Unethical Practices: Bane of Effective Enterprise Management

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There is no human endeavour that does not require proper management for its proper functioning. Every organisation whether small, medium or big, requires good corporate governance to function effectively. Furthermore, businesses are guided by rules, regulations and policies that shape and control employees' behaviour. Once these rules are violated, objectives of the business may be jeopardised and consequent, enterprise collapse in the long run. Ethical conduct of business is non-negotiable if entrepreneurs desire growth and sustainability.

It is against this background that this paper attempts to appraise causes of unethical behaviour and its resultant effects on entrepreneurship development. Furthermore, the paper examines the roles of the entrepreneur and the employees, with a view of specifically addressing the strategies and mechanisms that can be put in place to minimise the trend of corrupt practices in the conduct of business.

Introduction

It is common knowledge that the subject of ethics in business has long been in focus amongst management scholars and business leaders, alike. There is also broad agreement around the world that as a matter of corporate policy, every business organisation should commit itself to operating in ethically sound and transparent manner. This is seen as part of the social responsibility of business, which hinges on the philosophy that business ought to impact the society in ways that transcend the profit maximisation objective (Dzansi, 2003, Deli 2003, de V Maasdorp & Van Vuuren 2004). The failure of most enterprise managers to operate in sound business ethics has produced the monster: corruption, to rear up its ugly head.

This topic could not have been better discussed than now having witnessed continuous fraudulent practices and consequent despair in our countries, deriving from the all embracing "get-rich-quick syndrome". It cannot be over-emphasised that our economies can be revived partly through conscientious efforts made both in the public and private sectors to identify the problems of fraud and control them following the principles of ethics, integrity, probity, transparency and effective corporate governance (Deli 2003, Nieman 2006, Robbins 2001).

It is important to present a working definition of important concepts in this paper. The key concepts are: unethical practices, bane and enterprise management. We shall begin by defining the concept of unethical practices. The many faces of unethical practices have been tagged under the umbrella name: corruption. Corruption could be variously defined. It is the use of public office for private gains: "use of unsanctioned means to achieve unsanctioned ends" (Johns 1996). In a broader perspective, it is the misuse of office for unofficial ends. Corrupt acts include but not limited to (Asemota 2003): bribery, extortion, influence peddling, nepotism, fraud, embezzlement, abuse of power.

Bane could be defined as the "pest" destroying the effective management of both human and material resources in an enterprise.

Different meanings have been attributed to the word "Management". Management is defined as "the process of getting things done through other people". Scientifically, management can be defined as the co-ordination of all the resources (human and other resources) of an enterprise through the process of planning, staffing, organising, directing and controlling in order to attain organisational objectives (Robbins 2001).

Universality of management, therefore, addresses the principles of management as generic rather than specific. Consequently, management function is identical in all forms of organisations whether it is profit making or not-for profit organisations (Robbins & Decenzo 2001). This is so because all managers perform the same type of functions. Additionally, people who occupy management positions plan, organise, staff, direct and control. Managers get things done through and with their subordinates. Their principal responsibility is to achieve organisational objectives and goals through team or group efforts. The concept of the universality of management implies that all managers irrespective of their position in the organisational hierarchy perform at one time or the other identical functions (Yalokwu 2002, Robbins & Decenzo 2001).

This paper will therefore examine unethical practices in organisations and management strategies adopted to curb corrupt practices. The paper is divided into four sections. The first section analyses causes of unethical practices, which disable effective enterprise management. The second section examines consequences of unethical practices in enterprises while the third section looks at the roles of employer, employees and challenges faced in managing businesses ethically and the last part offers steps for managing ethical behaviour in organisations, for overall enterprise and community development.

Methodology

The research design is based extensively on literature review and descriptive methods of analysis to shed light on unethical practices in enterprise management development. It has been structured to appraise causes, consequences and then proffer some solutions for minimising unethical practices in the workplace.

Causes of unethical behaviour in the workplace

While we posit that resource constraints, profit and survival motives underpin most unethical bahaviour in enterprise management, the stretching of the axiom of "customer being the King or Queen" (Dzansi 2003), have worked in concert to making unethical practices in enterprise management, common place. Dzansi (2003) further reports that survival is the root cause of unethical behaviour in small businesses. This vulnerability derives from their small size, severe resource limitations, competitive pressures, limited market presence coupled with the sheer desire to make profits at all costs. Gilman, (2003) relates ethics programmes to complications, requiring formulation of codes of conduct, policies, commitment and comportment with the law, coupled with the implementation requirements of appropriate structures, programmes, resources, communication strategies, programme evaluation and training.

Altizer (2003) explains that there is a significant gap between large and small organisations in the existence of formal ethics programmes. This may have been so because of the higher level of public and media attention received by large organisations, lack of resources in smaller organisations or a combination of both. Another cause of unethical behaviour in enterprise management, involves business communications and their impact on cultural differences. These are so because business communications can either be between organisations, between people within an organisation or between an organisation and the public (Brown & Navran 2003).

Other unethical practices pervading enterprises, which are committed in order to satisfy one "demand" or the other, include outright stealing of cash and hiding; teeming and lading (DTEGROUP, 2004); physical concealment of stocks; improper allocation of expenses in financial statements; falsification of figures; manipulation of the telex to send out false information, e.g. banks transferring funds from corporate accounts to fictitious accounts; destroying financial records; Inflation of contracts; False valuations: "window dressing"; Liquidations and reconstructions; custom's duties; oil explorations and bunkering; over-invoicing and foreign exchange tax evasion and avoidance; "cooking the books"; "cute accounting" (McQuaig & Bille 1997; Brown 2003; Navran & Pittman 2003; Brewster, Carey, Dowling, Grobler, Holland & Warnich 2003). Coincidentally, the list is inexhaustible.

Consequences of unethical practices on enterprise management

In South Africa, there are many cases of business owners or managers being prosecuted because of bribery related activities (Dzansi 2003), but some of the managers claim they are gifts. Dzansi (2003) continues that unethical behaviour attributed to employees consists of loafing on the job, working too slowly, feigned injuries, theft and unjust sick leave. Also, a sales person may ignore ethical standards in order to meet sales targets. Gilman (2003) explains that many organisations commit "ethics suicide", because they became vulnerable by creating ethics programmes that fulfilled only minimal legal standards with little or no thought for effective implementation. He gave examples of using an inexperienced officer to drive the ethics programme in one organisation, and another organisation used legal staff to draft code of conduct for the legal staff, which was unworkable for the generality of the staff. Whereas, Enron and World.Com are classic examples of ethical failure, Navran & Joseph (2003), report that ethics is wider than preventing and censuring illegal behaviour while encouraging proper behaviour.

Training and other professionals are to keep an eye on the accidental and unintentional as well as the underhanded. Navran (2003) relates the effect of putting ethics into core MBA programme offerings as, while the results are tragic in the short-term in terms of lost earnings and jobs, the long-term consequences will be better financial oversight and more attention to the ethics of boards, auditors, and others whom society trusts with access to and control of resources. When enterprises attempt to cut costs by forcing suppliers to lower their prices or lose out to a lower bidder, quality and integrity may suffer. Because suppliers resort to dishonest or illegal practices in order to offer services below a reasonable cost, enterprises that insist on following the rule are unfairly punished. Gilman (2003) continues that any enterprise that attempts to reduce costs without adequate regard to the impact on the enterprise's compliance with federal and state laws faces potential liability. Having a triple bottom line is critical for any enterprise today. Otherwise, they undermine their own survival, brand name, quality of that name and they undoubtedly, do the "wrong thing". Gilman (2003) further states that enterprises that have a single bottom line make it especially dangerous for the sales side.

Other consequences of unethical enterprise management are waste of limited resources, lowering of moral standards, low productivity, unemployment, dampened employees' morale, distorted resource allocations, and which, ultimately, destroy private, national, economic, social and political progress (McQuaig & Bille 1997; Brown 2003; Navran & Pittman 2003; Brewster, Carey, Dowling, Grobler, Holland & Warnich 2003).

Establishing ethical standards

Managers and employees are assisted to resolve the ethical dilemmas they constantly face, as large enterprises usually develop written codes of ethics. However, most of the codes of ethics of small businesses are usually not written documents. Adherence to ethical standards is dependent on the norms and values of the owner-manager (Dzansi 2003). The 2003 National Business Ethics Survey (NEBS) focused on four of the seven elements of effective ethics programme as requirements for the Federal Sentencing Guidelines. These are written standards of ethical conduct, training on standards of conduct, an ethics office or ethics hotline and a means to anonymously report misconduct. The results show that attention should be shifted to smaller enterprises, especially in the "for-profit" sector (Altizer 2003). Myers (2003) explains that since most public companies already have ethics codes, Certified Public Accountants (CPAs) may help their employers or clients review them in order to make sure they comply with new regulations, and even external auditors might have a role in assessing compliance with codes of ethics.

Gilman (2003) takes it further, in that external auditors should be encouraged to sign a statement noting that they understand and accept the clients' code of ethics, instead of simply evaluating or testing results. The ERC/SHRM (2003) ethics survey provides ethics trend data and benchmarks for Human Resource (HR) professionals in: organisational ethics standards and practices, roles of HR professionals in organisational ethics, pressures and observed misconduct on the job, reporting of ethical misconduct, ethics of others with whom human resource professionals interact, and influences on the ethics perceptions of human resource professionals.

Brown & Navran (2003) explain that business communication between and within organisations and individuals within an organisation reflect the personal ethics of the author or speaker and should also reflect the ethics of the enterprise. In pursuance of this ideal, the ERC Ethics committee started a new initiative to encourage employees to "live-out" the values of the Ethics Resource Center. Sutliff and Kaufmann (2003) explain that people wish to know: "What is ethics?", "Why should we care about making the right decisions?", and "Knowing how to act with integrity, how to be responsible, and how to treat others with respect, helps in getting along with friends, teachers, and parents", which undoubtedly, plays "a vital role in future success at work".

Gilman (2003) indicates that despite the recent high visibility scandals, overall corporate ethics seem to be improving, when compared to 2000 NBES percentage figures. Navran (2003) further explains that there is distinction between compliance and ethics by emphasising that both are necessary to effectively promote a culture of integrity in the workplace.

Competition aggravated by globalisation and dwindling markets has made safe, reliable and honestly advertised products imperative for enterprise survival. Enterprise practices of good customer care like good after-sales service, could guarantee continued patronage. Of vital importance, however, good customer care is predicated on active participation of dependable employees (Dzansi 2003).

Managing ethical values and moral obligation in the work place

The universality of management and its application to ethical enterprise management development derives from the effective utilisation of the core functions of management, namely planning, organising, staffing, directing and ethically controlling the enterprise resources to competitively achieve overall stakeholder objectives and aspirations. These enterprise stakeholder objectives and aspirations could be, but not limited to profitability, "going concern" imperatives, sustainability, growth, return on assets, return on investment, employment creation, being responsible corporate citizen, cash flows, liquidity and wealth creation (Dzansi 2003; Leopold, Harris & Watson 1999; Deli 2003; Armstrong 2003; de V Maasdorp & Van Vuuren 2004; Robbins & Decenzo 2001 and Yalokwu 2002).

Consequently, ethics, which is, knowing what is "right" or "wrong", and "doing it right", can be described as a set of moral principles that govern the action of an individual or group in an enterprise. Business ethics are concerned with truth and justice and include aspects of which society expects, for example, fair competition, social responsibilities and corporate behaviour. All professions have their separate value systems and value preferences. The values of a profession are the beliefs that it holds, about people, the preferred goals for people, and the preferred instrumentalities for dealing with people (Dzansi 2003; Leopold, Harris & Watson 1999; Deli 2003; Armstrong 2003; de V Maasdorp & Van Vuuren 2004; Robbins & Decenzo 2001 and Yalokwu 2002).

From the values they espouse, professions develop ethical codes-statements of what ought to be done in professional practice because of the responsibilities that are assumed when one enters the life of another as a professional. Although professional ethics are not intended to prescribe the personal qualities or moral standards of individuals; they are a statement of the obligations owed to others. However, all societies have many, diverse and conflicting values. Consequently, professions select from these values those that seem to support their professional practice. Therefore, professions achieve their uniqueness in the way they organise and operationalise values, and in the interpretation of their codes of ethics. Thus, it is not good conduct in universal terms that makes for ethical conduct. It is behaviour that is in consonance with the requisites of the practice situation (Robbins & Decenzo 2001; Johns 1996; Kruger & de Klerk 2005).

Challenges in promoting ethical business conduct

There are many challenges faced by employers and employees in conducting business ethically.

First, is the challenge of instituting appropriate internal controls and the mechanisms for investigation and application of sanctions on individuals or groups that violate the corporate creed? While it is important for every organisation to profess a commitment to business ethics, it is more important to put in place controls, processes and mechanisms that help the organisation to operate in an ethically sound manner. Here, controls dealing with products handling, payment systems, award of contracts, procurement processes etc, are all critical. Loopholes that can give room for abuses must be avoided. Where controls are inadequate or sanctions are hardly applied when need be, no amount of rhetoric about ethics in business will suffice (Robbins & Decenzo 2001; Johns 1996; Kruger & de Klerk 2005).

Second, there is the challenge of ensuring that employees are paid competitive compensation packages that can meet and exceed the normal needs of their families. Where this is the case, so long as stiff sanctions are applied when there are violations, majority of employees would only do what is seen as being ethical within the context of the organisation's definition of the subject. Where employees can hardly make ends meet from their legitimate earnings, the temptation to engage in unethical practices will always be there. Contentment should be our watch word. This is so because human beings are wanton animals (Robbins & Decenzo 2001; Johns 1996; Kruger & de Klerk 2005).

Third, there is the challenge of working in concert with other like-minded organisations to fight corruption in our countries, so as to promote the virtues of sound business ethics. We believe that this is a worthy cause and the organised private sector and professional bodies need to champion this cause (Robbins & Decenzo 2001; Johns 1996; Kruger & de Klerk 2005).

Fourth, there is the challenge of strengthening corporate governance through appropriate law reforms. Boards of Directors, Board Audit Committees or any other shareholder group, must have power to pry into the activities of the management. More importantly, they need to be alive to their responsibilities. Most shareholders in our countries merely look forward to receiving their dividends at the end of the year without showing any interest in the activities of their organisation. This should not be so. The Board of Directors in particular must ensure that things are done in a very transparent manner and in the overall interest of the organisation at all times. Auditors involved in providing statutory professional services must ensure that they do a thorough job at all times. Leadership by example and not by precepts, Establishment of corporate accountability, Organisation's code of ethics, Professionalism should be at the centre of every manager's work, Set up in-house watch dog units, Immunity against whistle blowers, Business as usual (BAU) should not be the standard, and Institutionalising anti-graft commission, to fight unethical practices in the workplace (Robbins & Decenzo 2001; Johns 1996; Kruger & de Klerk 2005; Asemota 2003).

Strategies and mechanisms for minimising unethical practices in enterprise management development

It has been shown that ethically responsible enterprises have enjoyed business success, customer loyalty, able to attract good and loyal employees, reduced labour turnover coupled with reduced operating costs and better financial performance (Dzansi 2003). As a result, Gilman (2003) opines that when it comes to codes and disclosure, enterprises interested in obtaining good results must provide employees with a safe environment that enables them to ask ethics questions and helps them to obtain right answers. While it may not be possible for smaller enterprises to have the same level of formal structures, they should still be able to customise a formal structure that fits into their culture (Altizer 2003). Whenever ethics is well established in the enterprise, ethics training can contribute to enterprise management health and stability (Navran & Joseph 2003). ERC (2003) suggests that creating a workable enterprise code of conduct should focus on what enterprise could do after the code is written to start meeting with the requirements for effective communication of enterprise ethics standards. Daigneault, Navran

& Guthrie (2003) considered the shifting job responsibilities of the ethics office, in terms of where the ethics officer should be placed in the organisational chart, relationship structure with senior leadership and strategies that the ethics officer could use to best shape the ethical climate of the enterprise.

The above are to integrate ethics codes, training, help lines and other programme elements into everyday business activities, for effectiveness (Joseph 2003). It should, also be borne in mind that ethical communications provide for honesty, respect and showing sensitivity to cultural differences (Brown & Navaran 2003). The ethics code should also aim at long-term approaches of making the enterprise values integral and vital parts of operations, so as to dictate the interaction patterns between and amongst employees, with external individuals, and with every facet of the enterprise work lives (ERC 2003). The enterprise ethics model could also use employees as a resource, meeting their needs while also maximising results by tapping into employees' insights and enthusiasm (Student Ethics Office model). Consequently, every enterprise must uphold its responsibility to stakeholders and the general public, by ensuring that their business partners adhere to rigorous professional and ethical standards. This way, Gilman (2003) suggests that enterprises should have a coherent code of conduct, proper ethics training and a procedure for employees to get advice and counsel.

Conclusion and Policy Alternatives

While, it is important to note that ethics management demands accountability, a code, as highlighted above, is a statement of policies and principles that guide behaviour of all persons in the enterprise. Stating a code of ethics is not enough but by appointing ethics committee, which hold regular meetings, while also checking and enforcing sanctions to violations of the ethics code and consequently, reviewing and updating the code, shows commitment.

Therefore, if entrepreneurs and enterprise managers are able to enshrine and inculcate sound ethical practices in all the facets of their business operations, the problems commonly associated with low productivity, business failures, embezzlements, fraud, corruption and other sharp practices would be drastically reduced. It is, however, envisaged that good and sound ethical practices in the organisation will ultimately enhance value added in terms of less defect-free products, better service delivery, reduced costs of conducting business, boost employee morale, provide better tax revenues for governments and provision of improved social services to our teeming population.

It is, however, strongly recommended that if our entrepreneurs can be bold enough to lay their enterprise management on the principles of sound, transparent, and equitable ethical practices, their organisations should become more profitable, with sustainable growth potentials and, consequent, development. It is further recommended that the safety, tension, feelings of betrayal, ostracism and other ethical dynamics of whistleblowing on enterprise management and development should be the subject, for future investigation.

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