

Ethical Issues Encountered by Managers

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Corporations employ managers to oversee daily operations. Managers and company executives are expected to conduct themselves in an ethical manner, which essentially consists of character traits of fairness, honesty, integrity, and truthfulness in all dealings. In this dissertation on ethical issues which are encountered by managers, I will present two case studies. The first will explore a scenario which just involves one individual employed at a small firm. The second will explore an international corporation, a clothier, with business operations steeped in unethical conduct. This study will explore ethics and morality and seek to determine the origin of these concepts as well as all internal and external impacts of the aforementioned unethical behaviors. Attention will be given to matters of principle over and above the offending action itself and consideration will be given to the peripheral abuse of positional and personal power.

Ethical Issues Encountered by Managers: Part 1

Fundamentally, ethical behavior is the juxtaposition of fairness, honesty, integrity, and truthfulness. Since the traits that comprise ethical behavior are core character traits, they permeate that individual and affect his or her thoughts, words, and deeds in and out of the work environment. An ethical person is thus typically ethical in all conduct through and through, or conversely, unethical through and through. A series of scenarios have been presented in the collegiate study of ethics within the context of business management.¹ In this treatise, part one of a two-part academic study, I will analyze the conduct of Keeshan Parekh, an information technology manager for a small accounting firm.

Ethics, in concept, includes well-founded standards of right and wrong (Santa Clara University, 2010). A simple, but not entirely foolproof test can be conducted by asking oneself if you would want specific actions, which you are considering doing, done to yourself. Still, this simple test is surprisingly effective. In the prescribed scenario, Keeshan sells company property for personal gain, to wit: used hard drives, that his employer previously tasked him with destroying. In short, Keeshan's acts were unethical. As a case study, in a review of the code of business

¹ Laureate Education. (2019). *Ethical Issues Encountered by Managers: Part 1 Scenarios*. <https://class.content.laureate.net/284cc0d58076a4caaf23d79e639089f0.pdf>

conduct and ethics developed by DreamWorks Animation SKG, Incorporated, Keeshan's acts are classified as an unethical conflict of interest. DreamWorks Animation's values, principles, and business practices detail that a conflict of interest occurs when a person's private interests coincide with the interests of the company (U.S. Securities and Exchange Commission, 2016). When Keeshan received personal benefit as a result of his position in the corporation and acquired personal enrichment, his actions were classified as unethical. What adds insult to injury is that he directly deviated from the company president's directive and intentionally deceived his co-worker Russel Bedford by taking on a duty which was Russel's and then not performing appropriate disposal of the hard drives at the recycling center as was expected of him.

Keeshan was employed to guard the corporation's interests. If he desired to sell the hard drives after erasing the company's data, he would have first had to obtain direct authorization from either his work supervisor or employer, which in the scenario appears to be the company's president. Being that he was employed for a reportedly small accounting company, he may have even had prior established rapport with the president, supervisor, or employer who could have authorized his actions to take business property as his own. At a previous place of employment, I became aware of a series of televisions throughout the office building, which were going to be replaced by new, larger, flat-screen televisions. The maintenance employee who was tasked with taking down the old televisions and throwing them away specifically asked the building administrator for permission to keep them. He was granted permission; and that is exactly how Keeshan should have handled this situation.

The unethical actions taken by Keeshan had great potential for harm and there is a possibility that his conduct will be discovered in the future. He could face certain punishment, when or if his actions were discovered, up to and including termination of his employment. While his actions may seem inconsequential at first glance, employers and executives have come to understand the inescapable truth that unethical acts generally indicate a personal lack of morality that is often pervasive and can be corrosive to the extent of corrupting an individual's entire nature. Acts that start with misappropriation of company assets can turn into petit theft and, ultimately, grand larceny. An additional, albeit peripheral, consequence of Keeshan's actions would be the loss of his personal integrity as Russel and the president begin to no longer take his word at face value. Another alternative could be that Russel winds up getting in trouble for actions that he knew

nothing about since the task of appropriate disposal of the company hard drives was in fact his responsibility.

Contending for additional consideration is the potential that Keeshan's conduct will be discovered in the future. Just because a week passes without incident does not mean that he should not be concerned with the future discovery of his actions. Suppose that Keeshan had not properly and securely wiped the content of the drives and a future purchaser uncovered confidential files, this would place his accounting firm, and the clients whom they represent, in grave danger for identity theft or other uncertain peril which could come through revelation of the firm's data leak. Alternatively, discovery could be made by the president or Russel through future communication with the owner or operator of the recycling center where disposal was intended.

In one final reflection on the unethical conduct of Keeshan, we see another element at work here; that is, the positional and personal power that he abused, and which was required, to accomplish his objective to sell company assets for personal profit. Positional power is use, or misuse, of one's position in an organization whereby he or she is granted authority, and requisite capability, from company executives (Lussier, 2017). Positional power was involved when Keeshan used his position in the company to acquire possession and control of nearly forty hard drives. Alternatively, personal power is the ability to direct the actions of others who will follow you based on your personal charisma and previously established rapport (Lussier, 2017). Keeshan used his rapport with his co-worker Russel to convince Russel to give up custody of the hard drives and the authority to assume responsibility for the task of proper disposal of same. Applying ethics to situations in a work environment can seem petty, but ethics and morality are critically important and analyzing employee conduct should always be conducted with primary consideration given to matters of principle.

Ethical Issues Encountered by Managers: Part 2

Sadly, lies beget more lies and corruption begets further corruption. In a corporate environment, executives would be wise to pay close attention to hiring keen human resource employees and to set standards for their internal auditors and operations managers so that unethical actions can be caught early on and unethical employees can be discovered and snuffed out. As

previously asserted, managers and company executives are expected to conduct themselves in an ethical manner. Fair, honest, integral, and truthful conduct must always be promoted. A second series of scenarios have been presented in the collegiate study of ethics within the context of business management.² In this discourse, part two of my two-part academic study, I will analyze the conduct of DS Clothiers, a sports-wear company which hails from the United Kingdom and conducts business internationally.

In analysis of DS Clothiers, the primary task at hand is to assess whether DS Clothiers adheres to ethical practices; in short, it does not. In *Ethical Issues Encountered by Managers: Part 1*, I analyzed just one individual in a small accounting firm. I began by standing on the matter of principle and demonstrated how one seemingly inconsequential action could result in employment termination and a wide-scale data breach resulting in multiple identity theft claims. DS Clothiers has multiple employees which engage in scores of unethical actions which emanate as ripples do from one stone dropped in a pond. Daphne Simms, the company's founder has capitalized by hiring up-and-coming designers at minimal wages while charging exorbitantly high prices to bring in, admittedly, enormous profits. A dominant reason for business owners to choose to form a sub S, sub C corporation, or limited liability company is to ensure that should the corporation fail and be unable to pay its creditors that the business owners would not be held personally liable (NOLO, 2011). Through careful analysis of this case study it can be concluded that DS Clothiers is at extreme risk of forfeiting these protections normally afforded a corporation because they have failed to follow corporate formalities and they have inadequately capitalized or funded the company. Additionally, DS Clothiers engages in unethical business practices through the hiring of foreign suppliers where employees work in a working environment which is dangerous and where they often work extremely long hours for just a fraction of fair wages. In conjunction with these findings, DS Clothiers would have a hard time claiming they were unaware since they themselves institute similar employment practices amongst their social media staff on-premises. When these facts were unveiled, executives fired the employee whom they believed was responsible for reporting the information to the press. Lastly, in a United States Securities and Exchange Commission archived document, the parameters for defining a conflict of interest are expanded to include other outside activities (U.S. Securities and Exchange Commission, 2016).

² Laureate Education. (2019). *Ethical Issues Encountered by Managers: Part 2 Scenarios*. <https://class.content.laureate.net/01f2a785caaae9a1d700e0cc83562551.pdf>

By way of example, a final evidence for DS Clothiers' unethical business conduct is exemplified in the clothier's false representation that they were partnering with an independent organization, which promotes environmental sustainability and fair labor practices, to perform an independent audit and aid in revitalizing their image. It was discovered that the clothier's founder and the, so called, independent organization's chairman were in fact immediate family members.

Presumably, DS Clothiers faces a variety of forms of unethical conduct internally. As previously noted, an individual's core character is what influences his conduct which can either be ethical or unethical. The presentation of unethical acts is a harbinger of deep-seated immorality in the individual. Inferentially, it stands to reason that DS Clothiers' staff commit other similar unethical acts within the company, such as fraudulent reports, incidental lies, or misappropriation of company funds or resources. Undoubtedly, DS Clothiers suffers for this or similar internal corruption.

As a direct result of the negative publicity and the press unveiling the unethical practices DS Clothiers employs, they will certainly endure a loss in revenues in their international ventures. They may face incidental boycotts of their products and wares as the general public becomes aware of some practices, particularly employing foreign workers in poor and dangerous work conditions. The impact on their reputation in the corporate arena will perhaps be most impactful as their wares fail to fetch the same return they once did.

Summation

In conclusion, managers and company executives are expected to conduct themselves in an ethical manner, which essentially consists of character traits of fairness, honesty, integrity, and truthfulness in all dealings. Ethics contribute largely in how an individual or corporation is seen in the purview of others. A business and individual must be keen to protect their reputation and guard their image, each is a reflection of close values and character traits held within, and therefore reformation of one's morality begins within; for, thoughts lead to words and words lead to actions.

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