

Making Ethics Profitable

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In my 31 years in the IT industry, I've had a lot of managers and leaders. They have all left me with a takeaway message of sorts. Some were examples of the leader I would never want to be. Others have been excellent role models, who have invested in me and provided me with mentorship, guidance and support. These leaders had very different styles, but above all else I always knew I could trust them. That was because they were always operating from an ethical standpoint, to make the decisions that would do the most possible good.

Over the years I met a lot of other leaders and managers, with very different approaches. I found these people difficult to understand as they seemed purely motivated by personal gain. Ironically, those who made ethically sound decisions not only had the respect of their immediate staff, but of the organisation and industry in general. Those who made decisions based on personal benefit were not trusted by their teams, who did not perform at their best, and were not trusted within the organisation. In most cases these managers were promptly moved on to another organisation. In the end I learned a lot about who I wanted to be as a leader, and who I didn't want to be. Feedback from my teams indicates I'm on the right track.

Business Ethics – Employee Engagement – Profitability

The relationship between employee engagement and organisational profit has been extensively researched and is firmly established by organisations such as [Gallup](#). There are many factors that contribute to employee engagement, with ethical leadership being among those. Here I examine ethics in leadership and its impact on organisational profits through increased employee engagement.

What Is Business Ethics?

A good starting point, albeit simplistic, is the description from [Sugjaningrat et al.](#) of an ethical leader as one who is consistent in words and actions. Defining ethics [Banyhammad et al.](#) provide a "set of moral beliefs and behaviours that prevent self-interest and encourage honest and realistic ways of generating business". [Bhana and Suknanan](#) include exhibiting appropriate conduct, demonstrating to followers proper behaviour through the use of ethical behaviour in communication, support and decision-making.

Ethical leadership requires clearly defining what is right and wrong, and choosing to do the right thing, even when it's difficult or not in your own best interest. An important point is that ethics needs to be a core value for the organisation, upon which every member of the organisation bases their behaviour.

What Is Employee Engagement?

[Culture Amp](#) sum it up well. "Employee engagement represents the levels of enthusiasm and connection employees have with their organisation. It's a measure of how motivated people are to put in extra effort for their organisation, and a sign of how committed they are to staying there."

Disengaged staff do as little as possible and sleepwalk through their day. They are more likely to have workplace accidents, higher absenteeism, lower quality and quantity of work, and more workplace conflicts.

Gallup found that there is a substantial relationship between engagement and performance, and that this relationship was highly generalised. Studying at a business unit level provides a greater insight in comparison to individual analysis as it can show links to business outcomes.

How Do Business Ethics Relate To Employee Engagement?

According to [Sugjaningrat et al.](#) the role of ethical leaders can positively impact the employee engagement of the staff. In agreement with Gallup, [Bhana and Suknanan](#) note that ethical leader behaviour impacts employee engagement, a relationship often missed. According to Gallup 70% of the variance in employee engagement is due to the manager, making an ethical leader a very powerful influencer of the organisation. [Joplin et al.](#) discuss that ethical leaders, through doing what is right, their balanced and fair approach, contribute to employee engagement and performance. From an ethical standpoint, leaders can identify and address employee entitlement which inhibits employee engagement. High ethical leadership combats this by discouraging negative employee behaviour, managing with ethics in mind.

To survive and gain competitive advantage organisations, [Yener, Yaldiran and Ergun](#) show that there needs to be increase in the importance of the workforce. Following many corporate scandals, business ethics are a popular topic. They found that there is a significant relationship between ethical climate and engagement, and that to survive top management should recognise the need to develop work engagement and ethical leadership.

What Does This Mean For The Business?

[Bhana and Suknanan](#) found that ethical leadership improves employee motivation and performance, and increases values of trust and honesty in organisations reducing issues such as fraud and financial mismanagement, with employees modelling the ethics of their leaders. Employees model their leader's style, so it is expected that a highly ethical culture will develop, allowing trust within the organisation which could prevent fraud and financial mismanagement.

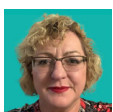
Competitive advantages can be gained through improved relationships with customers, one of the benefits of high employee engagement. [Banyhamdan et al.](#) describe business ethics as ways of generating income that prevent self-interest through honesty and realism. They concluded that business ethics have a link to profitability through increased employee engagement.

[Gallup](#) shows that engaged employees make a strong contribution to the profitability through increased customer loyalty, profitability, productivity, decreased turnover, decreased safety incidents, decreased absenteeism, reduction of shrinkage, improved patient incidents and reduced defects. Comparing the top-quartile with the bottom-quartile in terms of engaged business units, there was a 21% difference in profitability and a 20% difference in sales.

The Bottom Line

In the current environment it is important for organisation to take any opportunity to create and maintain a competitive advantage. Making the connections between ethical leadership and employee engagement and profitability is critical during these difficult times.

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A highly motivated lifelong learner with 20+ years' IT leadership experience, Michelle's passion is enabling organisations and employees to achieve their potential through employee engagement.