Chapter 5
Windows on Corporate Ethics:
The Organisation and Change

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ABSTRACT

Corporate disasters arising from ethical failures have irreversibly eroded the public's trust in organisations. Predictably, executives' public commitments to ethical practices are now routinely viewed with scepticism. Although this obscures the identification of organisations' authentic ethical orientation, organisational change practices can reveal this ethical orientation i.e. function as 'windows' on corporate ethics. Extending earlier work by Van Tonder, it is argued that organisational change practices have an implicit propensity for risk and harm, substantially 'fit' with ethical frameworks and are consequently amenable to analysis on a range of ethical parameters. Employing ethics heuristics adapted for organisational change, Quaker Oats' acquisition of Snapple is analysed to reveal how change practices function as 'windows' on corporate ethics. The implications for management are briefly considered.

INTRODUCTION

The success of business initiatives across cultural and national boundaries invariably hinge on shared understandings and expectations of trade and business partners' *bona fides* when agreeing to collaborate. The management capability of the relevant organisations is a firm consideration for the market generally and those assessing the credibility of a prospective partner or of a company delivering on its publicly stated business undertakings. The assessment of 'management capability' is pivotal at the time of committing to a decision to collaborate, invest or donate and a prominent consideration in gauging listed companies' future growth and development prospects. Increasingly management capability or strength is assessed in terms of compliance and fair (and therefore ethical) business and labour practices.

Notwithstanding public commitments to socially responsible and 'just' business practices, the integrity and ethical orientation of corporates and their management teams are areas that are difficult to gauge. The necessity to do so is suggested by the wreckage of formerly admired corporates and highly regarded management teams that litter the corporate landscape and bear testimony to the betrayed trust of, and significant long-term harm

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to depositors and investors (cf. Byrne, 2002). Many notable examples of high profile corporate entities with significant initial credibility, that eventually betrayed the trust of willing 'partners' and clients, can be found. This 'challenge' is tangibly evident, for example, in executives earning excessive pay packages while the share value of their companies had dropped profoundly and vast numbers of employees had lost their jobs (Grant 2003, p. 930). The global financial crisis ('credit crisis') triggered in 2008 and the recession following in its wake are similarly a case in point… executives contractually extorted exceptionally large compensation pay-outs ("bonuses") while their companies collapsed in spectacular fashion around them. These cases significantly eroded the public's trust (and confidence) in the nature of institutions, the meaning of institutional success and, in particular, the very nature and quality of institutional management. It is often only after intense retrospective scrutiny that the public commitments of office bearers tend to show up self-interest as the essential motivation driving intent and proclaimed ethical stance, rather than a fundamental belief in, and a commitment to "doing the right thing" (Calabrese, 2003; Harrison, 2001). In practice, the commitment to ethical conduct in these instances was revealed to be substantively lacking.

PURPOSE AND FOCUS

Perspectives and Considerations

It is this troublesome dichotomy between the *espoused* and the *actual*, authentic but mostly *tacit*, ethical orientation and approach of corporate entities that introduce complexity into business transactions and inter-organisational relations. Aptly characterised by Fisher (2003) as surface level and deep (entrenched authentic) ethical approaches to business, this dichotomy provides the premise and rationale for this chapter's *focus on organisational change*. The challenge of assessing ethical intent and commitment to ethical practices beyond compliance behaviours is substantial and universal, and particularly vexing in novel and developmental settings where the tracking and recording of relevant business practices may be constrained by many situation-specific factors. The disconnect between an organisation's public relations campaigns and 'surface-level' ethical positioning on the one hand and behaviour that seems contradictory on the other, is seldom immediately or readily apparent. Gauging an organisation's authentic commitment to ethical business practices as opposed to observed 'surface-level' statements, consequently, in itself poses complex conceptual and methodological challenges that are encumbered by a range of pragmatic and cultural constraints. The ambiguity and dissonance prompted by these 'disconnects' would constrain the development of trust and betray mutual trust in pre-existing relations. For this reason the assessment of authentic ethical intent and commitment is critical, in particular for sensing (and gauging) the credibility, integrity and trustworthiness of the organisation and, *de facto,* its management.

The value derived from assessing *authentic ethical* intent of course is not only limited to managers concerned with inter-organisational collaboration or prospective institutional investors. Rather, such assessments become a key indicator for middle management 'looking up' at their executives for purposes of guidance and leadership, for executives gauging future leadership material in lower management ranks, for valued employees contemplating longer-term association with the organisation, and for prospective future employees.

Given this setting, the position advanced here is that authentic ethical intent and actual commitment to an ethical approach to doing business can be gauged with less complexity than is usually anticipated. This becomes possible when scrutiny is directed at recurring organisational behaviour and dynamics that are less amenable to control and therefore less likely to conceal 'real' positions,