

Debate

Developing a Strong Ethical Culture

ISSUE: Does good ethics mean good business?

Trust is the foundation of ethics and the glue that holds relationships together. That fact emerged loud and clear in the latest Edelman Trust Barometer, with 75 percent of employees indicating that their employer is their most trusted institution (above NGOs, business, government, and media). The Edelman Trust Barometer is an annual survey of more than 33,000 respondents evaluating trust toward various institutions. Increasingly, the data shows that companies need to take control and manage both their profitability and their support of economic and social causes in the communities where they operate.

The Edelman study showed that highly trusted companies (those with ability, integrity, dependability, and purpose) outperformed their sector's stock performance by 5 percent. This supports Ethisphere Magazine's assessment of the performance of the World's Most Ethical Companies, showing that over three years, the companies outperformed the U.S. Large Cap Index by nearly 5 percent. One reason for this is that consumers want to purchase from firms that they trust. If trust is broken, then they may stop purchasing and find another firm they do trust. Research indicates that the evaluation of a firm's business ethics has a direct impact on brand attitudes. Social responsibility also has a positive impact on brand attitudes, but unethical conduct can erode trust in the brand. With so much more information available on company behavior, a good reputation may get a customer to buy a product, but, as the Edelman study shows, it will take ongoing trust to maintain the relationship (67 percent of the respondents agreed with that sentiment). The mistrust that employees have of the wider society has created a real opportunity for companies, their leaders, and impassioned employees to take control of their community and societal impact and "do good while doing well."

There are two sides to every issue:

- 1. Companies are responsible for creating a strong ethical culture for their employees.*
 - 2. More important than culture is the alignment of individual values between employees and managers.*
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Sources: Edelman, "2019 Edelman Trust Barometer," January 20, 2019, <https://www.edelman.com/trust-barometer> (accessed June 22, 2019); O. C. Ferrell, Dana Harrison, Linda Ferrell, and Joe Hair, "Business Ethics, Corporate Social Responsibility, and Brand Attitudes: An Exploratory Study," *Journal of Business Research*, 95 (February 2019): 491-501.

**This debate issue was developed by O. C. Ferrell and Linda Ferrell © 2021. This case was prepared for classroom discussion rather than to illustrate either effective or ineffective handling of an administrative, ethical, or legal decision by management. All sources used for this case were obtained through publicly available material.*