to avoid this type of behavior is to take the time to train every member of the organization about the conduct that is expected of them.

Avoid Legal Problems

At times, a company's management may be tempted to cut corners in pursuit of profit, such as by not fully complying with environmental regulations or labor laws, ignoring worker safety hazards or using substandard materials in their products. The penalties for being caught can be severe, including legal fees and fines or sanctions by governmental agencies. The resulting negative publicity can cause long-range damage to the company's reputation that is even more costly than legal fees or fines.

The advantages of business ethics become crystal clear in these situations since companies that maintain the highest ethical standards are very unlikely to find themselves in such situations.

How Does a Code of Ethics Impact Your Work Practices?

Ethics is a core competency that many employers seek in existing employees and in new hires. Core competencies are not tangible skills such as having a sophisticated level of computer literacy or having a great sales record, but core competencies have a strong effect on how employees perform. Filling your team with people who have a naturally strong code of ethics, and reinforcing this with clearly defined work behaviors, helps build a stronger team, and it also increases productivity and creates a happier workforce.

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Recognizing the Competency

Though you have probably recognized ethical behavior in employees as well as in others, you may not have labeled it as a competency. People who are ethical are trustworthy, have respect for others and take responsibility for their actions or their inaction. They are fair, and they care about others and the outcome for the business.

You can screen employees for ethics by asking behavioral-based questions in interviews such as, "If a customer left without taking his change and you had no way to reach him, how would you deal with that?"

Loyal Employees are Good Ambassadors

Employee loyalty is important. Not only do loyal employees remain with your company longer than employees who are not as loyal, the loyal employees are good ambassadors for the company outside of work, because they demonstrate pride for the company they work for. Loyalty goes even deeper than this, as many companies rely on loyal employees to keep confidential and proprietary information secret. You must rely on ethical behavior and smart choices by employees to lock computers, to not share passwords and to be diligent to protect company assets.

Honest Money Handling

Not every job position requires money handling, but those that do require ethical people to do it. More than one employer has trusted an employee with cash transactions to later find that the employee was skimming from transactions, essentially stealing from the company. Those in financial industries such as retirement planning or insurance might not have cash transactions but need to concern themselves with laundering. Ethical employees will put a penny back in the register if they find it on the floor.

Ownership of Mistakes

Ethical people do the right thing, even when it isn't convenient. Making a mistake at work can cost a person a job, so it's natural for people to try to avoid responsibility when they make a work mistake. Ethical employees understand the importance of solving problems, and although it might not be easy to own up to a mistake, an ethical employee realizes that owning up to a mistake is the fastest way to resolve a situation, and to learn better skills. This becomes a trait that employers seek.

Why Good Moral Character Is Needed in the Workplace

The manner in which someone approaches ethics is fundamentally linked to who he is as a person, according to the Internet Encyclopedia of Philosophy. If a person has good moral character, it's because of his virtues and ethics. As a small-business owner, good moral character is essential to the employer-employee relationship, employee morale and the growth of the company.

Identification

To determine what constitutes moral character, you must understand the meaning of ethics, which involves moral principles or values. The decisions you or your employees make daily can positively or negatively affect the company as a whole. To develop good moral character, an individual should analyze the consequences of exercising bad moral character and perform actions that are ethically correct.

Trust

If trust doesn't exist between you and your employees, miscommunication, dishonesty, conflict and high turnover might occur. An untrustworthy employee keeps you in doubt while a trustworthy employee makes you feel secure. For example, if an employee lies about a method that she used to complete a particular project, it puts you on guard and soon you find yourself micromanaging her and doubting everything else she says. Because of her dishonesty, you now question her moral character. This also holds true in how you -- and your employees -- deal with clients. If a customer doesn't trust you, he likely won't engage in business with you.

Loyalty

Your business is your livelihood, which your customers help you sustain. If you display sound moral character toward your clients and treat them with respect, you're likely to retain and obtain referrals from them. Your employees should have these traits as well. For example, if your ethics are sound but an employee is disrespectful or untruthful to your clients, maintaining customer loyalty will be difficult. Specifically, obtaining clients through decent prices and quality products might be easy but how you service those clients determines whether you'll keep them. This is true for employees as well. If you treat them well, they are more likely to stay with you.

Morale

According to Bradley University's "Ethics Case Studies for Registrars," one of the main causes for employees' unethical conduct is indifference or low morale. Having moral character in the workplace helps you to become the type of leader who inspires your employees. It keeps you in tune with their needs and gives you the urge to reward them favorably for their accomplishments. You do not take them for granted, fueling their drive to work harder. Employees with good morals set a positive example for their coworkers.

Considerations

To avoid misunderstandings, include the business's ethics in the company handbook and give a copy to all of your employees. Ensure that your ethics are fair because another cause for unethical conduct is employees not agreeing with the employer's policies.

How a Manager Controls Unethical Behavior

"Controlling" is one of the four core areas of organizational management. As you operate a business or train managers, it is important to instill ethical responsibilities in company leaders. A manager must influence employee ethics and take the necessary steps to control unethical behavior.

People tend to respond more to what they see than what you say. Thus, one of the more effective ways a manager controls unethical behavior is to model ethical standards. Operating ethically shows your employees how you expect them to behave. As importantly, when you model appropriate ethics, it puts you in a better position to teach ethics and address missteps on the part of your workers. You won't get much buy in if you are hypocritical.

HR and Culture

A key starting point is to hire ethical people. If you take a chance on employees with sketchy ethical pasts, you can more easily get burned. Thorough screening processes, including background and reference checks, are helpful in deciding whether each employee fits the ethical culture of your industry and business. You also need to develop a culture that encourages ethics. Rewarding employees who make effective ethical decisions encourages desired behavior. Encouraging peers to hold each other accountable for their actions can contribute to a cultural expectation of ethics.

Ethical Code

It is hard to convince employees to take ethics seriously without a formal ethical code of conduct. This code lays out ethical standards and consequences for those who violate them. You should have company-wide standards, as well as guidelines for workers in certain areas such as sales. The code should tell employees specifically what behaviors are unethical. It also should let them know ahead of time how you handle violations, which may deter some from contemplating unethical moves for short-term gain.

Evaluation and Enforcement

Regardless of the culture and example you set, employees still will make missteps or even disregard ethical directives. Ongoing evaluation and review of activities, processes and decisions helps you avoid being in the dark as to unethical behavior. When you do catch employees engaging in unethical activities, it is necessary to step in and enforce your ethical code. Some employees may respond when you restrict or suspend them from certain activities. At the extreme, you may have to get rid of an employee whose ethical nature simply won't fit into your organization.

Does a Manager Influence Ethics?

Frontline managers in a company definitely influence ethics. Normally, top managers in a business establish its ethical tone, including the adoption and communication of certain philosophies that either support or ignore commonly held ethical standards. These leaders also promote core ethical benefits that create the company culture. Frontline managers are influenced by top leaders and are influencers of the people they lead.

Leading by Example

The ethical actions of a manager typically have the greatest influence on employee ethics. Regardless of what you say, people tend to believe that your actions are the best representation of your beliefs and intentions on a given matter. If a sales manager lies, cheats or deceives customers in full view of his sales employees, employees likely will take this as a model of expected operations.

Communication and Meetings

Communication plays a role in influencing ethics as well, although it generally must be supported by actions. Managers usually are expected to convey company policies and procedures on ethical matters to their employees. During new employee training and orientation, the manager often reviews the company handbook. His attitude toward either strongly emphasizing polices or indicating they are suggested guidelines affects employee thinking. Managers also communicate ethical standards and expectations through company or staff meetings.

Immediate Correction

When an employee makes a poor ethical decision or gaffe, a manager influences with his reaction. By quickly addressing and correcting the incident, the manager shows a conviction to reinforce standards. Coaching the employee on a more ethical approach is a key follow-up. If a manager ignores or doesn't correct a poor ethical action he observes, the employee normally takes that as passive approval and is more likely to repeat the poor ethical behavior in the future.

Evaluation and Rewards

Employee evaluation processes provide another formal opportunity for the manager to influence ethics. Some company evaluations directly address ethics. By positively reinforcing an employee strong on ethics, or constructively evaluating a less ethical employee, the manager can improve overall ethics in his department or unit. Some companies allow managers to implement incentive or reward programs where employees get small cash bonuses or gift cards when observed making good ethical decisions