



## Ethics in Organisational Strategy and Culture

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### ABSTRACT

This paper discusses ethics in relation to organisational strategy and culture. The definitions and importance of ethics, organisational strategy and culture are clearly stated and explained. Above all, this concludes that an intricate relationship exists between ethics and organisational strategy including corporate culture which serves as the backbone or foundation of the relationship and connection.

**Keywords:** Ethics, organisational strategy, strategos, corporate culture

### INTRODUCTION

The topic of this discourse is current and its proper exploration demands that the issue of ethics be trashed out, followed by organisational strategy and culture. The integration of these concepts into more or less a complex whole will now serve as the conclusion. However, the methodological approach would highlight the thesis, antithesis and then synthesis. Ethics is a term that is commonly used in public discourse and conversation. But its meaning etymologically, literally and from the disciplinary perspective is very deep and of practical significance. Ethics has its roots in both Latin and Greek words thus: 'ethice' and 'he ethiketekhne or ethikos' meaning respectively 'character' (Dooley, Goymer, Guy, Richards & Richards, 2007; Nkuda, 2021). Ethics as a subject has religious, historical, philosophical, academic and business dimensions in respect of which many authors have expressed their viewpoints and made tangible contributions. It bears however to note that it is the contributions of philosophers based on their theoretical postulations and analysis more than those of business practitioners, media writers and professors of management that have brought finesse and greater impetus to the advancement of business ethics as academic discipline as reflected in attendant anthology (De Gorge, 2015). In the main, ethics as a branch of natural body of knowledge known as philosophy subsequently

becomes a marriage of ethical theory and empirical studies explaining social phenomena. Unlike in medicine where ethics took root in 1960s, ethics however makes inroad into the domain of business around 1970s in the United States and 1974 to be exact sequel to the convention of the first conference on ethics at the University of Kansas during which anthology of courses in business ethics emerged according to Raymond Baumhart and Norman Bowie (cited in De Gorge, 2015). Therefore, it is only to the extent that the role of ethics and application of its basic principles to business is appreciated that informs the currency of the topic of this discourse in relation to organisational strategy and culture.

### Ethics

Business ethics has been defined in a number of ways and from different perspectives. Saliently, a few of them are considered here as follows: Ethics connotes a science that deals with morals (Reader's Digest Wordpower Dictionary, 2003). Robbins, DeCenzo and Coulter (2011) and Weihrich, Cannice and Koontz (2013) view ethics as a collage of rules or principles that spells the right and wrong conduct. Ethics bears close affinity with value or 'ethos' which translates as nature or disposition (Fisher & Lovell, 2003; Griffen, 2005; Nkuda, 2021). Ethics, ideally, should represent the barometer against which truth, justice and stakeholders' expectations should be gauged in relation to corporate behaviour and actions (Weihrich *et al.*, 2013; Nkuda, 2021). Ethics should also be the yardstick or hallmark of business organisations and their agents from the perspectives of their respective publics and stakeholders, Heath (2006) and Jones, Felps and Bigley (2007) cited in (Hitt & Collins, 2007). Ethics describes "accepted principles of right or wrong that govern the conduct of a person, the members of a profession or the actions of an organisation" (Hill & Jones, 2013). Awujo (1996) defines business ethics as the application of the principles of ethical or moral principles to individual and/or business relationships in business settings and the conduct of business affairs. In the face of diversity of definitions of ethics, there is a consensus as to its subject-matter which is insistent on just actions as opposed to the wrong ones. However, without iota of bias and prejudice to these and other extant definitions of ethics, this study relies



upon Awujo's (1996) definition for guide and illumination and it thus makes a whole lot sense to weigh and anchor this discourse. Some thinkers and writers are critical of the use of the term 'business ethics' as a misnomer and as such, should be modified to read either "ethics in business or simply ethics" because there is no ethics in and/or outside the business world (Christopher, 2016). These authors opt to differ given the fact that businesses are created and conducted by people and the concept of ethics itself is basically personal value-driven (personal ethics). As stated in the above definition, business ethics seeks to underscore how business men and women including corporate managers and strategists bring ethics to bear on their day-to-day business decisions and the whole gamut of their overall business operations.

The practical significance of the above x-ray of the definitions of ethics consists in the fact that individual and/or corporate actions that deviate, contradict or detract from the benchmarks of ethics are tantamount to unethical conducts which should be condemned and punished in line with the dictates of applicable laws and legislations. It is important to add that care and caution should however be exercised as there do exist instances and situations where ethical issues cannot easily be teased out thereby creating in the process what is technically termed as 'ethical dilemmas' (Hill & Jones, 2013). Ethics is a global phenomenon spanning civil society organisations and the corporate world. Business ethics has important advantages to corporate organisations that cultivate, nurture and maintain it on a sustainable basis such as competitive advantage relative to rivals, good corporate image and reputation among stakeholders, high potential to attract critical talents to work for the business organisation, and saving operational costs based on observance of regulatory legislations and laws (Hill & Jones, 2013; Nkuda, 2021). Regardless of these benefits of operating on ethical principles, the violations of ethical codes often associated with situations where individuals or corporate goals are in conflict with ethical principles and standards coupled with loopholes and grey areas in operating laws are common (Hill & Jones, 2013). When the urge or pressure to meet personal or business goals override prescribed ethical benchmarks,

unethical practices set in with attendant incalculable consequences. Such instances include: poor quality which compromises product standards and making culpable companies liable to breach of tort laws, breach of contractual laws in whatever way and form, violation of laws on intellectual property and associated rights, engagement in unfair competition leading to a breach of antitrust laws e.g., Dangote cement company in Nigeria which smokes out rivals such as Eagle Cement, Unicem, Ibeto cement and Buā cement companies, failure to keep to promise made, puffery, paying lip-service to promises made (written or verbal), obtaining under false pretense or 419, corrupt practices, environmental degradation as in the case of dumping of toxic waste in Koko Port in Delta State, Nigeria by an Italian company in the guise of stocking raw materials to build fertilizer company, Prof. Akaruese (2018) in interview with Ojoye (2018), built-in obsolescence typical of Goldman Sachs which structured securities to fail and sold to unwary clients without prior information to that effect, Nike's sweatshop in which case its sub-contractors exploit cheap labour and paid salaries below approved minimum wage to the detriment of the innocent workers etcetera (Hill & Jones, 2013; Nkuda, 2021).

The issue of ethics in strategy arises, as already pointed out, as a direct fall-out or aftermath of conflict between satisfying corporate goals or individual managers' objectives and observing the basic rights of stakeholders comprising shareholders, customers, employees, suppliers, government and its agents, communities and the public in general. The scenario becomes more obvious when cognizance is taken of the fact that both strategy making (formulation) and strategy implementation including strategy evaluation and control are people-driven activities involving decision-making at different levels to activate actions by all the workforce or employees of an average business organisation in their respective official designations, mandate and responsibilities (from top to bottom of the organisation). The moment managers or employees ignore the set ethical principles governing their operations in the bid to satisfy either corporate goals or personal objectives or both, an unethical practice occurs with more than 90% chance of derailing a choice strategy



in terms of its effectiveness and efficiency in delivery. Even the simplest act as deliberate resumption of work late which makes it difficult to serve a customer's order in time amounts to ethical breach often taken for granted unmindful of its telling impact on the efficacy of the strategy being implemented to achieve overall corporate outcomes that can positively affect the triple bottom line of business organisations (Nkuda, 2020).

In order to safeguard against the preponderance of unethical practices in business organisations which can unsettle a choice strategy, it is important to emphasise the boosting of personal ethics as advocated by families, churches, schools and government agencies such as National Orientation Agency (NOA), media houses, civil society organisations and regulatory agencies like Standard Organisation of Nigeria (SON), Copyrights Commission, Consumer Protection Agency, National Agency for Food, Drug Administration and Control (NAFDAC), and Federal Environmental Protection Agency (FEPA). Exercise of due diligence in course of hiring via demand for reference from credible individuals in society and promotion of personnel with proven integrity and track record to sensitive positions, building strong corporate culture, development of workable code of ethics amenable to revision as the needs arise, use of independent auditors to assess performance standards of the business organization from ethical stand-point and working the ethical talk against just double-speaking (Hill & Jones, 2013). When these measures are put in place and strictly observed and enforced, chances are that ethics would become a bulwark of a choice strategy.

### Organisational Strategy

Business organisations are created to accomplish nominated goals in the long-run and objectives in short-run. These goals though define by the leadership of business organisation, their realisation lies within the company's operating business environment described as the task, relevant or micro-external environment in which relevant stakeholders particularly customers wield their enormous influences (Harrison & St. John, 2000). However, the means by which to achieve these goals

and/or objectives defines a strategy. Strategy therefore bridges the gap between the business organisation and achievement of corporate goals in the operating environment (Grant, 2008). The first mention of strategy was in the Old Testament. However, the first mention of strategy in relation to business took place when Socrates asked a Greek militarist, Nichomachides to take courage consequent upon his loss of election to the position of 'general' to a Greek businessman, Anisthenes. Socrates highlighted that whether in military or business operations, prudent deployment of resources was critical and non-negotiable (Bracker, 1980). The linkage of strategy to business was first orchestrated in the games theory by Von Neumann and Morgestern (Bracker, 1980; Nkuda, 2017). Strategy has its root in a Greek word "strategos or strategia" which further splits into two words: stratos (army) and ago (to lead) literally meaning the art of generalship and intricately linked to a Chinese General, Sun Tzu in the book titled the Art of War (Bracker, 1980; Kazmi, 2002; Thompson & Strickland, 2003; David, 2013). Strategy has been defined in different ways by scholars since it made inroads into the field of strategic management courtesy of the path-breaking work on competitive strategy by Michael Porter in 1980 (Porter, 1980; 1985; 1998).

The organisational corporate strategy determines the industry in which it chooses to operate and thus, connects the business organisation to its operating environment thereby creating in the process a strategic fit (Grant, 2008). This connection of the organisational strategy to the operating environment thus creates what is technically described as strategic fit. Organisational strategy requires a structure to drive it and thus, the popular expression that structure follows strategy, Chadler (1962) cited in (Kazmi, 2002). The structure refers to how job tasks are divided, grouped and coordinated (Robbins, 2005). The organisational structure is of different types notably: entrepreneurial, functional, divisional, matrix, project-based, customer-based, product-based, geographic, network and boundaryless structure (Amah & Nkuda, 2014). The installation of a particular structure varies with certain contingencies such as the size of the organisation, environment,



technology and strategy as well as goals being pursued and depends on certain elements comprising division of labour, centralisation and decentralisation, span of management, formalisation and departmentalisation (Amah & Nkuda, 2014), culture and ethics constitute behavioural issues that require to be properly handled especially within the context of strategy implementation (Kazmi, 2002). Organisational or corporate strategy which provides answer to an important question of where should we invest has many types notably: expansion, stability, retrenchment and combination strategies (Kazmi, 2002). Aluko *et al.*, (2004), further enumerate organisational strategy to include: forward integration, backward integration, horizontal integration, vertical integration, market development, product development, concentric diversification, conglomerate diversification, divestiture, joint venture and combinations. The formulation of corporate strategy and associated strategic plans are the responsibilities of the top executive management and other critical organisational member(s) that may be co-opted. They include: board of directors, chief executive officer (CEO), entrepreneurs, senior management, strategic business unit (SBU) level executives, corporate planning officers, consultants, middle-level managers and executive assistants (Kazmi, 2002). Beyond the corporate strategy, comes to the fore the issue of business model or business-level strategy which defines how a business organisation chooses to compete in its choice industry (Grant, 2008). This business-level strategy includes: low cost leadership, product differentiation and focus (Porter, 1980, 1985, 1998; Thompson & Strickland, 2003). The competitive business-level strategy is often handled at the middle-level management or strategic business unit (SBU) level. The selection of a given competitive strategy equally involves a choice which rakes up the issue of ethics and culture as well. Specifically put, the choice of any of these corporate strategies for the purposes of implementation exacts and tasks the cultural and ethical contents of the strategists in an average business organisation.

## Corporate Culture

Culture is an important part of organisational life. Culture is one of the behavioural issues in strategic management that affects, in particular, organisational strategy and its implementation. This is true because business organisation as a framework through which people make a living is, itself, a social unit made up two or more people working together on a continuous basis to achieve a common set of goals (Baridam, 1993; Robbins, 2005). Given the fact that business organisations are essentially created and driven by people, they thus become the nerve-centres of different cultural manifestations resulting in major and sub-cultures as a reflection of diverse backgrounds, ethnic roots, diverse races, religious persuasions, social and political affiliations. Pettigrew (1979) first canvassed the notion of organisational culture and thus, views culture as the "social tissue" that evokes collective sense-making in organisation. The chameleonic or rain-bow configuration of business organisations from the standpoint of culture, explains why culture is defined as the systems of beliefs, norms, traditions, mores and conventions upheld by a given set of people in identified setting. Organisational culture therefore becomes the acceptable and approved strand of these influences and tendencies in the life of the business organisations. Hence, Denison (1990) defines corporate culture as the "underlying values, beliefs and principles that serve as a foundation for an organisation's management system as well as the set of management practices and behaviours that both exemplify and reinforce these basic principles." To build a strong business organisation requires that the strategic decisions of the said organisation be based on almost unassailable core values which define its culture and thus, reflects its ethical stance and orientation. Hitt *et al.*, (2013) therefore maintain that to survive the turbulent and ultra-competitive landscape, strategic leaders and strategists in business organisations need to recognise that their key decisions affect capital market, product market and corporate stakeholders differently necessitating regular evaluation of ethical implications of those decisions in the overall interest of the business organisations concerned.

## CONCLUSION





In view of the fact that organisational strategy are formulated and implemented by different categories of people in an average business organisation, it becomes normal to expect as elucidated above that the organisational people especially the strategic leaders and senior management would moderate their conducts with high degree of ethics and allow their ethical lifestyle to permeate the fabrics of the entire organisation. The gains of raising ethical bar of an organisation are manifold salient among which is good corporate reputation. It becomes clear from the discussion above that a strong and yet delicate relationship exists among ethics, organisational strategy and culture.

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