An Ethics Paradigm for the Service Organization

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Abstract
The author proposed an ethic paradigm based on the tenets of moral intensity. The paper included a discussion of applicable definitions of ethics specifically attendant to the symbiotic relation extant between the internal organization and its external environments, and a review of the literature concerning organizational ethics.

Key Words: Ethics, Service Organization

Introduction
Service organizations are growing as a dominant element of the global economy. Berthon and Katsikeas (1998) wrote that a sense of urgency, they characterized as the “ephemeral now,” now characterizes society and organizations. Kreigel and Brandt (1996) lamented “…everyone is restructuring, reorganizing, reinventing, downsizing, outsourcing—all at an ultrasonic pace” (p. 2). The “ephemeral now” exists because of ubiquitous concerns about such matters as corporate scandals, recycling, fair trade, medical testing, mad cow disease, inflation, and political intrigue, the confluence of which prompted Bourg (2007) to characterize the current times as the age of ethics.

The customers of service organizations and the citizen-customers of local government rarely regard the organizations they frequent for service as service delivery excellent or ethical (Lee, 1998; Lewis and Entwistle, 1990). The poor image service organizations and local government organizations have is in large part due to the interactions service delivery and citizen-customers have of with the employees of such organization (Lee, 1998). Customers and citizen-customers regard the service delivery demeanor of service delivery employees as pervasively disinterested (Norris, 2003; Kriegel and Brandt, 1996; Lee, 1998). Lewis and Entwistle (1990) concluded that when it comes to services, customer satisfaction and customer dissatisfaction occurs when front-line employee and customer interact. In other words, there is a causal link between external customer satisfaction and the contribution made by the customer contact employee providing the service (Taylor and Baker, 1994). Noting that causal link, Bansal, Mendelson, and Sharma (2001) recommended that businesses develop inspirational initiative for contemporaneous application to its internal market and external market to establish ethicality.

Ethicality is thus an important consideration for services organizations, yet there exists no universally accepted ethic paradigm for the service organization. Reflective thought and attendant actions, according to Lunday and Barry (2004), is a decision making necessity influenced and prompted by ethical guidelines, training, and legal requirements as individuals make decisions and take or cause actions within and on behalf of an organization. Without such guidelines, decision making and ethicality characterized by impetuosity and precipitousness is more likely to occur (Lunday and Barry, 2004). Having served as chief executive officer for service organizations, several local governments, and owner of several service companies, the author observed the decision making environment coupled with ethical dynamics is the milieu that inspires and leaders and employees may be inspired toward behavior.
This inspiration is a behavioral precursor that speaks to the importance of vision in ethics and organizational ethicality. Vision, concluded Freeman and Money (1995) and Caruana and Callaya (1998), provides organizational members, employees and leaders, goals and conceptual foresight and farsightedness, a paradigm of ethicality to which to aspire and which guides actions. Morris and McDonald, 1995; Singer, 1996; Singhapakdi, Vitell, and Franklin, 1996; Chia and Me, 2000; Paolillo and Vitell, 2002 examined the role moral intensity plays in decision making and concluded actual decision making is a process of engagement in which individuals, groups, or an organization assess situational dynamics to arrive at an ethical decision. Ford and Richardson (1994) and Lo, Ferrell, and Mansfield (2000) respectively noted the roles of personal characteristics, internal factors, milieu, and culture in decision making and environmental intensity.

This paper, based on the literature-based exploratory overview research methodology, recommends an ethics paradigm for service-oriented organizations based on tenets of moral intensity. Jones (1991) characterized moral intensity as "the extent of issue-related moral imperative in a situation" (p. 372). Moral intensity is the view that the basic characteristics of an issue defines and prompts decision ethicality. The paper’s contribution to the academy of scholarship rests in its utilization of moral intensity as a source for an ethic paradigm. The basic notion is that moral intensity enhances ethical decision making and is a source that may guide and undergird an ethic measurable on a situation-specific basis, thereby influencing individual leader’s ethical performance and the perception by others of ethicality. In that regard, moral intensity has the potential to directly and indirectly shape and improve behavior in service organizations.

Definitions of Ethics

There are several definitions of ethics. The American Heritage Dictionary (2001) defined ethics as “A system of moral principles or values” or “The study of the general nature of morals and of specific moral choices” or “The rules or standards governing the conduct of the members of a profession.” Merriam-Webster Collegiate Dictionary (2008) defined ethics as “The discipline dealing with what is good and bad and with moral duty and obligation; a set of moral principles or values; a theory or system of moral values; and, the principles of conduct governing an individual or a group (professional). The Concise Oxford English Dictionary (2009) defined ethics using terms such as ‘rightness’, ‘correctness’, ‘behaving honourably’, ‘virtuous in general conduct’, or ‘concerned with the distinction between right and wrong’. Martin and Cullen (2006) described ethics as ‘the application of the processes and theories of moral philosophy to a real situation and is concerned with the basic principles and concepts that guide human beings in thought and action, and which underline their values. Messick and Bazerman (1996) understood ethics to be the basis on which people, individually or collectively, decide that certain actions are right or wrong, and whether one ought to do something or has a right to do something.

Drucker (1973) defined professional ethics for the business organization as “primum non nocere,” not knowingly doing harm, which was a key element of the Hippocratic Oath of the Greek physician Hippocrates. Drucker (1973) wrote:

No professional, be he doctor, lawyer, or manager, can promise that he will indeed do good for his client. All he can do is try. But he can promise that he will not knowingly do harm. Otherwise, he cannot trust him at all. The professional has to have autonomy. He cannot be controlled, supervised, or directed by the client. He has to be private in that his knowledge and his judgment have to be entrusted with the decision. But it is the foundation of this autonomy, and indeed its rationale, that he see himself as affected with the public interest. A professional, in other words, is private in the sense that he is autonomous and not subject to political or ideological control. But he is public in the sense that the welfare of his client sets the limits to his deeds and words. And primum non nocere, ‘not knowingly to do harm’, is the basic rule of professional ethics, the basic rule of an ethics of public responsibility (p. 30).

Writing in the McKinsey Quarterly, Drucker (1981) questioned definitions of business ethics that accorded a difference between the ethical values and conduct in business environments and those found in other situations: "Business ethics' is not ethics at all, whatever else it may be. For it asserts that acts that are not unmoral or illegal if done by ordinary folk become unmoral or illegal if done by business" (p. 4). Carr (1968) offered a different view of business ethics as completely separated from the generally accepted ethics in society.
Carr argued that operating a business is more analogous to a poker game where bluffing, which he acknowledged is lying, is accepted and expected. Quoting Henry Taylor, Carr (1968) stated, "falsehood ceases to be falsehood when it is understood on all sides that the truth is not expected to be spoken" (p. 143). Referencing Lawrence Kohlberg’s three stages of moral development, preconventional, conventional, and postconventional, Ferrell and Gardiner (1991) defined professional ethics as the degree of moral development of an individual and this explains why different individuals make different choices when faced with the same ethical dilemma. Preconventional individuals, typically children, make decisions based on the avoidance of punishment (pp. 27-28). Conventional individuals, those operating in the second level, engage in decision making strongly tied to the approval of others concerned with societal standards (pp. 29-31).

Post conventional individuals, engage in decision making characterized by a high degree of personal conviction and rationality, with little regard for self-interest, or the views of others or of authority (pp. 32-33). In other words, an individual’s stage of moral development defines that individual’s professional ethics; in fact, so-much-so that when faced with the same ethical problem, individuals at different stages of moral development make different choices, with each feeling that his or her choice is correct. The stage of moral development of individuals coalesce as three factors, personal moral standards, organizational relationships and values, and opportunity, which factors in aggregate lead to ethical or unethical practices, which define and organization’s ethics (pp. 28-29). Mendonca (2001) viewed ethical behavior as that which is "morally good, and morally right, as opposed to legally or procedurally right" (p. 268). Likewise, Hosmer (2003) noted the added dimension of subjectivity and may differ based on cultural, economic, or religious upbringing and traditions. Simply stated, business ethics pertains to those moral and ethical dilemmas that arise in business settings (Svensson and Wood, 2007).

**Literature Review and General Direction Discussion**

Several research provided credence to the notion that the ethical norms, the understood practices and expectations, and pronounced policies of an organization, affect the ethical judgments and behaviors of individuals who comprise an affected organization. Trevino, Butterfield, and McCabe (1995; 1998) argued the culture of an organization influences and dictates ethical norms and establishes standards, often vicariously, provides behavioral cues for organizational members, of expected behavior. Similarly, Hunt and Vitell (1986) and Baucus and Near (1991) indicated that organizations have a large influence on organizational members. Research conducted by Ziegenfuss, Singhapadki, and Martinson (1994) lead them to conclude an organization’s ethical environment can influence the ethical behaviors of individuals populating that organization. Douglas, Davidson, and Schwartz (2001) reached the stronger conclusion that the culture of an organization not only influences individual’s ethical behaviors, culture may serve to actually modify the personal ethical philosophy of the individual who populate the organization.

Research conducted by Babin, Boles and Robin (2000) revealed that the upheld values of an organization facilitates role clarity and provide ethical guidance. This revelation was consistent with the earlier conclusion reached by Chonko and Burnett (1983) that shared organizational values provide situational ethical guidance to individuals. Rizzo, House, Litzman (1970) argued that ethical actions is situational and circumstantial but Barnett, Bass, Brown, and Hebert (1998) argued ethical decisions and actions are experiential and subjective personal judgments, therefore managers, while they tend to express idealistic concern for others, nevertheless act according to self-interest and are not driven by any notion of universal principles of ethics.

A significant body of research demonstrated the relational nature of organizational ethics, that organizational ethics may engender loyalty based on mutuality of trust, good faith, and interactional fairness based on the respective interests of the organization and its stakeholders (Gundlach and Murphy, 1993; Homburg, Krohmer, and Workman, 2004; Fry and Polonsky, 2004; Ferrell, 2004; Sele, 2006). Miller and Lewis (1991) demurred that ethics may be relational but is not necessarily based on stakeholder needs and demands. Vargo and Lusch (2004) concluded ethics is valuable in an organizational setting because ethics can serve as a facilitator of relationship networks and as a skill and knowledge source for stakeholders and organizations.
The Role of Transparency, Integrity, and Accountability

Corruption, the exploitation, abuse, and misapplication of power for personal gain (Centre for International Private Enterprise, 2008) and conflicts of interest, situational circumstances in which individual have a financial interest sufficient to sway, influence or appear to influence that individual’s discharge of his/her duties and responsibilities (Williams, 1985), have become ubiquitous and call into question organizational ethicality. Corruptions and conflicts of interests have also prompted demands for transparency, integrity, and accountability. Florini (2007) defined transparency as, “The degree to which information is available to outsiders that enables them to have informed voice in decisions and/or assess the decisions made by insiders” (p. 5). Florini’s (2007) definition is broad and accommodates the political dynamics of the public sector but its “available to outsiders” features may require a definitional limitation when deployed for service businesses such that the term “outsider” means either board of directors and stockholders. The important point is communication, openness, and accountability, which, according to Chapman (2000), are the essence of transparency. Chapman (2000) further noted that for management, complete records serve to document the reasons for decisions; however, those records should exist restricted yet available when stakeholder interests makes it necessary (Chapman, 2000).

In the operating milieu of organizations, integrity refers character, quality, and consistency of actions, values and principles, and operating methodologies. Halfon (1989) viewed integrity as a sense of honesty and truthfulness in motivations behind an individual’s actions and behaviors coupled with consistency and communication, openness and accountability, since the term transparency was not at the time of conducted research contemporary, as virtues to be cultivated. Hawkering back to Jones’ (1991) characterization of moral intensity as “the extent of issue-related moral imperative in a situation” (p. 372), the conclusions reached in the research of Chapman (2000), Halfon (1989) as a matter of coincidence and not research intent, revealed transparency and integrity are integral tools of moral intensity. Transparency and integrity function hypostatically as the accountability feature of moral intensity. Accountability, although admittedly abstract, is the process, whether viewed retrospectively, contemporaneously, or prospectively, of revealing the proper and ethical discharge of the exercise of power and authority. It is the expectation individuals and organizations accept responsibility for outcomes attendant to their actions or inactions (Kuye and Mafunisa, 2003). That accountability is, in other words, answerability for success or failure, means it is an ethics sine qua non based on definitions of ethics as principles and rules governing behavior (American Heritage Dictionary, 2001; Merriam-Webster Collegiate Dictionary, 2008; The Concise Oxford English Dictionary, 2009; Martin and Cullen, 2006; Messick and Bazer, 1996; Mendonca, 2001; Ferrell and Gardiner, 1991).

To summarize, information is critical to efficient, well-functioning markets, be they economic or political. This is because analysis, monitoring, and evaluation, critical operating functions for the successful operation of any organization, are information-dependent endeavors and processes. Transparency facilitates decision-making prowess in such areas as opportunity evaluation, risk evaluation, market analysis, and segmentation and strategic analysis (Islam, 2006).

Internal and External Factors and Character Sets Organizational Climate

A variety of internal and external forces, including leadership character, influences organizational ethical climate and ethical positioning of individuals for the ethical values and decision-making processes extant within organizations. According to Caldwell, Bischoff, and Karri (2002) and Kelley and Elm (2003), these factors may combine to form both the organization’s view and an individual’s view of situations. Respectively, Weston (2001) and Burns (2004) concluded the primary source of ethics for individuals and organizations are experiences. Polkinghorne (2005) concluded that external and internal forces coalesce as environmental factors and may range from legal matters to doing what is required at work on a daily basis. Schneider (1975) observed the shared perceptions of employees about the kinds of behaviors encouraged, supported and rewarded within the organization by leadership reveals the climate of an organization, what an organization values. Martin and Cullen (2006) noted shared perception of the accumulated expectations and corresponding rewards guide operational behaviors of employees and the organization. The organizational ethical climate is thus the perceptions of organizational practices and procedures specifically shared, acknowledged, and embraced by organizational members thereby serving to define right or wrong within the organization (Parboteeah and Kapp, 2008). Parboteeah and Kapp (2008) utilized the Victor and Cullen (1987; 1988) typology of ethical climates.
The Victor and Cullen (1987) typology of ethical climates consists of three ethical climates, egoistic, benevolent and principled. In an egoistic climate, ethical norms support the pursuit of self-interest; in fact, self-interest drives decision-making by employees and leadership. In a benevolent climate, ethical norms support maximization of cooperation so that each person populating the organization helps organizational peers in an atmosphere of social community or social group. In the principled climate, ethical norms take on a more deontological perspective with organizational members following universal principles or the formally adopted code of ethic for that organization or industry regardless of situational variables (pp. 57-71).

As noted earlier, Svensson and Wood (2007) observed the ethics of a business ethics often reveals itself as the moral and ethical dilemmas that arise in business settings versus the ethical issues and challenges specific to components, activities, and endeavors of business. Ferrell, Fraedrich, and Ferrell (2005) argued that the point of addressing situational challenges or opportunities that require an individual, group, or organization to choose amongst several action choices as to their rightness or wrongness. At the heart of organizational ethical issues is whether trust exists, is developable, or not extant nor developable. Without building trust connection between organization and consumer does not occur. Determining the interests and concerns of external stakeholders, the intensity of the issue according to Jones (1991) is a trust antecedent. Influenced by organizational culture, values, norms, and situational factors, this issue intensity tends to vary over time and amongst individuals (Robin, Reidenbach, and Forrest, 1996).

Bennis (1999) observed an overall décime in the moral character of many business leaders. Bennis (1999) wrote:

For executive leaders, character is framed by drive, competence, and integrity. Most senior executives have the drive and competence necessary to lead. But too often organizations elevate people who lack the moral compass. I call them 'destructive achievers.' They are seldom evil people, but by using resources for no higher purpose than achievement of their own goals, they often diminish the enterprise. Such leaders seldom last, for the simple reason that without all three ingredients - drive, competence, and moral compass - it is difficult to engage others and sustain meaningful results, (p. 23).

According to Wood and Bandura (1989) within each organization exists a constant interplay between actions, cognition, and other environmental factors that influence individual and organizational behaviors. Christensen and Kohls (2003) termed this interplay of cognitive, personal, and environmental factors reciprocal determinism to denote their congruence in influence actions and decision making within an organizational structure. Through this interplay individuals within an organization learn ethical decision making and ethical behavior (Trevino, Hartman, and Brown, 2000; Trevino and Brown, 2004). Ethics and moral judgment are, noted Mendonca (2001), critical characteristics of leadership through which an organization's leaders help define the culture, values, standards, and moral character of the organization having ramifications both inside and external to the organization. Rather than being high profile and charismatic, ethical leaders, suggested Badaracco (2001), lead "patiently, carefully, and incrementally" (p. 121). Collins (2001) referred to this type of leadership by quiet leaders Level 5 leadership. Level 5 leaders are modest, show humility, determination, resolve; they are individuals driven to produce results.

Jones (1991) also viewed ethical decision making as a process with interacting components in the presence of a moral issue, interplay between actions, cognition, and other environmental factors that influence individual and organizational behaviors. This interplay of interacting components he labeled moral intensity, defining moral intensity as a combination of the factors contributing to the moral issue at hand, affecting significantly the moral agent and the ensuing decision. The intensity increases as the impending ethical decision impacts relationships in closer proximity to the moral agent. Specifically, according to Jones (1991), proximity impacts the perception of the ethicality of a taken action.

Discussion-The Moral Intensity Ethic Paradigm

One conclusion from the literature review is an organization's ethical environment influences decision making. An ethic paradigm establishes standards of behavior, promotes decision making objectivity, and allows situational assessability.
Accordingly, in view of the operant environmental factors endemic to service organizations, a moral intensity based ethic paradigm seems most appropriate for the service organization in that research reveals intensity of a matter influences a leader’s moral judgment, intentions, and subsequent behavior by issue intensity segmentation, leading to a positive relationship between moral intensity and perception of an ethical problem. Jones (1991) and Singhapakdi et al. (1996) demonstrated that issues with high moral intensity have a positive relationship with an individual's intention to behave in an ethical manner, thereby engendering trust. Both Jones (1991) and Singhapakdi et al. (1996) extensively referenced Rest (1984, 1986), who argued moral behavior cognitive and affective, a function of interpretation or perception of situations, judgment or formulation of what is the correct course of action, selection or choosing a course of action, and implementation or executing a course of action. Jones (1991), focusing on moral intensity or the distinguishing features of an issue, made the point ethicality depends on three factors, the individual, the environment, and the issue itself.

A moral intensity based ethic paradigm views moral issues in terms of underlying characteristics that influence the various stages of the decision making process (Morris and McDonald, 1995; Singer, 1996; Singhapakdi, Vitell, and Franklin, 1996; Chia and Mee, 2000; Paolillo and Vitell, 2002). Jones (1991) characterized moral intensity as “the extent of issue-related moral imperative in a situation” (p. 372). A basic premise of moral intensity is the view that the basic characteristics of an issue defines and prompts ethical and unethical decisions and the actual decision making is a process of engagement in which individuals, groups, or an organization assesses those basic characteristics to arrive at an ethical decision. A basic premise of moral intensity is transparency so that the actual decision making is a process of engagement in which individuals, groups, or an organization assesses those basic characteristics to arrive at an ethical decision (Chapman, 2000; Halfon, 1989; Jones, 1991).

Ford and Richardson (1994) noted that ethical decision making includes such personal characteristics as gender, age, education, level of moral development, and such internal factors as organizational climate, peer group influence, and code of ethics; however, ethical decision making is of necessity situation-specific. This is because, in major part, all decision making more often than not occurs within the context of diverse milieus which themselves have differing ethical norms. Loe, Ferrell, and Mansfield (2000) noted also ethical decision making involves the perception an individual has about an ethical issue and the intentions of that individual toward that issue or the circumstance that gave rise to the issue. Singhapakdi, Vitell, and Franklin (1996) specifically examined moral intensity in terms of ethical perceptions and behavioral intentions and concluded that situation-specific issues influence the ethical decision-making process, and that moral intensity helps to shape perceptions and intentions. Jones (1991) identified six components comprise moral intensity: magnitude of consequences, which represent the aggregate harm or benefits of the act; probability of effect, which represent the likelihood the act will cause harm or benefits; temporal immediacy, which is the length of time between the act and its consequences. The three remaining components are: concentration of effect, which is the number of people affected by the act; proximity, which is the social distance between the decision maker and those affected by the act; and social consensus, which is the degree to which others think the act is good or evil.

A person's collective assessment of these characteristics results in a given situation's moral intensity. This influences the individual's moral judgment, intentions, and subsequent behavior. Thus, an ethic paradigm should engender ethical behavior based on situational moral intensity. As noted earlier, moral intensity suggests that actions and decisions are ethical when they are contingent on the perceived characteristics of the issue (Jones, 1991, p. 372). A bland and benign personal message sent from a company e-mail such as “Remember honey, I will be late (about an hour) due to that called meeting I mentioned to you yesterday.” is a message low in moral intensity. If, however, a more potent and piquant message is sent using the same message system to a female colleague or a female working for a competitor such as “I would have no problem working with you women if you would compete fairly—who can compete with the female genitalia?” Such a message is a message high in moral intensity. In other words, decisions should not engender moral outrage. Issues of high moral intensity, i.e., issues impacting perceivers viscerally to cause ire, indignation, or moral outrage, will be recognized as ethical dilemmas more often than those with low moral intensity, leading to a positive relationship between moral intensity and perception of an ethical problem. Issues with high moral intensity have a positive relationship with an individual's intention to behave in an ethical manner (Singhapakdi et al., 1996).
The unique factors that are salient in shaping the ethics of individuals include cultural lag, moral distancing, and context-specific norm development (Martin and Cullen, 2006; Marshall, 1999). According to the notion of cultural lag, technological inventions and innovation, which represent the material aspects of organizational culture, not only evolve but actually outpace the non-material aspects of organizational culture, the non-material aspects being its ethics, governance, and formal guiding rules of conduct. In other words, the non-material features of an organization increasingly lag behind technology and the ability of an organization to innovate. Marshall (1999) noted that reflective of cultural lag are current debates revolving around the interplay between the internet and issues related to privacy, intellectual property rights, and pornography. According to the notion of moral distancing, technology and innovations may increase the propensity for unethical behavior by allowing an individual to dissociate from an act and its consequences (Tavani, 2002).

An ethic paradigm must therefore establish and promote a standard of behavior and decision making objectively assessable given situational moral intensity. Such a standard of ethics influences a leader’s moral judgment, intentions, and subsequent behavior. This is because issues with high moral intensity will be recognized as ethical dilemmas more often than those with low moral intensity, leading to a positive relationship between moral intensity and perception of an ethical problem. The work of Jones (1991) and Singhapakdi et al. (1996) demonstrated that issues with high moral intensity have a positive relationship with an individual's intention to behave in an ethical manner.

**Conclusion and Recommendation for Future Research**

Creating a behaviorally ethical organization requires understanding of the factors antecedent and integral to ethical decisions and conduct. The goal of this research paper was a recommended ethic paradigm based on moral intensity. The basic notion is that moral intensity enhances ethical decision making and is a source that may guide and undergird an ethic measurable on a situation-specific basis, thereby influencing individual leader’s ethical performance and the perception by others of ethicality. In that regard, moral intensity has the potential to shape and, directly and indirectly but actively, reduce unethical behavior in organizations.

A strength and weakness of this paper is it is a literature-based exploratory overview. On the strength side, the literature affirms moral intensity is important in ethical decision making and suitable as an ethic paradigm. However, moral intensity research tends toward the theoretical, conceptual but partial analysis based on convenience sampling methodology. The literature review revealed no empirical studies of moral intensity in its totality. Needed are empirical studies to affirm the applicability of the moral intensity construct as an ethic paradigm suitable for service and public organizations. Also needed and recommended is a validated instrument for accurately measuring the six dimensions of moral intensity as relates to ethical decision making in service and public organizations. Future research should also examine the existence of moderating and mediating variables that may affect the service environment.

**References**


