African Journal of Hospitality, Tourism and Leisure Vol. 4(2) - (2015) Special Edition
ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

The paradox of Business Ethics, Quality and Leadership: the path to business sustainability

A Nicolaides
Graduate School of Business Leadership
University of South Africa
nicola@unisa.ac.za

Abstract

Quality is undoubtedly a critical aspect of management practice and is infused into the 'psyche' of many companies. This paper unpacks a number of important questions and the main purpose of this study is to advance our understanding of the importance of ethics in the workplace as part of a quality ethos. How can the basic theories of ethics in the workplace and moral conduct better inform business practices so that a desired triple bottom line is a naturally achievable and desirable objective? How do quality initiatives and a greater consciousness of quality as an all important aspect of operation impact positively on a business and ultimately sustainability? How do virtue and morality assist in making a business 'virtuous' and relate to quality management and quality service provision and infuse these aspects to become part of a quality paradigm?

Key words: ethics, virtue quality, triple bottom line, sustainability

Methodology

The research method for this paper involved a literature study based on a review of existing conceptualizations that deal with factors affecting ethics and quality in business. It included a wide range of books on ethics and quality, academic journal articles, conference papers the internet and a wide range of theses.

Introduction

Businesses face many paradoxes today. By paradoxical reference is made to multiple strategies that are 'contradictory, yet interrelated'. As our world becomes more global, fast-paced and hypercompetitive, competitive advantage may increasingly depend on success in managing paradoxical strategies such as business and ethics and quality and products and services. Western business especially tends to follow Aristotelian a rational logic approach in which there is only one truth and yet truth is transient and there are multiple truths! The demands of today are particularly challenging given our desire for consistency, conflict avoidance, and unambiguous, linear and rational thinking. Consequently managing complex business models effectively is challenging but possible. This is especially the case when it comes to quality and ethics. What is required is for businesses and the managers that run them to adopt both social and financial strategies simultaneously, and to perhaps turn to strategies that are both global and local. Business is faced with multiple paradoxes and viewed traditionally it seems that organizational success depends on taking an 'and/or' approach to choosing between such paradoxical agendas as the seemingly contradictory strategic demands between low cost and high quality, stability and agility paradox, learning and performance, profitability and social outcomes such as CSR, ethical and unethical conduct and whether business should be values driven or profit driven

Many business leaders face tensions within their firms' business models and need to embrace both extremes simultaneously and there is a need to both explore and exploit simultaneously- "squeeze profit and dream of the future".

Any business irrespective of size needs to assess the external environment, and decide which agenda to favour, and then build a business model to implement a focused strategy which for purposes of this paper interrogates ethics and quality issues. Success depends on proper alignment of both of the business model's internal aspects, and between it and the external environment. Managers thus have a difficult task to create workable certainties as they seek to integrate opposing ideas and shift between options faced by them in business conduct. This calls on them to be operationally efficient and experimental and innovative. Clearly then having paradoxical strategies demands complex business models that can enable contradictory agendas to thrive at the same time. Business should be creating satisfaction for the right customers, have the right team members, the right value chain partners and create optimal products or services that gives them maximum cash flow, profit and return-on-investments.

It is thus incumbent on them to resolve paradoxes by using processes that include dynamic decision making; building commitment to an overarching visions and agenda specific goals; actively learning about each agenda and the relationships between them and engaging conflict when employees are out of sync with the mission and vision of a company which should be inclusive of a quality and ethical approach. The change in the way a business in the globalized world, discovers, designs and delivers value to stakeholders is replete with implications for ethics and quality. Much criticism has been leveled against companies that have simply not kept pace with the changing business landscape in which ethical conduct and quality are expected. Companies have to rapidly respond to the challenges of a changing global environment. The situation faced by managers is similar to a captain of a ship in unchartered waters facing a hurricane. The trends of globalization, empower customers with a greater sense of entitlement and vast technological changes require a hand-on strategic approach to business management decisions. The increased business competition which is due to the opening up of the economy requires companies to search for competitive advantages that will lead to sustainability. Customers are willing to shift to competing products and services at the drop-of-a-hat and if they perceive that they are not getting the value for money that they believe is their due or if a business is unethical in any way and lacks quality in what it does or states it will do.

Greater market penetration is vital for a business as the depth of sales of a product or service in a particular market enhances the bottom-line. There should however be an approach for example, to advertising, in which companies try to reach consumers in an honest way without subjectively exaggerating and making blatant untruths about products and services. Marketing is intrinsically linked to a variety of ethical issues that require serious consideration and a sense of moral idealism in which universal consumer rights are not flouted, and utilitarianism in which consequences of actions are careful mapped out so that 'the greatest good for the greatest number' can be realised after assessment of the costs and benefits of the desired ethical marketing. Companies cannot forever hide behind the concept *caveat emptor* or 'buyer beware' and neither should consumers acquiesce to whatever marketers impose on them. What seems ambrosial in marketing is often bewildering and disjunctive once purchased by credulous customers.

There are thousands of companies across the globe that purportedly observe quality practices and many win quality awards such as *inter alia*, the prestigious Malcolm

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

Baldridge Award which was established by the U.S. Congress in 1987 to raise awareness of quality management and recognize U.S. companies that have implemented successful quality management systems. Awards are presented annually in six categories including manufacturing, service, small business, education, healthcare and nonprofit. The award is named after the late Secretary of Commerce Malcolm Baldridge, who was an ardent proponent of quality management (ASQ-Malcolm Baldridge Award).

In quality models such as *inter alia*the EFQM-model, ISO 9000 and in the criteria for the Malcolm Baldridge Award the focus on external stakeholders is somewhat entrenched. The is a great focus on especially the customers of a business because quality is generally understood as "fitness for use" and what is fit-for-use must have an ethical base. Care must not only be taken in creating products of quality but also in promoting the notion of a built in care for the whole business, society and all stakeholders as per the Dutch paradigm (Hardjono, 1995) in what is essentially a triple bottom line approach.

An excellent framework for quality improvement is Six Sigma which has been in use for the last twenty eight years. This provides a data-based methodology for quality improvement, customer satisfaction and financial improvement. It is top-driven by trained professionals who are designated as 'Champions –Master Black Belts, Black Belts, Green Belts, Yellow Belts' etc. It has a very well defined process as it defines, analyses, improves, controls (DMAIC) for project by project improvement with advances on what is essential for quality from the customers perspective.

Quality demands that all stakeholders are considered in its models and this includes ethical practices, virtue, integrity and trust. However in many cases the companies only pay lip service to ethical conduct, virtue, integrity and trust are a mere façade. In most of these companies there are numerous obstacles to ethical conduct and genuine quality and these are essentially created by uncommitted senior management cohorts that are unwilling to 'walk the talk'. Such managers do not promote ethics training and there is no reflective practice in the workplace. There are also those who are egotistical, greedy and corrupt and who are essentially immoral beings driven by nothing more than the ethic of self-preservation. We may speak of 'excellence' but it is clear to see that in the reality of modern society, people are no longer as noble in character as they were in years gone by. What we see around us relating to quality and ethical practice are all too often mere façades. Take the case of the notorious corporate scandal known as the Satyam Computer Services scandal that occurred in India in 2009. The then chairman, Ramalinga Raju, openly confessed that the business's accounts had been intentionally falsified and that he had manipulated the accounts by US$1.47-Billion. He subsequently resigned on 7 January 2009. Such cases are nowadays almost daily occurrences and highlighted in global media.

Sadly it is almost commonplace for companies and people once held up as paragons of virtue excellence to now be caught up in one or other scandal. Consequently it almost expected and even expedient that we can no longer trust individuals or companies to be truthful and to honour their obligations such as their social responsibility to encompasses the economic, legal, ethical, and discretionary expectations of society or to provide quality services and goods. People today tend to believe that there is absolutely nothing wrong with telling a lie. Sonnenberg and Goldberg (1992) state that in terms of a survey conducted on the issue, a scant 31% of people truly believe that honesty is indeed the best policy to adopt. In another well documented case a huge investment scandal broke in December 2008, when a former NASDAQ Chairman Bernard Madoff admitted that the wealth management wing of his business was an elaborate Ponzi scheme and was in fact the largest Ponzi scheme in history and certainly the largest accounting fraud ever uncovered in the United States. The prosecutors stated that the probable size of the fraud was $64.8 billion, and this was based on the amounts in the accounts of the perpetrator's 4,800 clients as of 30 November 2008. Madoff was subsequently sentenced to 150 years in prison with a restitution of $17 billion on 29 June 2009. Then there are of course also those who plead ignorance or who blame unreliable information for the demise of their operations. Very few leaders and general employees act with the requisite moral fortitude that should be commonplace. Either way, unethical conduct is due to the lack of a moral map or ethical framework that can be used to guide people through ethical mazes and dilemmas as they manifest. It is the decision-makers in a business that have the power to act and evaluate the values in their business. This is why Werhane (1985) contends that companies can act only in a secondary sense. While employees are the primary actors they regularly act on behalf of the business in which they serve. By ignoring quality and ethics huge costs are to be expected (Fig.1)

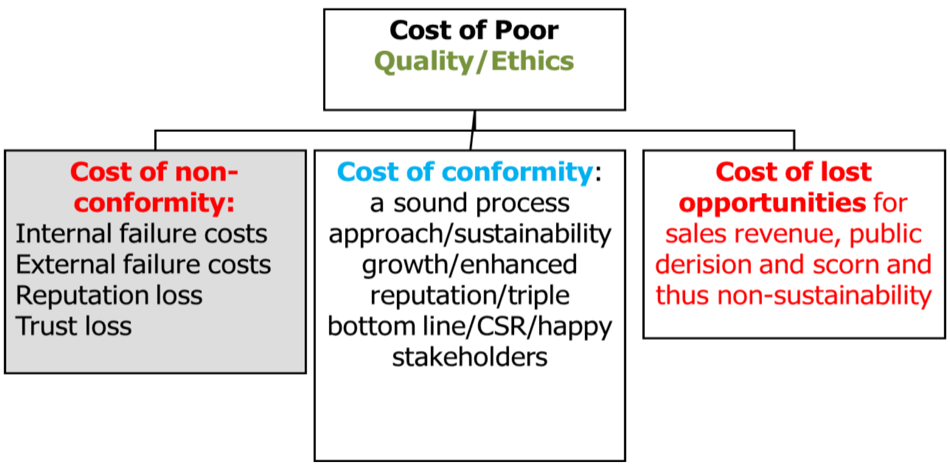


Figure 1 Cost of quality/ethics failures

Ethics in Business

Ethical issues are a foremost concern for businesses because they have considerable impacts on various stakeholders including the company, employees, customers, the competition, shareholders, and society in general. in view of the significance of this impact, a great deal of scholarly work has been devoted to advance our understanding of the factors affecting ethical behaviour of companies. How quality plays a role and its synergy with ethics is equally important.

Essentially ethics or moral philosophy is about right or wrong or good or bad and it is thus a system of moral principles that affect how individuals tend to make decisions and live their lives. It is generally concerned with what is good for individuals and society. Sadly it is like the weather in that everybody talks about it but not many do anything about it (Foster, 2003). The derivation of the word 'ethics', is from the Greek word 'ethos' which can mean a range of ideas such as custom, convention, character or outlook. Our concepts of ethics have been derived from religions, philosophies and the wide range of global cultures. They infuse vigorous debates on themes such as quality, professional business conduct and basic human rights, morality and virtue.

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

Ethics is thus a philosophical term which involves thinking systematically about morals and conduct and the making of moral choices about what is right and wrong (Lewis and Gilman, 2005). There are of course a plethora of theories and perspectives that may be utilized to expand the horizon of ethical deliberation. These range from the explicit theories (Utilitarian - Smith, Mill), supreme rules-based (Kant), justice theory (Rawls), virtue (Aristotelian, Platonic), categorical premises (teleology as opposed to deontology, means set against ends), and perspectives (absolute as opposed to relative ethics, individual contrasted with community based). The ethical quest is as old as humanity and is important for quality practices today. There are also rules which correspond to the various global cultures so in essence there is cultural as well as moral relativism (Meerhaeghe, 2006). Much of the current literature on ethics in general, and business ethics, in particular, is concerned with questions of moral responsibility and the reconciliation of self-actualization and personal freedom with the rights and needs of others. Less obvious, is the assumption of order and control necessary, for implementing moral decision making by ethical managers and other employees. Many philosophers answer the question “what is ethical leadership” from a purely normative perspective in which they state how ethical leaders “ought” to behave (Ciulla, 2004). Applied ethics, as opposed to speculative ethics, implies the existence and use of power, based on force. Economists, and others, are ill prepared and ill at ease in making normative pronouncements and they tend to leave ethical considerations to others. It is important to study the topic of business ethics since it significantly affects how a business operates. It thus impacts current business theory and practice and business leaders need to view business activities from an ethical perspective.

From the mid 1980s, various scholars from various areas of business have initiated models of ethical and unethical decision making (e.g., Hunt and Vitell 1993; Jones 1991; Stead et al. 1990; Trevino 1986) The literature suggests that the factors that influence ethical conduct may be grouped into the individual characteristics of the person making decisions, the organizational ethos, the social and cultural environment, the unique context and micro environment which exists from business to business as well as the business macro environment. The governmental and legal settings in which the business operates is also important as it sets the tone for business conduct. A number of comprehensive review articles for example, such as Nill and Schibrowsky (2007) and O’Fallan and Butterfield (2005) highlight the role that individual, unique organizational and contextual factors play in the ethical decision process in business. Relatively less attention has been paid to the impacts of quality management on ethical practice.

Many companies fear irreparable damage to their images and bottom-lines, when there are revelations in the press about their newly uncovered unethical practices. This is why it is essential that they at the outset propagate ethics and morally appropriate marketing of products and services. This makes good business sense since consumers, especially the millennial generation prefer to deal with socially responsible companies.Ethics is then about knowing the difference between right and wrong and doing the right thing (Hall, 1992) and guides us on how to live a good life and informs us on our rights and responsibilities both at work and on the domestic front. It speaks to us on what is ‘right’ and ‘wrong’ and guides our moral decisions. An ethical frame of reference and starting point is critical for all conduct at work and in dealing with stakeholders.

Figure 2 : Decision –making model

http://www.skills2lead.com/ethical-decision-making-model.html

Grounding ethical theories and Deming's Cycle

Business Ethics is a comparatively innovative concept in which Kant's theory of the Categorical Imperative, which states that "to act morally is to perform one's duty, and one's duty is to obey the innate moral laws" (Kant, 1993). Equally important to the question of business ethics and quality is the theory of Utilitarianism as postulated by John Stuart Mill. The idea of the theory is that the moral value of all actions is resolutely based on its capability to maximize usefulness and minimize negative value (Rosen, 2003). Each of these theories is widely upheld in business ethics and inspire modern business conduct in especially the West. Utilitarian ethics is based on a teleological/ends-based approach since it tends to focus on outcomes, and not on the means through which an action is judged. Utilitarianism thus essentially states that an action is right if it produces the greatest amount of good for the greatest number of people affected by the action, failing which the action is deemed to be wrong. What is problematic concerning this approach is that the beneficiaries of an action are not always those who bear the costs. Donoho et al. (1999) and Menguc (1998) studied the impact of the deontological as opposed to teleological point of reference of the ethical decision maker. Bommer et al. (1987) suggested a normative ethical decision making model and suggested that the personal attributes of the ethical decision maker, the work and professional environments, the personal and social environments, and the legal framework of a country affect ethical behaviour.

The universal rights approach contends that individuals have inviolable rights that cannot be contravened. Once such rights are denied, ethical violations are more likely to have taken place.
Kant suggested three Categorical Imperatives to elucidate the notion of moral

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

rights and to define ethical conduct. Firstly all must be treated consistently. Secondly all must be treated with respect. Thirdly, the autonomy of individuals must be respected at all times. For something to be deemed to be ethical, each of these aspects must be met. What could be problematic in this approach is that scarce resources may lead to competing claims which impacts on the rights of an individual. Linked to this theory is that of John Rawls (1971) who viewed justice as the paramount value in society. Consequently people should cooperate with one another to advance the good of all of society. Rawls asserted that the rational person creates rules that recognize each person's equality with others. This empowers the least advantaged in society to endeavor to achieve the most advantageous position they possibly can.

Robert Nozic (1974) on the other hand proposes that liberty be the first obligation of society, and argues that any system in which individual liberty is debased must be prohibited even though it may result in greater happiness or benefits for the totality of all the others.

The virtue system of ethics is basically grounded in Classical Greek philosophy. In this regard Aristotle's *Nichomachean Ethics* is a critical work. Today many other virtue ethicists have sprung up including Anscombe (1958), Foot (1978) and MacIntyre (1981). Aristotle professed that practical wisdom is a fundamental virtue and he categorized this into two distinct classes. These are intellectual wisdom (deliberative excellence and contemplative wisdom) and moral wisdom (courage, justice). Virtue ethics is thus one of the major approaches in normative ethics. It may be identified as the approach that emphasizes the virtues, ethical conduct, integrity or moral character. This may be contrasted with deontology which is the approach which emphasizes duties or rules and consequentialism which emphasizes the consequences of actions whether of an individual or group of people

This ethic tends to focus on the development of an individuals' character as the basis for positive moral judgement and action. Virtues may be learned through conditioning for example, via codes of conduct and constant reminder in meetings and in materials posted on walls and on the email system. Employees for example can imitate the positive virtues of a line manager who serves as a role model. Leaders are thus critical to developing ethics in employees and a quality mentality. When a business is virtuous, it considers all the stakeholders and the triple bottom line and seeks continuous improvement in line with the theories of quality gurus such as Deming, Crosby, Juran and others. This seems to be utopian but is practicable. The principle of continuous improvement lies in the commitment and ethical conduct of employees. They seek together with managers to improve their process, product or services by applying their creative faculties on their work related problems and routine jobs. Kaizen (Japanese word meaning continuous improvement) provides these employees a stage to release their creativity.

William Edwards Deming the American professor and management consultant contended that if quality is desire in a business then four basic steps must be considered in what was termed the Deming Cycle. These are 'Plan, Do, Check and Action' and they should be repeated over time to guarantee continuous learning and improvements in a function, product or process and always in an ethical way (Gabor, 1992).

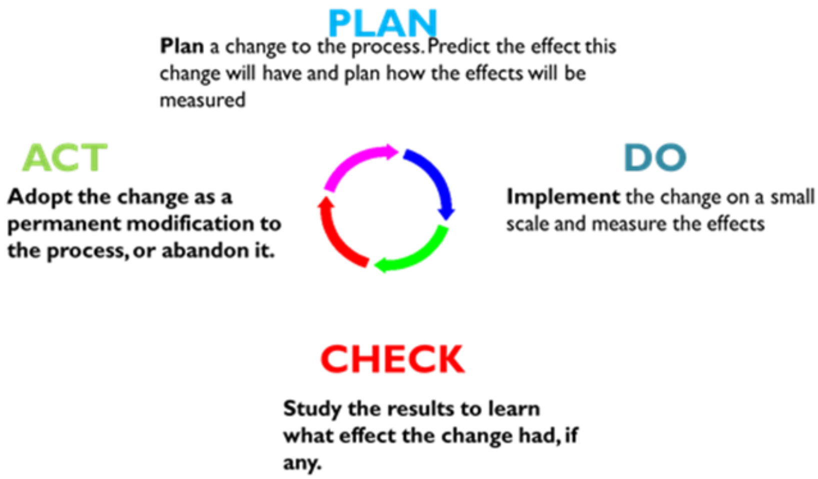


Figure 3: The Deming Cycle

The 'Plan' stage involves analyzing the current circumstances, collecting data ethically, and developing ways to make quality improvements. The 'Do' stage involves testing alternatives experimentally in a pilot process, or testing it out with a small number of consumers. The 'Check' stage necessitates determining whether the trial or process is working as envisioned, and whether any further revisions are desirable, or whether it should be scrapped.
.

The 'Act' stage concentrates on implementing the process inside the business or with its various stakeholders. When each stage is completed to the fullest approval, the improvement may be standardized. The standardized product is thus the result of the improvement initiatives. The process is repeated over time so that further improvement results. However in each phase ethical practice is non-negotiable

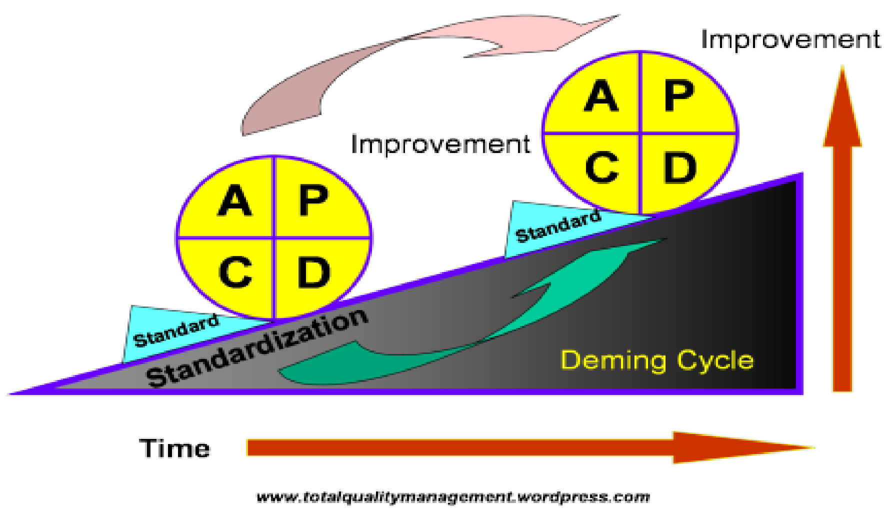


Figure 4. Deming Cycle and improvement

Top management and employees must all actively participate in the Deming Cycle process and it is ethically and financially important that customer wants and needs drive the strategy. Therefore it is crucial to involve suppliers in the planning process

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

and to have well-established feedback systems for continuous measurement and re-evaluation of the quality initiatives that are used. Managers must carefully control the quality and operational performance of key processes used to produce and deliver products, and continue to seek out causes of variation, make corrections and verify results. Only by continuously improving the processes to achieve better quality that is ethically created, and better cycle time and performance, can a business be considered to be a quality operation.

TQM including ethical conduct must “embed awareness” of quality in all business processes (quality thinking). Every employee and stakeholder is an important investment and must understand why what they do is important and why ethics is non-negotiable. They must be knowledgeable about the processes and product and given an opportunity to suggest ideas. Essentially then they need to take ownership of their place of work and participate as best they can. The workplace must also be conducive to ethical practice and driven by a quality ethos and ambience. To achieve quality requires that a business identify all the needs of the customers and satisfies the expressed genuine needs as well as their intended needs and expectations. To satisfy customers is defined as “a judgment that a product or service feature, provides a pleasurable level of consumption-related fulfillment” (Oliver, 1997). The importance of satisfaction springs from its key influence on customer loyalty (Ha and John, 2010), which is influenced greatly by quality, thus making it a major global construct for predicting consumer behaviour (Garbarino & Johnson, 1999). Quality can only be effectively implemented when top management is involved in the process and when whatever product or service is offered has an ethical basis.

Ethics in any business is usually in one of four general categories which include firstly, promotional ethics in which a business seeks to present a positive image to the stakeholders and society in general. Secondly there is transactional ethics, such as for example the interaction between guests and employees in a hotel. Thirdly there is hierarchical ethics in which there is ongoing interaction between all employees at all levels in the hierarchical structure and finally contractual ethics which involves honorable conduct in for example, dealing with contracts at all times. Buchholz states: ‘In the end, 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: 28). However today profit at all costs is the ‘king’ and customers remain mere transactions while employees, who are often exploited unfairly, remain the tools through which the bottom line can be grown. In some companies quality is absent as employees are no longer partners in the business and the environment is there to be degraded with lip service to compliance. For many companies the only stakeholders are the shareholders and virtuous conduct is a ‘mythological action for the weak’.

Ethical leaders are lacking in many companies. Brown et al. (2005: 120) state thatethical leadership, is: “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making”. Gonza´les and Guille´n (2002) suggest that the unambiguous consideration of leadership’s ethical dimension is necessary in order to achieve a complete, profound and sustained use of TQM principles.

Many companies develop policies and procedures merely to control employees who should act robotically without questioning what they are told to do. Unfortunately instead of companies pursuing business strategies based on ethics and quality to minimize risk as well as maximize opportunities, many tend to go for the jugular in their business dealings and are guided purely by greed and the Machiavellian notion that 'the end justifies the means'.Many private companies operate in an amoral vacuum (McKenna, 1996) and the same is now increasingly the case for public enterprises. In the literature, many state that 'business ethics' is in fact an oxymoron and that the two notions do not in way speak to each other (Velasquez, 1992) and such thinking is aligned with a number of management theories such as that of Adam Smith who in his 'A Theory of the Wealth of Nations' essentially asserts that managers owe their full allegiance to the owners of the companies in which they serve, and that the owners are primarily motivated by the idea of maximizing profits. As national economies stagnate, many companies are downsizing and re-engineering themselves to simply survive and effective models of business management are turned on their heads as what Porter termed a 'sustainable competitive advantage' is no longer sustainable. This is evident from the number of companies that have fallen off the Fortune 500 list since 1999 (Schumpeter, 2015). Many companies battle to remain agile and put their long-term strategic plans on hold and as a result quality and ethics suffer and a major consequence is un-sustainability.

Moral principles are thus negated by the ethic of self-preservation which in itself is not considered in some circles to be egotistical. This however flies in the face of what Adam Smith intended since in his 'A Theory of Moral Sentiments' he argues that a stable society needs to be founded on ''sympathy'', and a moral imperative to have concern for fellow human beings(Grant,1997: 50–51). The latter thus also alludes to the issue of quality which is globally implemented in the manufacturing and service sectors (Lawler et al., 1995) and ultimately impacts on the quality of products and services and thus customer satisfaction.

A moral manager dimension is lacking in many companies which If present would be characterized by the manager's preemptive efforts to influence followers' ethical and unethical behaviour in the workplace which could compromise *inter alia*, quality. When moral managers exist in a workplace, they make ethics an explicit part of their management agenda since they communicate a moral, ethics and values message. They make a point of role modeling ethical conduct, and may use the reward system (rewards and discipline) to hold followers accountable for ethical conduct. Such explicit behaviour helps the ethical leader to make ethics a leadership message that gets followers' attention by standing out as socially salient against an business backdrop that is often ethically neutral at best (Treviño et al., 2003). The moral manager can easily assimilate managerial and moral propensity and has a penchant for morally obliging conduct and action. The desired elements of moral judgment in managers originate in their sense of moral imagination which permeates all business activities and in their morally identifying and arranging. All issues and decisions they make are assessed from a moral perspective and they tend to tolerate moral disagreement and any uncertainty. Leaders are more effective when they are perceived to be honest, act with integrity and dependability (Den Hartog et al., 1999, Kouzes & Posner, 1993).

Quality and Ethics

What do we mean by Quality? The definition of quality is still widely deliberated upon, debated and "described" as individuals and humanity, as a whole, as they exist and evolve. It is not possible that it be a "given". It is generally viewed as the standard of something as measured against other things of a similar kind or the degree of excellence of something. It relates to a wide range of terms such as excellence, superiority, merit, worth, value, virtue, calibre, eminence, integrity, ethical conduct, pre-eminence, supremacy, transcendence, distinction, refinement, incomparability, account, talent, skill, skillfulness, virtuosity, expertise, brilliance, craftsmanship, flair, finish, mastery and basically excellence.

In the context of management the definition of 'Quality Management' is that it is "the act of overseeing all activities and tasks needed to maintain a desired level of excellence. This includes creating and implementing quality planning and assurance, as well as quality control and quality improvement" (www.investopedia.com/terms/q/quality-management.asp) Business Dictionary defines it as follows: "In manufacturing, it is a measure of excellence or a state of being free from defects, deficiencies and significant variations. It is brought about by strict and consistent commitment to certain standards that achieve uniformity of a product in order to satisfy specific customer or user requirements. ISO 8402-1986 standard defines quality as "the totality of features and characteristics of a product or service that bears its ability to satisfy stated or implied needs." If an automobile business finds a defect in one of their cars and makes a product recall, customer reliability and therefore production will decrease because trust will be lost in the car's quality"(BusinessDictionary.com). The definition of quality evolves dynamically as do people and their needs, expectations and aspirations. According to ASQ (2013), only 37% of the respondents from 2193 global businesses consider quality as "a continuous improvement activity", in the line of Deming, Crosby, Juran and others, and 24% view it as "a method to manage business-wide performance". A sum of 22% viewed it as "a compliance activity", and 10% regarded it as "a tool to fix issues after they have been discovered" and 4% saw it as "a risk mitigation activity". Furthermore merely 24% "are maximizing the potential of the quality process as both a method to reduce cost and as a strategic asset".

Quality implies a culture that continually acts on the belief that all decisions start with the satisfying of customer needs in an ethical way and it takes cognizance of the anticipated opportunities for advantage. It remains the task of managers and their responsibility to develop a value proposition and competitive positioning based on quality and ethics. A business thus needs to match customers' needs with business capabilities and there must be functional activities such as the Deming Cycle and Codes of Conduct implemented to support the overall business or brand strategy and to guarantee sustainability. Quality is based on five core characteristics according to Juran, (1988) these are: technological (strength and durability), psychological (taste, beauty, status)time-orientation (reliability and maintainability), contractual correctness (guarantee provisions) ethics and virtue (courtesy, honesty, reliability).In the same vein as Deming, Juran believed that most quality problems are due to management failure, and not what employees did or did not do. He also stated that the distinction between chronic and sporadic problems is important since there are two different approaches to handling problems that may arise in quality or ethics. Chronic problems need the principle of "breakthrough", while sporadic problems require the principle of "control" which is why codes of conduct for ethical practice are vital.

When considering quality management, the tweaking to the broader environment is managed by
measurable controls and a constant regeneration of the internal processes of a business in an ethical manner. Social media platforms now provide all business with a glorious opportunity where their brands can be easily communicated while providing a platform for customers and potential customers to express themselves, and

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

exchange varied opinions and it also increases brand awareness. There can also be rich engagement with customers in emerging markets. The key to success lies in the level of this engagement, its transparency and credibility and in the recognition that an business is quality and ethics driven. Every business needs to spell out what it does and why (Koehn and Nayebpour, 2000). Whatever is done by a business must satisfy all stakeholders and this is an important consideration in the EFQM model in which managers are role models of a culture of excellence and in which policy is based on the present as well as future needs of all stakeholders and business conduct is ethically based. These are also important considerations in the Malcolm Baldridge Award categories. Steeples (1994) asserts that there is a high correlation between quality issues and ethics, that is apparent in both a business's actions and the actions of its individual employees. Boisjoly (1993) states that ethical misdemeanors are essentially not a result of individual indiscretion but are very often the result of business culture failure and what he terms 'system breakdowns'. Konosuke Matushita the Japanese industrialist who founded Panasonicthe largest Japanese consumer electronics business, stated that business is about 'people before products' (Kotter, 1998) and so quality management leads or should lead, spontaneously to moral considerations and responsibilities towards the different stakeholders of a business (Buban, 1995). This is a critical connection between quality management and business ethics. Quality management is the most employed management philosophy in modern companies. In fact Total Quality Management (TQM) necessitates companies to make discernible to the outside world that they are in fact doing the right things and in an acceptable ethical fashion. Unfortunately visibility is attached to the idea of demonstrating a business's concern for quality and leads to a commercially driven exposure of quality achievements to the public such as in the case of ISO certifications which hang on the walls of reception areas in hotels (Boje and Winsor, 1993).

Companies generally do not consider the ethical concerns within the quality paradigm, even though they theoretically include a little of this in the social responsibility element of their operations. In the EFQM model, social impact has a mere 6% weighting, while business results and customer satisfaction are bestowed three to four times the weighting. Park-Dahlgaard (1999) specifies the stages of development of TQM, and he highlights the widening and deepening of the scope. There are four major phases in the quality movement which have been described as inspection, statistical quality control, quality assurance and total quality management (TQM). Their particular chief concerns are detection, control, coordination and strategic impact. TQM needs to further entrench the issues of integrity, virtue, moral action and ethics within its scope since these are strategically important and aid sustainability. TQM also needs to a closely address social issues brought on by unethical business conduct, and allow a business to be part of the solution to problems plaguing society. If companies are to be seen to be enlightened and caring for all stakeholders, while simultaneously seeking self-interest they must take actions to ensure their long-term viability and be proactive concerning quality and ethics in the workplace and beyond. A quality business will seek to addresses a myriad of problematic social issues by using its resources and expertise to assist the government within the scope of its ability to do so, but not as a façade and marketing exercise.

Since the 1980s, some companies are beginning to view business ethics as a strategic issue of operation after the horrific displays of extravagance of Robert Maxwell and Nick Leeson and the collapse of Barings. The greed of the period set people

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

thinking how they could improve the way their companies operate. A growing body of statistics both quantitative and qualitative validates the bottom-line benefits of socially responsible corporate performance and observance of a triple bottom line approach. Companies understand the enhanced brand Image and reputation they gain by observing quality and ethics in practice. They see this in greater customer loyalty and greater sales leading to greater financial performance. Their employees are easier to retain and critically, they see reduced operating costs (bsr.org). Most importantly, they serve a variety of stakeholders and realize that they have certain responsibilities that they must live up to in order to be perceived as virtuous corporate citizens. Successful companies drive continuous improvement.

The Kaizen concept emanating from Japan alluded to earlier stresses continuous improvement in all business activities and focuses on improving the quality of employees (Evans & Lindsay, 1993). Ishikawa (1985) clearly demonstrates the relationship between quality and ethics when he says: '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: 65–66). There are many prospective benefits for an ethically orientated business even though many may be indirect. Ethical companies tend to have a stronger business cultures, increased employee commitment at all levels in the hierarchy, greater individual satisfaction and enhanced social responsibility (Brooks, 1989). The Corporate Social Responsibility (CSR) initiatives undertaken should be based on a genuine concern for society.

Being ethical is simply good business and yet the literature suggests that in the last decade countless questions have been raised concerning the integrity of business and public service leaders. The media is replete with what are often disturbing revelations of unethical and illegal practices. These include *inter-alia* fraud, creative accounting, non-disclosure, deception, false accounting, exploitation of employees, conflicts of interest, lack of responsibility to the shareholders, lack of corporate governance, poor product safety, dishonesty in advertising, violations of employee rights, abuse of affirmative action, degradation of the natural environment and often inappropriate relationships between business and government such in tenderpreneurship and kickbacks. It is clear that virtue and integrity is not a quantitative metric of performance like quality often is, but rather an attitudinal and value-based method of business conduct.

Ethical codes

Various authors of business ethics such as Batten et. al. (1999) suggest that company-specific factors such as the existence of a carefully articulated written code of ethics, along with opportunities to discuss ethical issues within the business, the size and the ownership type of the business and the amount of international involvement all greatly affect the ethical practices of companies, especially when they operate globally. Since people differ in their understandings of what ethics is and its application in the workplace, the emphasis should fall on shared ethical codes so that behaviour may be understood and then evaluated against certain standards. Codes thus serve a critical role in that they contain the rules that govern employee conduct and the state what is expected in terms of ethical conduct and often general performance. They should represent and communicate the culture of a business and establish moral values that show stakeholders that the business operates within carefully considered ethical parameters. It is important that codes be explained to employees, carefully monitored and enforced with penalties for breaches in behaviours.

People emanating from diverse cultures may have different value systems and ethical understandings when it comes to right and wrong in the workplace and beyond.. Since the, this is a macro factor affecting business ethical decision making, culture must be considered when training employees on the accepted code of ethics for the workplace. Only in this way can employees be expected to align themselves and their decisions with what is expected of them. Codes have the potential to limit unethical behaviour and yet many companies develop what are superficial codes of conduct, while others are adopting a strategic approach to corporate philanthropy and corporate citizenship as a means of demonstrating their ethical commitment and CSR. Labich (1992) stresses that very often the motivation for ethical conduct and the inclusion of Codes of Conduct are based primarily on the fact that the reputation of a business can be improved so as to enhance the bottom line. A quality business will however strive to develop, encourage and enable all its employees to exercise ethical judgement. The consequences of not implementing effective codes of conduct are huge and have serious implications for companies. Codes of conduct are a demonstration of quality in practice and thus critical to success.

When a business is truly ethical honesty and integrity are a 'given'. In such companies losing out in the short term in terms of profit maximization is fine since in the long term, ethics, virtue and moral conduct lead to sustainability. It is clear that cost and productivity are significant elements in a business, but the quality of the products and especially the quality of the business are greater essential factors of success. Companies such as Arthur Andersen which was a highly acclaimed practitioner of TQM are a prime example of companies that have made self-serving use of ethics. Roth (1993) asserts that 'Companies that lack quality in their products, manufacturing processes, management systems, and work environment can still be run ethically. Due to their frequent lack of bottom-line success, however, the temptation to act unethically may, at times, be quite strong. An ongoing need will exist to monitor behaviour and to reinforce ethical standards. On the other hand, in companies that have mounted a truly comprehensive quality improvement process, ethical behaviour is automatically encouraged'. When a business seeks to become excellent in what it undertakes ethics and virtuous action need to be an integral part of what drives it. The literature suggests very strongly that TQM is compelled by a set of interrelated concepts that simultaneously feature effective management practices and ethically based moral values. Businesses that are driven by the notion of quality need to divorce themselves from the narcissistic ethic of self-preservation and begin to carefully consider stakeholders over and above the shareholders, failing which, they will be devoid of true quality and ultimately fold.

The Managerial role

Managers are invariably ethical decision makers by definition of their management role and it is in fact core to their function along with quality issues. In the ethical and quality driven business in which one is able to reflect fittingly and appraise ones actions within the framework of an ethical and quality driven sphere as part of the process of business decision-making, managers play a very important role. Companies *per se*, are not purely economic agents but also corporate citizens. Employees are also agents who have immutable rights and an ethical and quality driven value alignment that plays a key role in defining a business and what it stands for. Managers are responsible for quality management which according to Van den Water (2000:761) is defined as "the system consisting of system structural and social dynamical aspects with the objective of controlling the quality of the business".

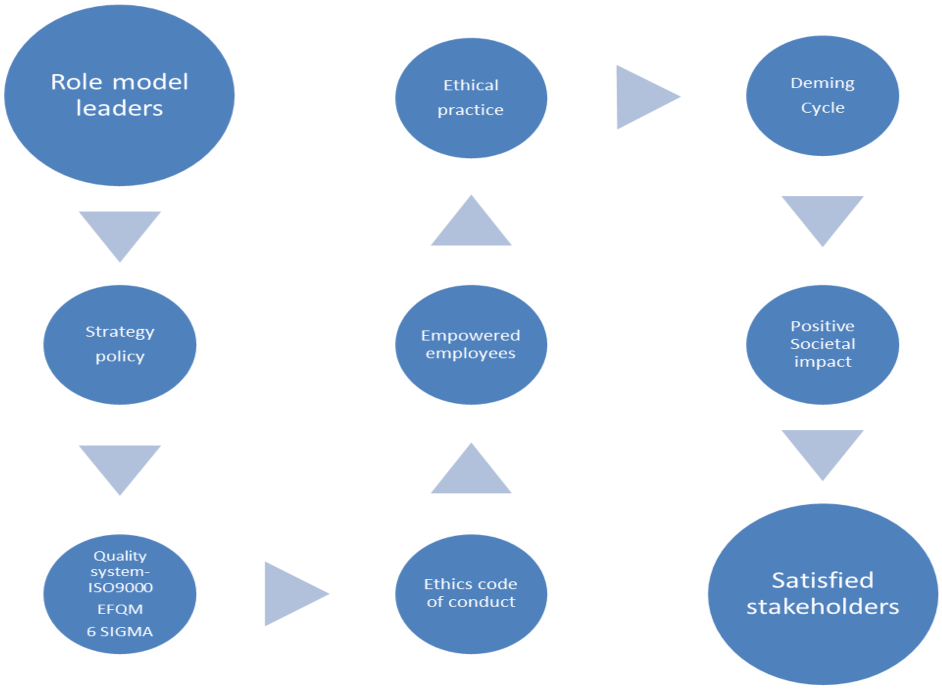
As corporate citizens, companies are entrenched within their local community and so they have obligations towards multiple stakeholders. When making any decision, the business must consider the diversity of its stakeholders. French (1984) highlights the importance of the formal decision-making structures and acknowledgement of rules such as Codes of Conduct by employees and the quest for quality initiatives. Where a business has purposes that are distinct from the intentions of the individual employees in terms of ethics and quality issues, then a re-alignment is required form the employee perspective. A business can simply not be effective if its employees are operating at a tangent with expected actions and behaviours. Bringing about aculture that encourages ethical behaviour is not easy and requires that managers be role models and act with integrity all the time.

Employees and companies are ethically accountable in many ways, especially in regard to stakeholders and the environment and eco-system. No work should be undertaken which harms stakeholders in any way. In addition, the workplace should be safe for employees and all employees should be treated equally and fairly remunerated for their endeavours. Companies need to be transparent in what they do and there should be full disclosure in governance practices. It is paramount that stakeholders should be adequately cognizant of the decisions that may invariably affect them in one way or another and they should be free to air their concerns. Shareholders should be updated on all ventures and informed of practices that may be contentious. The burning questions are whether or not a business's actions will result in the greatest gain for the greatest number of stakeholders and if long-term advantage is sought by ethical conduct and quality driven practices.

Clearly each and every business decision should indicate ethical conduct based on moral virtue and quality practices as the 'given' way to sustainability. It is the ethical leaders who set the tone at the top of the business and who make ethics explicit. They also legitimize ethics in the workplace by demanding ethical codes of conduct and above all serve as role models. They embolden ethical conduct in others and where needed take appropriate action against violations of the Code of Conduct. In seeking excellence in quality and ethics in companies the model below (Figure 1) indicates a possible sequence that could be followed.

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

Figure.5. Sequence of activities of quality and ethics in companies
Source: compiled by author



Conclusions

The objective of this study was to advance our current understanding of the importance of affecting ethics and quality in business. Toward this end, the researcher particularly focused attention on relatively less-studied aspects of business ethics and its link with quality. Greater integrity, ethical, virtuous and moral practices and a quality mindset in corporate conduct are essential to sustainability. While profit is important, it is not the only factor leading to a sustainable existence. Quality as such, cannot be accomplished successfully without an explicit focus on moral values and ethical conduct of the highest order. Companies need to develop Codes of Conduct with stakeholders and especially their employees and share values that are accepted. Archetypal behaviour by managers at all levels in the business hierarchy in terms of ethics and quality, which is in the code of conduct, is non-negotiable as they serve as role models for their employees. Quality is also about an intrinsic and extrinsic distinction, and thus business quality is as much about business ethics, moral action, virtue and integrity as it is about anything else. By combining ethics with quality it is possible to satisfy customers, employees and society. However, this means that leadership needs to be the custodian of the moral compass in the workplace and that managers need to carefully design clear task configurations, and balance these with responsibilities and authority structures as part of a quality management programme. This is a moral obligation as well as a sound business practice for a business that wishes to translate it's goals into personal actions as per TQM systems. Ethics in a business and especially in its workplaces requires careful quality control and audit and where found to be deficient should be reworked as for example by the Deming Cycle. It is essential that quality management and business ethics concentrate on the myriad of responsibilities of a business towards diverse stakeholders for the benefit of society in general.

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

Managers must thus support continued tensions in issues including quality and ethics, rather than seek 'resolutions' that may, in fact, end up limiting the firm's long-term strategic opportunities. A complex business models that can host contradictions can lead organizations to develop dynamic, flexible and adaptive capabilities to succeed for the short as well as the longer term. Long-term success depends on adopting and then being able to manage paradoxical strategies simultaneously. By using an exploratory strategy that seeks to introduce products and services that can define new marketplaces, and by also exploiting opportunities by seeking to refine and improve quality and ethical conduct in products and services in an existing marketplace, a business will be proactive and more likely to be sustainable.

Exploring new opportunities in quality and ethical approach is future looking and by engaging contradictions enables a virtuous cycle, where there is commitment to various agendas and this builds dynamic, creative opportunities and makes a business far more resilient in turbulent and complex environments To manage paradoxical strategies effectively, leaders must communicate a universal vision, building and maintaining organizational designs that are inconsistent, managing on-going conflict and engaging in long term, integrative thought. Dynamic decision-making is needed in which the critical role -leadership must be united and integrate as a means of achieving strategic competitive advantage, while also knowing when to adjust business models. This implies that management should make quick and flexible decisions, and continually shift resources, roles and responsibilities and be able to motivate employees and encourage the co-existence of competing agendas is vital to use creative problem solving to achieve integrative solutions while actively learning in the knowledge economy and this can be achieved via the promotion of business research and development. In terms of quality and ethics then, managers must be agile and open to possibilities of what will emerge and capitalize on opportunities to enhance sustainability. The wise leader will then strategically use core capability to create the opportunity to get ahead of the game and lead the next wave of innovation in the market that gives competitive advantage in an environment in which quality and ethics are pervasive.

References

ASQ, The Global Voice of Quality- The Malcolm Baldridge National Quality Award (MBNQA) accessed 3 February 2015. http://asq.org/learn-about-quality/malcolm-baldrige-award/overview/overview.html

ASQ Global State of Quality Research - Discoveries 2013

Anscombe, G. E. M. (1958). **Modern moral philosophy**, Philosophy, 33, 1–19.

Batten, J., Hettihewa, S., & Mellor, R. (1999). Factors affecting ethical management: Comparing a developed and developing economy. **Journal of Business Ethics**, 19(1), 51–59.

Boisjoly, R. M. (1993). Personal Integrity and Accountability, **Accounting Horizons**, 7(1), 59–69.

Boje, D.M. & Winsor, R.D. (1993). The resurrection of Taylorism; total quality management's hidden agenda, **Journal of Business Change Management**, Vol. 6 No. 4, 57-70.

Bommer, M., Gratto, C., Gravander, J., & Tuttle, M. (1987). A behavioral model of ethical and unethical decision making. **Journal of Business Ethics**, 6, 265–280.

Brooks, L. J. (1989). Corporate ethical performance: trends, forecasts and outlooks, **Journal of Business Ethics**, 8, 31–38.

Brown, M.E., Treviño, L.K. & Harrison, D. (2005). Ethical leadership: A social learning perspective for construct development and testing, **Business Behaviour and Human Decision Processes**, 97 (2005), 117–134

Buban, M. (1995). Factoring ethics into the TQM equation, **Quality Progress**, Vol. 28 No. 10,
97-9.

Buchholz, R. A. (1989). **Fundamental Concepts and Problems in Business Ethics**, Prentice Hall, Englewood Cliffs, NJ.

BusinessDictionary.com Accessed 3 February 2015 - http://www.businessdictionary.com/definition/quality.html#ixzz3Qr9DXNXF

Business for Social Responsibility Accessed 3 February 2015 – http://www.bsr.org

Ciulla, J.B. (2004). **Ethics, the heart of leadership** (2nd Ed.). Praeger, Westport, CT.

Den Hartog, D.N., House, R.J., Hanges, P.J., Ruiz-Quintanilla, S.A. & Dorfman, P.W. (1999).Culturally specific and cross-culturally generalizable implicit leadership theories: Are attributes of charismatic/transformational leadership universally endorsed? **The Leadership Quarterly**, 10, 219–256.

Donoho, C. L., Polonsky, M. J., Herche, J., & Swenson, M. J. (1999). A cross cultural examination of the general theory of marketing ethics: Does it apply to the next generation of marketing managers? In S. Smith (Ed.), **Proceedings of the Seventh Cross Cultural Research Conference**, Cancun, Mexico.

Evans, J. R. & Lindsay, W. (1993). **The Management and Control of Quality**, 2nd ed., West Publishing, St Paul.

Foot, P. (1978). **Virtues and Vices and other Essays in Moral Philosophy**, University of California Press, Berkeley, CA.

Foster, G.D. (2003). Ethics: Time to revisit the basics. Accessed 12 December 2014 at http//: www.findarticles.com/cf_O/m1374_63/98469797/print

Gabor, A. (1992). **The Man Who Discovered Quality: How W. Edwards Deming Brought the Quality Revolution to America**, Penguin.

Garbarino, E., & Johnson, M. S. (1999). The different roles of satisfaction, trust, and commitment in customer relationships. **The Journal of Marketing**, 70-87.

Gonza´les, T.F. & Guille´n, M. (2002). Leadership ethical dimension: a requirement in TQM implementation, **The TQM Magazine**, Vol. 14 No. 3,150-64.

Grant, I. F. (1997) Ethics: amoral is not good enough, **Management**, 44(2), 50–55.

Ha H.Y. & John. J. (2008). Role of customer orientation in an integrative model of brand loyalty in services. **The Service Industries Journal**, 30(7), July, 1025-1046.

Hall, S.J. (1992). **Ethics in hospitality management: A book of readings**, Educaational Institute, Michigan.

Hardjono, T.W. (1995), **Ritmiek en organisatiedynamiek**, Kluwer, Deverter.

Hunt, S. D., & Vitell, S. M. (1993). The general theory of marketing ethics: A retrospective and revision. In N. C. Smith &

J. A. Quelch (Eds.), (1992). **Ethics in marketing**, Irwin, Homewood, IL, 775–784.

Ishikawa, K. (1985). **What is Quality Control? The Japanese Way**, translated by D. Lu , Prentice Hall, Englewood Cliffs, NJ.

Investopedia - www.investopedia.com

Jones, T. M. (1991). Ethical decision making by individuals in organizations: An issue-contingent model. **Academy of Management Review**, 16(2), 366–395.

Juran, J.M.(1988). **Juran on Planning for Quality**,The Free Press, 1988.

Kant, I. (1993). **Grounding for the Metaphysics of Morals**, Hackett, Indianapolis.

Koehn, D. & Nayebpour, M.R. (2000). “The ethics of quality: problems and preconditions”, paper presented at the **10th International Colloquium on Business and Economics Ethics**, Barcelona.

Kotter, J.P. (1998). **Matsushita Leadership**, Simon and Schuster, New York, NY.

Kouzes, J.M. & B.Z. Posner, B.Z. (1993). **Credibility: How leaders gain and lose it, why people demand it**, Jossey–Bass, San Francisco, CA.

Labich, K. (1992). The new crisis in business ethics, **Fortune**, 20 April, 83–86.

Lawler, E. E., Mohrman, S. A. & Ledford, G. E. Jr. (1995) **Creating High Performance Businesss: Practices and Results of Employee Involvement and Total Quality Management in Fortune 1000 Companies**, Jossey-Bass, San Francisco, CA.

Lewis, C.W. & Gilman, S.C. (2005). **The Ethics Challenge in the Public Service: A Problem Solving Guide**, Jossey-Bass, San Francisco.

MacIntyre, A. (1981.) **After Virtue: A Study in Moral Virtue**, University of Notre Dame Press, Notre Dame, IN.

McKenna, R. J. (1996) Explaining amoral decision making: an external view of human disaster, **Journal of Business Ethics**, 15(6), 681–690.

Meerhaeghe, M.A.G. (2006). **Nietzsche and business ethics**, The European Heritage in Economics and the Social Sciences, 3, 137-143.

Menguc, B. (1998). Organizational consequences, marketing ethics, and salesforce supervision: Further empirical evidence. **Journal of Business Ethics**, 17(4), 333–352.

Nill, A., & Schibrowsky, J. A. (2007). Research on marketing ethics: A systematic review of literature. **Journal of Macromarketing,** 27(3), 256–273.

O’Fallan, M. J., & Butterfield, K. D. (2005). A review of the empirical ethical decision-making literature: 1996–2003. Journal of Business Ethics, 59, 375–413.

Oliver, R. L. (1999). Whence consumer loyalty? **The Journal of Marketing**, 33-44.

Rawls, J. (1971). **A Theory of Justice**, Belknap Press of Harvard University Press, Cambridge, MA.

Roth, B. (1993). Is it quality improves ethics or ethics improves quality?, **The Journal for Quality and Participation**, 16(5), 6–11.

Schumpeter, (2015). Mammon’s Manichean turn, **The Economist**, January 31st – February 6th, 2015, 54.

Sonnenberg, F. K. & Goldberg, B. (1992). Business integrity: an oxymoron, **Industry Week**, 241(7), 53–56.

Stead, W. E., Worrell, D. L., & Stead, J. G. (1990). An integrative model for understanding and managing ethical behavior in business organizations. Journal of Business Ethics, 9, 233–242.

Steeples, M. M. (1994). The quality-ethics connection, **Quality Progress**, June, 73–75.

Treviño L.K. (1986). Ethical decision making in organizations: A person-situation interactionist model. **Academy of Management Review**, 11(3), 601–617.

Treviño, L.K., Brown, M. & Hartman, L.P. (2003). A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite, **Human Relations**, 55 (2003), 5–37

Van den Water, H. (2000). A maintenance model for quality management, **International Journal of Quality and Reliability Management**, Vol. 17, No. 7, 756-70.

www.totalqualitymanagement.wordpress.com