

INTERRELINKAGES OF TOTAL QUALITY, CORPORATE CULTURE AND ETHICAL BEHAVIOUR

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ABSTRACT

Ethics, as we know, are the moral values and principles that govern an organisation's conduct and its activities. To behave ethically depends on the ability to realise that ethical issues exist because if ethical issues are not present, there is no use of moral reasoning. The complexity of ethics arises because ethics cannot be simply legislated as like other realms of law. It originates from the culture and mindset of management. Also there is an increased pressure on the corporations to behave ethically because this may lead to increased government regulations which reduce a firm's efficiency. After all, corporations are built on mutual trust and support from its stakeholders if it wants to sustain in the long run. In the process, employees should be empowered and actively participate in decision making so that they are aware of the ethical issues in a better way. The purpose of this paper is to discuss as to how total quality can facilitate the corporate culture which can promote ethical behaviour throughout an organisation and make good foundations of moral reasoning.

Key words: Ethical culture corporate stakeholder total quality

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SECTION 1: INTRODUCTION

One of the major challenges in today's work environment is the search of sound principles and values to frame business activities and guide actors, corporations and individuals. There is a growing awareness today that ethics should go much further than just complying with existing rules or reacting to any changes in government regulation. We therefore argue that in order to unleash the potential of corporate culture, a culture of inclusive ethics needs to be established, a culture that fosters ethical practices, prohibits unethical behaviour, and it is embedded in the management and HR practices.

The model of decision making is not purely based on numbers, i.e. by exclusive use of mathematical formulas and techniques such as linear programming, capital budgeting etc but also on qualitative judgement based on ethical values. Sometimes, managers simply try not to override the rules and standards by not violating them. However, in this process, the role of values and professional judgement may be lost. Ethics have to be followed not only in letter but also in spirit. There is a growing consensus that ethical practice makes a difference in supporting long term success of companies. The fundamental business of business is ethical, the creation of values that enhance the welfare of communities, societies, and the world.

Thus, ethics is central to the managerial task; in fact, it is the task of management (Buchholz, 1989). When viewed from public perception, both politically and socially, it is increasingly important as events are playing out globally with the wider reach of social media and web channels. Further, there is ample evidence which shows that companies not behaving ethically have increased pressure from stakeholders in one way or the other. With the potential for unethical business practices, the reputational and operation costs 'of being caught' can be high.

Accountability and transparency have become key issues for all companies irrespective of their size, as they recognise that they must take risks to their reputation very seriously to prevent potential crises turning into catastrophes. The potential negative consequences such as declining share price and loss of customers should not be underestimated as there are many examples of companies paying the price of unethical behaviour once in the public domain. We therefore argue that risk assessment also needs to include areas such as ethos, culture and management within an organisation.

Management as the supporting institution

Ethical sensitivity is the ability of an individual to recognize the ethical nature of a situation in a professional context. (Shaub et al.1993). We say that this ability of individuals to respond ethically, among other factors, is related to the reinforcement and support of the institution in which they work. Corporations construct cultures that can exercise good or bad influences depending on their goals, policies, structures and strategies (Brown, 1987). In other words, management must create a culture to reflect on their practices and consider how best they can reinforce integrity in their business. Confidence and assurance must be given to employees by providing sufficient support and training to make it easier for the employees to embrace ethics in their day to day work experiences. We analyse how management is creating a mechanism to resolve ethical issues arising in the workplace. Ethical information is very vital information and being able to collect and analyse this information is also critical. Company's collect ethical information as to see whether there are any ethical issues in the workplace so that action can be taken. A Qualitative Audit can be undertaken by the company on the part of employees to analyse whether they have faced any ethical issues in the workplace. If there are any issues, it can be discussed with management and appropriate steps can be taken to resolve the issue and offer support, thus mitigating risk. This information can be used during employees training, often supported by role play so that the employees will have a better understanding of specific ethical issues and how to respond to these issues. For larger companies, these findings or case studies can be shared among sister companies in the group. We therefore say that sharing information enables the companies to tackle ethical issues more efficiently. In the next section, we discuss that ethics is an integral part of total quality and building a network of ethical values leads to overall improvement in the business environment.

Ethics shared by all

It is an agreed fact that higher management personnel such as chief executive officers and managing directors are most likely responsible for setting the tone for ethical conduct for the company and should lead in embedding ethical values in the management practices that best reflects company's stated values and policies. This ethical conduct should be communicated to the employees through proper leadership and support because ultimately all staff has

responsibility and should be accountable for their actions. Ethics should be shared by all and communication is the key for all discussions which is better than one-way directives.

It is also viewed that companies find easier to do business with organisations that share similar ethical values on business practices. This is done by carrying out thorough due diligence including background checks on potential suppliers/clients and also observing their track records in their past dealings. Therefore, we say that company should undertake safeguard measures before engaging in any business dealings with external parties. It is understood that once the standards are compromised in a business relationship, it becomes very difficult to say 'no' later on and a mere short-term gain could become a long-term cost and threat. Since companies are becoming global, they have started to build networks as a means for support and also it would be a good platform for them to discuss and compare issues, challenges and learn and share best practices. This sharing and learning from each other creates 'spillover effects' and in this process, the wider business environment is definitely improved.

Quality and ethics linkage

Every institution has a unique work culture and it is virtually impossible to achieve excellence in its products and services unless a good quality culture has been fostered. We contend that there is a strong linkage between quality and ethics in an organisation facilitated through corporate culture. To achieve excellence and quality in work, it is incomplete if it's not gained through value system. As an examiner for the Malcolm Baldrige National Quality Award, Steeples (1994) found a high correlation between quality and ethics, apparent in both a company's actions and the actions of its employees. Likewise quality is the responsibility of all employees in an organisation; similarly ethics is the responsibility of all. Individuals do not exist in a vacuum and they are influenced by organisational beliefs and values. In the total quality management, all members of an organisation participate in improving processes, products, services, systems and the culture in which they work. For example, Toyota has achieved a reputation for the production of very high quality vehicles in all countries around the world. This has been achieved to quality control and quality assurance which is unique to Toyota and has been developed over many years. In Toyota, at each and every stage quality is built and unless the product/part is not conformed to quality standards, it is not passed to the next stage. The reliance of TQ on ethical

behaviour is manifested in comments by Ishikawa, one of the world's foremost authorities on quality control.

I am an advocate of quality control based on belief in people's goodness. If a person does not trust his. . . subordinates and imposes strict control and frequent inspection, he cannot be a good manager. His control is based on the belief that people are by nature evil, and such a system simply does not work (Ishikawa, 1985).

Total quality is a complete philosophy that has to be embraced with strong belief and dedication, not mere lip service. Once awareness and understanding have been built, thereby a motivation to change and this is incorporated into the vision which clarifies the general direction for change. Quality is not a concept to be proved once or twice or a certain number of times, it's an approach towards continuous improvement (kaizen) leading to customer satisfaction. This approach delivers value that meets or exceeds customers, employees and other stakeholders' expectations. Thus we say that total quality management is an integrated system leading to long –term success of a business.

Ethical implications of total quality

Total Quality (TQ) provides a model for creating socially responsive companies that build ethical expectations into systems and provide organizational support to employees so that they can behave according to those expectations (Steeple, 1994). A total quality approach to business emphasises continuous improvement of the processes of an organisation and breaking down organisational barriers through structural changes that promote better communication and a greater sense of community. (Brassard, 1989).

In this section, we discuss how total quality can achieve world class excellence in processes and systems and improve an organisation's ethical culture.

Customer satisfaction:

A key concept of total quality management is satisfaction of the customer. If we see the quality management programs of some of the leading companies which are known for their quality products such as Motorola, Toyota, 3M etc, we would notice that customer is the core of all the quality management systems. At Motorola Company, perspective on quality says that "quality is

our job; customer satisfaction is our duty and customer loyalty is our future (www.motorola.com)”. The total quality concept includes the broad definition of customer which includes not only the traditional consumers of products or services, but also shareholders, suppliers, employees, government, local community and all others who are directly or indirectly affected by the product or service. This recognition of multiple stakeholders results in a ‘stakeholder’s dialogue’ to develop a consensual vision that addresses all relevant concerns. This will lead to long –term effective relationships with all key stakeholders. Total quality (TQ) offers to create partners and not workers. The application of total quality techniques leads to continuous improvement in processes and systems, reduction of waste and towards efficient utilisation of resources and capacity. Chen and Zuckerman (1994) argue that, under the TQM paradigm, companies must consider the entire environmental impact of their products by looking for substitutes for inputs that are hazardous and for processes that can reduce the generation of waste.

Communication through teamwork and participation

Communication is the essence of total quality (TQ) approach. The message of quality will be delivered effectively by the top management to the bottom level through well-developed communication strategies. Increasing participation, better access to information, and breaking down barriers to communication are fundamental goals of TQ (Roth, 1993). Evidence suggests that a culture of openness and transparency is encouraged through the use of teams. Teamwork is essential to encourage interaction across different functions. This interaction is very essential to bring ethical sensitivity in the work culture.

Communication is also enhanced through the use of various mechanisms such as one-to-one sessions for the new employees, discussions and forums, conducting surveys and giving a platform to the employees to raise their voice on ethical issues through whistle-blowing, forms and helpline numbers. All these different ways of communication would bring a sense of involvement and lead to job satisfaction.

Empowerment of employee

A part of total quality management philosophy is to empower employees to seek out quality problems and solve them. Employees must be given proper authority to take decisions and

handle customer disputes on the spot to make things right. The concept of total quality gives workers authority and responsibility to take action when confronted with ethical issues such as product safety. In the old concept of quality, employees were afraid to 'speak up' quality problems for the fear that they would be reprimanded. Often poor quality was passed on to others in order to make it someone else's problem. The new concept of quality, total quality management, provides incentives for employees to identify quality problems and they are rewarded for revealing quality issues, not punished.

For example, in some companies individuals highly trained in quality improvement principles and techniques receive a designation called "Black Belts". The job of black-belts is to identify and solve quality problems. Infact, Motorola is one of the first companies to win the prestigious Malcolm Baldrige National Quality award in 1988, due to its high focus on quality.

Balanced compensation programme.

We argue that over-emphasis on financial rewards and individual merit may be favourable for individual evaluation, but that may be detrimental to organisational overall goals. Coye (1986) suggests that it is important to incorporate ethical considerations into performance evaluation systems. Firms employing total quality motivate employees to work through a balanced mix of financial and non-financial factors such as teamwork and cooperation , job satisfaction, opportunities for work, peer recognition etc. The reward structure is framed as such that ethical values are inbuilt in the concern for others such as recognition for quality and safety of employees within an organisation. Chen and Rodgers (1995) note that Milliken and Company's top management consider minimizing accidents and reducing hazardous working conditions more important than investing in new production technology. The Lincoln Electric, a welding equipment company, is well known for its highly skilled work force as well as its unique compensation system. It pays wages for work and bonus for performance. This pay for performance helps the company to reduce costs to undertake cost leadership strategy. This company is also dedicated to maintaining the health and safety of its employees, customers and neighbours as well as preserving the veracity of environment (www.lincolnelectric.in). This commitment is supported by management and is the individual and collective responsibility of all Lincoln Electric Companies.

SUMMARY AND CONCLUSION

In all successful total quality implementations, the top management team should set the tone for ethical values, behaviours and practices throughout the company. Companies must ensure that sufficient interaction and communication is initiated between the management and employees to govern ethical practice, the safeguards to be taken and the consequences of unethical behaviour. Decisions should be taken in an environment that incorporates values and not only on monetary grounds. The success or failure of total quality efforts lies in the genuineness of an organisation's commitment towards quality and its implementation. Total quality is not to be looked as a short-term financial investment; rather it has to be sustained on a continuous basis. Often companies look at total quality as another business change that must be implemented because of market pressure without actually changing the values of their organisation. In fact, a fundamental change process has to be initiated which will ultimately lead to rethinking and redefining of business principles and codes of conduct in an organisation. It is necessary and an important process of adjustment that has to reflect in organisational culture and thus the shared values, codes and beliefs.

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