

Why Ethics Tools Don't Work

It's time to OVERHAUL the ethics tools of the last decade and take a new approach.

BY ARTHUR GROSS SCHAEFER & ANTHONY J. ZALLER

When a charity violates the public trust or doesn't adhere to its own principles, there is disillusionment, often coupled with anger. Nonprofit institutions are created, given tax benefits, and funded with the purpose of supporting community values such as religion, art, public welfare, and education. Contributors, officers, paid and volunteer employees, and board members participate in the nonprofit's activities because they support the values it advocates.

Accordingly, a nonprofit must be monitored to assure that its inner workings mirror the values it articulates. However, most organizations don't take time to discuss the need for consistency in words and deeds. There is virtually no mechanism designed for this type of review. To begin to fill this gap, this article contains an ethics audit that has been specifically drafted for nonprofits, focusing on common core values such as social responsibility, open communication, treatment of employees, confidentiality, and leadership. The audit doesn't set forth an objective standard but rather uses the nonprofit's own values to create a criterion to which its practices are compared. Ethics is not so much a matter of right or wrong as it is a process by which an organization evaluates its decisions. If the organization's core values agree with the values promoted in its choices, then there is ethical consistency. If its actions send a different message than its core values suggest, it begins to sink into ethical chaos and loses its credibility.

The benefits of acting ethically are becoming obvious, as Diane J. Duca notes: "Business and nonprofit organizations are increasingly aware that actively promoting ethical behavior and practices not only makes sense from a customer-relations standpoint, but also represents a better way to run a business."¹ Clients are pleased and employees satisfied when they view their organization as acting in an ethical manner.

Because of the free market forces which drive organizations to perform at optimum efficiency and customer satisfaction, ethics play a large role in how successful the organization will be.

Moreover, unethical conduct creates many negative effects. It affects donors, employees, and the organization's overall purpose. In psychology and marketing, the term cognitive dissonance is used to express the uneasiness people feel when they don't act in accordance with their values and beliefs.² When cognitive dissonance exists in an organization, one of two things will happen: The organization will eliminate the unethical behavior, or the organization's values will change to match the unethical behavior, undermining its mission. Once donors and employees observe unethical behavior by the organization, they will no longer offer their support and loyalty.

Why Don't Current Ethics-Enhancing Methods Work?

The ethics education revolution, which began in the late 1980s, hinged on the need for more ethical scrutiny in primarily profit-oriented business. Universities and corporations sponsored a vast array of speakers, conferences, courses, and approaches to help people deal with ethical dilemmas.

With the passage of time, one fact has become clear: It isn't easy to raise the ethical consciousness of an organization—whether for-profit or nonprofit. Even companies with the best codes of conduct can behave in an unethical manner. An *Indianapolis Star's* editorial, for example, criticizes nonprofits for endorsing products:

The endorsements add to growing concern about the budgets of nonprofit groups in the wake of widely publicized financial abuses at the national office of the United Way and, more recently, the National Association for the Advancement of Colored People."³

Ethics-enhancing tools, while helpful, didn't act as the cure-all people expected. Tools like codes of ethics could function as a good first step towards raising ethical issues, but they weren't enough. When used alone, they weren't suf-

ficient to ensure that the organization's ethical standards were followed. In some cases, they could actually be detrimental. When managers didn't actively and visibly follow the credo, others in the organization lost their spirit and became less productive.⁴

While methods such as ethics training, legal inspections, the creation of conduct codes, and consistent reaction to ethical violations all have their place in ensuring ethical practices and policy development, they have serious shortcomings:

1. These measures are reactive, not proactive.
2. Used as typical managerial control systems, they emphasize the short-term and obvious.
3. They are either descriptive or prescriptive, lacking in the area of self-reflection.
4. They focus on helping the individual make a decision separate from the context of the nonprofit's core values. They are based on such areas as moral reasoning, personal values, decision styles, or moral philosophies, which reflect an intense individual grounding. Such an approach defies the reality of how ethical behavior occurs in organizations. People act according to how they perceive the culture of the organization as a whole. They perform behaviors, ethical or unethical, that the organization rewards. Those behaviors may have nothing to do with the organization's detailed code of ethics. By adopting the ethics of the individual as the basis for rectifying the organization's ills, we severely limit consideration of a broader range of ethical behaviors.⁵

What Can We Do?

What is needed, therefore, is a new kind of ethics audit—a broad-based, agreed-upon system that lets the organization consistently focus and re-focus on whether it embodies the values it professes. As Clarence Walton notes:

Few organizations step back often enough to assess the character of the workplace. The assessments, properly and objectively made, could be revealing. The pulse-taking and analysis is probably the most serious exercise an organization will ever make.⁶

Such an audit must be “user friendly” and aimed at changing an organization's culture, as Andrew Stark tells us:

I suspect that the field of business ethics is largely irrelevant for most managers. It's not that they are hostile to the idea of business ethics. Recent surveys suggest that over three-quarters of America's major corporations are actively trying to build ethics into their organizations. The problem is that the discipline of business ethics has yet to provide much concrete help to managers. What is called for (by recent ethicists) are fundamental changes in the way the enterprise of business ethics is conducted.⁷

We need an audit that goes beyond the individually-based ethics audits in use today. This new audit must include the dimensions of the organization, the social system, and milieu in which the organization operates. We need to remember that people don't make decisions in isolation. Situational and environmental factors have a significant impact upon the ethical behaviors and subsequent policies of an organization. Any audit that purports to examine ethics inside an organization (including such areas as open communication and leadership) must look outside the organization

(including such issues as social responsibility and ecology) as well.

Such an audit must encourage self-reflection. It should raise the self-consciousness of unethical behavior for boards, officers, and workers, thereby helping to heighten ethical actions and prevent corruption. An organization could use such an audit as an organizational system of self-awareness.

The ethics audit can become a powerful force for change in the organization. It can be used in training programs and as part of the organization's strategic planning process. An organization should plan for ethical issues as it would for other long-term strategic goals.

An ethics audit, like a financial audit, needs to be done with regularity; it can't be a one-time event. Only if you revisit the audit consistently can you close the gap between your organization's values (what you say you believe) and ethics (how you actually behave).

Eight Rules of Ethical Thinking

- 1 **Consider others' well-being** and avoid actions that will hurt others.
- 2 **Think of yourself as a member of a community**, not an isolated individual.
- 3 **Obey—but don't depend only on—the law.** An action may be legal yet unethical.
- 4 **Think of yourself and your organization as part of society.**
- 5 **Obey moral guidelines.** Consider them “categorical imperatives” with no exceptions.
- 6 **Think objectively** to be sure your action is truly ethical and not rationalized self-interest.
- 7 **Ask, “What sort of person would do such a thing?”** Or, as Peter Drucker has said, “Can you look at your face in the mirror in the morning?”
- 8 **Respect others' customs**—but not at the expense of your own ethics.

Source: *It's Good Business* by Robert C. Solomon & Kristine Hanson (New York: Atheneum).

While there are many ethics audits in use today, most are limited in scope and thus not very effective. We have, therefore, developed a new kind of ethics audit, a sample of which appears on the following pages. This audit combines key factors from the areas of social responsibility, open communication, support to the community, leadership by example, human investment, ecology, and the dignity of employees. Please adapt this audit for your use and, understanding that it is a work in progress, contact *Nonprofit World* with your comments. ■

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Footnotes

- ¹Diane Duca, *Nonprofit Boards: Roles, Responsibilities, and Performance*, New York: John Wiley & Sons, Inc., p. 29. (To order, see page 22.)
- ²Robert A. Baron, *Psychology*, Boston: Simon & Schuster, p. 638.
- ³*The Indianapolis Star*, August 21, 1996, p. A10.
- ⁴"The Ethics of Business: Improving or Deteriorating?", T. Donaldson, *Business Horizons*, January 1995, pp. 39-47.; "Values in Tension: Ethics Away

- from Home, *Harvard Business Review*, September-October 1996, pp. 48-62.
- "Federal Sentencing Guidelines for Organizations: Legal, Ethical, and Public Policy Issues for International Marketing," *Journal of Public Policy & Marketing*, Spring 1997.
- ⁶Clarence Walton, a pioneer in organizational ethics, is the author of *The Moral Manager*, Ballinger Publishing Company.
- ⁷"What's the Matter with Business Ethics?", Andrew Stark, *Harvard Business Review*, May-June 1993, p. 38.

Selected References

- Allen, Michael, "The Ethics Audit: A Tool Whose Time Has Come," *Nonprofit World*, November-December 1995.
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- Temme, Jim, "How's the Weather in Your Organization?" in *Personnel and Human Resource Development, Leadership Series, Volume I*.

These publications are available through the Society for Nonprofit Organizations' *Resource Center Catalog*, included in this issue, or contact the Society at 6314 Odana Road, Suite 1, Madison, Wisconsin 53719 (800-424-7367). All articles are also available on *Nonprofit World at Your Fingertips: CD-ROM of Nonprofit World Articles* (see page 22 of this issue).

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SAMPLE ETHICS AUDIT

BY DR. ARTHUR GROSS SCHAEFER

The basis for this audit is a simple stimulus-response model. In the process of answering the questions, respondents become aware of issues and are able to formulate suggestions for improvements.

This audit recognizes that there are hundreds of ethical issues which may be relevant to a given nonprofit organization. However, it is feasible to focus on a limited number of issues with this instrument.

Please note that this ethical audit has been made for general application and that some of the specific questions may not be applicable to your situation. Moreover, you may need to add areas of investigation to ensure that significant ethical issues at your organization are addressed.

Since it is our hope to continually improve this ethics audit, please take a few moments to write us with your comments and any additional questions or areas of investigation that you would find helpful (c/o Editor, *Nonprofit World*, 6314 Odana Road, Suite 1, Madison, Wisconsin 53718, fax 608-274-9978).

COMMUNITY ADVOCACY: Advocate ethical values within the nonprofit organization and the community.

To what extent does the nonprofit organization address societal issues? (Add specifics based on your organization's mission, such as peace, homelessness, etc.)

(Circle the number which best represents your feelings.)
 Insufficiently 1 2 3 4 5 Sufficiently

Comments: _____

Does the organization's community advocacy program reflect the priorities of the organization's stakeholders?

Insufficiently 1 2 3 4 5 Sufficiently

Comments: _____
