

## A Role of Ethics and Social Responsibilities in Management.

Ethics can be defined as a process of evaluating actions according to moral principal of values(A.Alhemoud). Throughout the centuries people were trying to choose between profit and moral. Perhaps, some of them obtain both, but every time it could have roused ethical issues. Those issues concern fairness, justice, rightness or wrongness; as a result it can only be resolved according to ethical standards.

Setting the ethical standards for the way of doing business in corporation is primarily task of management. Corporations have to maintain the same standards as an individual person and, in addition, corporations, as organizational units, have their own social responsibilities toward customers, employees and society. However, any business should keep it's original purpose of functioning - making profit. Balancing the traditional standards of profitability and burden of social responsibilities is not an easy task. In recent years it has been a trend of setting standards of corporate ethics according to high degree of morale.

To be able to keep the ethical standards management must follow the law. However, there are some complications in enforcing it. The law affects and is affected by social forces and prevailing ethical standards. "Although the law can codify societies ethical

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values, ethical decision making transcends the law in that 1) the law deals with actions not with thoughts, and therefore it does not (and cannot) codify all ethical requirements; and 2) an individual or a group may perceive a given law as immoral, not as a guide to ethical behavior." ( A. Alhemoud). How, then, a company can ensure that its code of ethics is both followed and enforced ? " .  
..Defense firm such as General Dynamics and TRW, and an information company, Dun & Broadstreet, have appointed internal ethics officers or ombudsmen. Whether employees have faith in these safeguards against corporate retaliation is hard to tell, though it is one step forward (The Economist August 19 1995)

The ethical codes of corporations that that get so important nowadays also did not come into being at once. They emerged from individual ethical standards and corporate consciousness. Moreover, the public demand for prosecution of any violations of corporate, professional and business ethics has been increased. Finally, mass media made possible for society reveal secrets that were kept from public before. So, the business conduct regulations were created to "draft guidelines for ethical conduct, develop a process for monitoring business practices and recommend ways to correct questionable activities." (J.Byrne) All these measures were taken to balance various social responsibilities with the high degree of moral and sense of attainment.

Unfortunately, cooperation of unethical behavior of a manager with a journalist may lead to an undesirable results. "Early in December 1995, Smart Money's editor-at-large James J. Cramer wrote an article for his monthly column; Unconventional Wisdom,

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Recommending four \$2 to \$6 "oprahn" stocks. Trading records show that at the peak, Cramer's firm had paper profits of more than \$2 million on the stocks. The gain occurred because he had adopted at least three of the "oprhan" sometimes before writing the article. Cramers article said that he was buying one of the stock but did not disclose that"(F.Lalli). Clearly, neither the management nor the editors had in any way cared of conducting the ethical behavior and as the result the innocent investors were hurt.

On the other hand, being ethical can be clever marketing strategy. Increasingly, consumers are swayed by "non-commercial" factors, such as whether the product harms the environment. "Firms such as Ben & Jerry's, an ice cream maker and Body Shop international, a cosmetics retailer, have enforced their brands by publicizing their ethical standards...Calmins Engine, a maker of diesel engines, made the product greener while lobbying for stricter pollution laws. Dp Pont, a leading producer of ozone damaging CFCs, became an early member of anti-CFCs lobby partly because it knew it was well ahead of its rivals in

developing alternative." ( The Economist December 23 1996)

But ethical self promotion can backfire. As in the case of Body Shop company that was publicly enforced to rephrase a statement that its product were not tasted on animals (Some other companies did that in the past). This accident made many consumers to question Body Shop ethical standards.

Another interesting issue in corporate management is social responsibilities. Social

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Frank Lalli "A Question of professional ethics" responsibilities can be defined as set of obligations an organization has to protect and enhance the society in which it functions. (Ricky W. Griffin. "Management"). There are a few main components of social responsibilities.

Any business has responsibilities to its customers. The paramount duty in this respect is to provide customers with quality and safe products. Unfortunately, not all businesses follow this rule. The example of such deception is tobacco industry, which deliblatry manipulated with the level of nicotine in cigarettes. Despite of declaration of managers, scrutinize research made it clear that industry tried to maintain the addictive level of nicotine. The purpose of it was far from humanistic - addicted smokers kept buying cigarettes, making the industry prosperous and profitable. There has been a number of other different customers' abuses such as sale of fruits with overdosed chemicals, breast implants for women and etc.

Though, the responsibilities to its customers is crucial point of management, the way managers treat employees is another parameter of evaluation of companies ethical well- being. Unfortunately, the most concern of managers is theirs own job rather than theirs employees.

Another problem is equal employment opportunities for everyone. Although a lot was done to destroy the system that kept women and minorities away from the top management positions, many corporations still rely on white men's stereotypes and prejudice. Women are considered just as accessories for men and are not treated equally.

In fact, firms attitude toward employees often determines the way employees feel about company. As a rule, corporate code of ethics contains the pattern of behavior, an employer expect from employee.

Another responsibilities of the companies' management is to stockholders.

This usually rises a so called "agent problem" (Dyckman, Intermediate Accounting). Managers are in control of the property stockholders. However, the interests of these two groups may not be the same. As manager is looking for more power and prestige, they can tend to less profitable operations. Also corporate officials may vote for high salaries and bonuses for themselves, decreasing the dividends of stockholders by that.

There is no particular solution for all of these issues. There is only hope that ethical standards and social responsibilities would guide every manager throughout his/her career. "Professional conduct should be governed by a code of ethics that reflects positively on the practitioner and managerial profession. Simply stated, nothing should prevent a manager from maintaining high ethical standards and social responsibility in the quest for high performance and quality."