



# Practicing Organizational Ethics: Lessons Learned from Ethical Companies

Dr. Arthur M. Baldonado, Ph.D.

Columbia Southern University, 21982 University Lane, Orange Beach AL 36561

**\*Corresponding Authors:** Dr. Arthur M. Baldonado, Columbia Southern University, 21982 University Lane, Orange Beach AL 36561

**Abstract:** *What makes an ethical company great? Organizational ethics is a crucial part a company's overall success. This article depicts lessons learned from three companies supporting great ethical program—Starbucks, Royal Caribbean, and AARP. These companies have been recognized in Ethisphere "Most Ethical Companies" honorary listing and are much valued by both employees and customers alike.*

**Keywords:** *Organizational Ethics, Starbucks, Royal Caribbean, AARP*

## 1. INTRODUCTION

What makes an ethical company great? Organizational ethics is a crucial part of a company's overall success and has become one of the most important organizational principles today. Despite the importance of organizational ethics, the literature abounds with astonishing examples of corporate irresponsibility/scandals such as the AOL/Time Warner, Enron/Arthur Anderson, General Electric, Halliburton, Lehman Brothers, Madhoff's Ponzi scheme, and WorldCom fiascos (Wickham & O'Donohue, 2012). Thus, it is vitally important to study ethical organizations and what makes them successful.

This article depicts lessons learned from three companies supporting great ethical program—Starbucks, Royal Caribbean, and AARP. These companies have been recognized in Ethisphere "Most Ethical Companies" honorary list and are much valued by both employees and customers alike. Ethisphere is founded with a simple premise—stakeholders value strong ethical practices as research have shown that ethical companies are better places to work, outperform unethical companies, and make a positive impact on their communities (Ethisphere, 2021).

The purpose of this article is to accomplish the following: 1) briefly define and review organizational ethics, 2) describe Starbucks, Royal Caribbean, and AARP ethics program, and 3) provide practical application of effective organizational program in the workplace.

## 2. BACKGROUND AND ORGANIZATIONAL ETHICS DEFINED

It is important to define organizational ethics. Mathooko (2013) noted that organizational ethics revolves around written and/or unwritten guidelines, ethical values, principles, rule, and standards which decide the way individuals behave at the workplace. Research has shown a significant relationship on ethical companies bringing valuable business outcomes such as enhanced reputation, customer loyalty, and sustainable profitability (Wickham & O'Donohue, 2012). Therefore, organizational ethics can be a competitive edge in today's highly competitive, global marketplace.

Organizational ethics has been studied for many years. Research has shown how organizational ethics impact leadership, innovation, morale, culture, and motivation in the workplace. Sharma et al. (2019) argued that an effective leader integrates ethics with leadership and making their presence felt becoming a role model and positive and invaluable member of an organization. Indeed, leaders must effectively role model ethical behavior within their organization. Additionally, worker motivation has been associated with a positive perception of an organization's ethical culture (Colaco & Loi, 2019). With innovation, Choi et al. (2013) found that organization's ethical climate is positively related to financial performance and innovation within an organization.

Organizational culture can affect how workers behave in the workplace. Smith et al. (2014) found parallels between characteristics of learning organizations and ethical organizations. These parallels—leadership, culture, communication, systems thinking, and problem-solving orientation—can encourage ethical behavior and help resolve ethical problems. Furthermore, Huhtala et al. (2013) studied the relationship between ethical culture and ethical leadership style and found that ethically behaving leaders can develop the culture of their organization towards more ethical practices.

### 3. CORPORATION BACKGROUND

Three companies are examined in this section for effective organizational ethics program—Starbucks, Royal Caribbean, AARP.

#### 3.1. Starbucks

Starbucks Corporation is an American company and one of the largest coffeehouse chains in the world. Established in 1971, Starbucks operates in over 70 countries of more than 24,000 retail stores. Headquartered in Seattle Washington, Starbucks reported an annual 2020 revenue of \$23.5 billion. With solid leadership, Starbucks employs over 277,000 workers worldwide. Starbucks consistently received top accolades such as Fortune Magazine 2009-2017 “World’s Most Admired Companies” and Ethisphere Institute 2021 “World’s Most Ethical Companies” (Starbucks, 2021).

Starbucks mission is “to inspire and nurture the human spirit—one person, one cup, and one neighborhood at a time” (Starbucks Standards of Business Conduct, 2021, p.2). According to Starbucks Ethics & Compliance (2021), the company believes in conducting business ethically and striving to do the right thing as key vital to their overall success. As a global company, Starbucks has a “Standards of Business Conduct” (Standards) policy which is a document that helps guide decisions in daily work and adhere to legal and ethical responsibility throughout the organization. This policy contains anti-retaliation policy, the workplace, business practices, our responsibilities, compliance with laws and regulations, and speaking up (Starbucks Standards of Business Conduct, 2021).

The following five steps are included in the “Making the Right Decision” framework to help employees in the decision-making process: 1) Identify the ethical problem; 2) Seek input from others, if appropriate; 3) Determine the best approach, 4) If the path isn’t clear, ask for guidance, and 5) Follow through on your decision (Starbucks Standards of Business Conduct, 2021, p. 29). This framework empowers Starbucks’ employees in acting ethically and making effective decisions. Finally, Starbucks encourages partners to “Speak Up”—a website and hotline that gives stakeholders a voice for any concerns, issues or questions (Starbucks Standards of Business Conduct, 2021).

#### 3.2. Royal Caribbean

Royal Caribbean Group operates cruises worldwide and is the world’s second largest cruise company. Founded in 1969, the company operates over 60 cruise ships to over 800 destinations in 72 countries on six continents, including three award winning cruise brands: Royal Caribbean International, Celebrity Cruises, and Silver sea Cruises. Headquartered in Miami Florida, Royal Caribbean reported an annual revenue of \$2.21 billion. With over 85,000 employees worldwide, Royal Caribbean has been recognized as Travel Weekly Reader’s Choice Award’s “Best Cruise Line Overall” for 17 consecutive years and Ethisphere Institute 2021 “World’s Most Ethical Companies” (Royal Caribbean Group, 2021).

Royal Caribbean Group’s core values include fairness, integrity, honesty, and trustworthiness. Complying with the law and the company’s core values and adopting the Code (Code of Business Conduct and Ethics) are all vital to Royal Caribbean’s framework on conducting a successful business. The Code is the roadmap and compass for conducting global operations ethically and in accordance with the law. It comprises useful guidance for daily business conduct but is not a substitute for personal integrity and good judgment. Royal Caribbean proposed a decision tree in evaluating proposed actions by asking the following questions: 1) Is the proposed action legal? 2) Is it consistent with our core values? 3) Does it comply with our Code and policies? and 4) Would my mother think it is okay if she read it in a news story? If an employee is unsure of best of course action, seeking advice is highly recommended before proceeding (Royal Caribbean Group, 2021).

One of the most important responsibilities of employees, officers, and directors of the company is to speak up if one suspects a misconduct or violation. Using the Compliance & Ethics AWARE (Address Wrongdoing As Responsible Employees) hotline in reporting concerns or violation

confidentially is key to the Royal Caribbean’s high ethical reputation/sustainability. The company strictly prohibits retaliation of any kind and protects any employee who makes a report in good faith (Royal Caribbean Group, 2021).

### **3.3. AARP**

The American Association of Retired Persons, commonly known as AARP, is a nonprofit, nonpartisan American organization for people aged fifty and older with over 38 million active members. Founded in 1958, AARP offers membership benefits ranging from discounts, healthcare options, insurance products, travel-related services, education, learning resources, and lobbying advocacy. Headquartered in Washington D.C., AARP has offices in all 50 states, employs 2,250 staff and 20,854 volunteers, produced \$1.70 billion in 2019 revenue, and is governed by a 22-member volunteer Board of Directors. AARP has been recognized by the Washington Post as “2021 Top Workplaces Award” and Ethisphere Institute 2021 “World’s Most Ethical Companies” (AARP, 2021).

AARP’s mission is “to empower people to choose how they live as they age” (AARP, 2021, p. 1). Additionally, AARP’s value—Impact, Innovation, Humanity, Empowerment, and Honesty—guides employee’s behavior. The Code of Conduct (Code) sets the expectations for all employees and stakeholders alike. Personal responsibility of complying with applicable laws and regulations, the Code, and raising one’s voice if misconduct occurs. According to AARP Code of Conduct (2021), the six simple rules to remember are as follows: 1) Act in accordance with our Values; 2) Obey applicable laws, rules, and regulations; 3) Know and comply with our Code of Conduct, policies, procedures, and guidelines; 4) Raise your voice if you think something is not right; 5) Don’t retaliate against those who raise concerns in good faith; and 6) Fully cooperate with any investigation, inquiring, audit, or legal proceeding (p. 8). Leading by example, completing mandatory training, encouraging an open door, and raising your voice are part of a manager’s high expectation (AARP, 2021).

Moreover, the R.I.G.H.T (Review, Inquire, Get, Hold, Think) Decision Making Model can help employees think through decisions. In all decisions, employees must consider how one’s actions reflect on organizational character, impact others and its ethical implications. Raise YRVoice involves talking to your manager, consulting with other resources, and/or contacting a hotline/website to report any violation or issues. Finally, AARP has zero tolerance of retaliation, intimidation, harassment, and discrimination (AARP, 2021).

## **4. ANALYSIS OF STARBUCKS, ROYAL CARRIBEAN, AND AARP ETHICS PROGRAM**

An effective organizational ethics program can be a competitive edge in today’s highly competitive, global marketplace. While these three companies are unique entities, it is interesting to note their similarities:

- A strong code of ethics written policy
- Decision making framework
- Ethics hotline/website
- Anti-retaliatory policy

This author observed the abovementioned organizations have a solid code of ethics written policy. Starbucks has a “Standards of Business Conduct” document which covers issues such as anti-retaliation policy, business practices, and speaking up. Moreover, Royal Caribbean has a Code of business conduct and ethics document which provides a roadmap containing important policies such as anti-retaliation policy, decision tree framework, and AWARE hotline. Finally, AARP has a Code of Conduct document setting expectations to all stakeholders including anti-retaliation policy, R.I.G.H.T framework and Raise YRVoice hotline.

Starbucks, Royal Caribbean, and AARP are great examples of companies with a solid organizational ethics program. According to Riivari & Lamsa (2014), legal standards, value statements and codes of conduct are vital for organizations because they provide institutional framework for decent behavior. Employees are aware that they can ask questions or report a misconduct through hotlines such as Speak Up, AWARE, and Raise YRVoice.

Below are highlights of the above mentioned organizations’ ethical programs:

Starbucks	Royal Caribbean Group	AARP
<ul style="list-style-type: none"> <li>Standards of business conduct policy/document</li> <li>Making the right decision framework</li> <li>Anti-retaliation policy</li> <li>Speak Up hotline</li> </ul>	<ul style="list-style-type: none"> <li>Code of business conduct and ethics policy/document</li> <li>Decision making tree framework</li> <li>AWARE hotline</li> <li>Anti-retaliation policy</li> </ul>	<ul style="list-style-type: none"> <li>Code of conduct policy/document</li> <li>Acting ethical rules to remember</li> <li>R.I.G.H.T Decision Making Model</li> <li>Zero tolerance of retaliation</li> <li>Raise YRVoice hotline</li> </ul>

### 5. PRACTICAL APPLICATION

Organizational ethics plays a crucial role in business because of their influence in outcomes, behaviors, and decision making (McLeod et al., 2016). Research has shown a strong relationship between ethical companies producing invaluable business results of enhanced reputation, customer loyalty, and sustainable profitability (Wickham & O’Donohue, 2012). This author created the acronym—ACT (action, communication, and training)—to help solidify organizational ethics in organization today.

- **ACTION**—Organizations must be action-oriented in creating and enforcing standard of conduct and ethical policies, processes, decisions, and reward systems (Jurkiewicz & Giacalone, 2016). For example, managers must reward exemplary ethical behavior while correcting unethical ones in a timely manner.
- **COMMUNICATION** – Leaders must clearly communicate and role model ethical behavior within the organization. Smith et al. (2014) noted that creating an ethically correct environment must begin with the highest levels of management who not only encourage desired behavior from employees but also role model them every day.
- **TRAINING** – To have an effective organizational ethics program, employees must be trained in a consistent manner (i.e, onboarding and annual training). McLeod et al. (2016) stated that ethics program and training have been linked to a stronger ethical culture and greater job satisfaction.

Bottom line, organizational ethics is key to organizational success. Leaders must support and enforce their company ethical program by action, communication, and training.

### 6. CONCLUSION

This article examined organizational ethics and lesson learned from three companies—Starbucks, Royal Caribbean, and AARP. Negative news abounds with corporate ethical scandals and irresponsibility. Thus, it is vitally important to highlight exemplary companies espousing great ethical programs. Building a positive reputation is of outmost importance. As Warren Buffet noted, “It takes 20 years to build a reputation and five minutes to ruin it” (Friedman, 2018, para 2).

### BIOGRAPHICAL DATA

Dr. Baldonado is a faculty member at Columbia Southern University and a military veteran. His areas of expertise include human resources, work motivation and diversity, business administration, and management. Dr. Baldonado has over 20 years of human resources, military, and teaching experience and has published in his field.

### REFERENCES

[1] AARP. (2021). Retrieved from <https://www.aarp.org/about-aarp/>

[2] AARP Code of Conduct. (2021). Retrieved from [https://www.aarp.org/content/dam/aarp/aarp\\_foundation/code-of-conduct-aarp.pdf](https://www.aarp.org/content/dam/aarp/aarp_foundation/code-of-conduct-aarp.pdf)

[3] Choi, B. K., Moon, H. K., & Ko, W. (2013). An organization’s ethical climate, innovation, and performance: Effects of support for innovation and performance evaluation. *Management Decision*, 51(6), 1250-1275.

[4] Colaco, B. & Loi, N. M. (2019). Investigating the relationship between perception of an organization’s ethical culture and worker motivation. *International Journal of Organizational Analysis*, 27(5), 1392-1408.

[5] Ethisphere. (2021). The 2021 world’s most ethical companies’ honoree list. Retrieved from <https://worldsmoethicalcompanies.com/honorees/>

- [6] Friedman, Z. (2018). Here are the 10 genius quotes from Warren Buffett. Retrieved from <https://www.forbes.com/sites/zackfriedman/2018/10/04/warren-buffett-best-quotes/?sh=633372e04261>
- [7] Gardner, P. K. & Holloway, M. (2019). Organizations need ethical leaders: How to attract and nurture cultural creatives into positions of leadership and influence. *Development and Learning in Organizations*, 33(5), 8-11.
- [8] Gibson, J. L., Donnelly, J. H., Ivancevich, J. M., & Konopaske, R. (2021). *Organizations: Behavior, structure, and processes* (Fourteenth ed.). McGraw Hill Higher Education.
- [9] Huhtala, M., Kangas, M., Lamsa, A., & Feldt, T. (2013). Ethical managers in ethical organizations? The leadership-culture connection among Finnish managers. *Leadership & Organization Development Journal*, 34(3), 250-270.
- [10] Jurkiewicz, C. L. & Giacalone, R. A. (2016). How will we know it when we see it? Conceptualizing the ethical organization. *Public Organization Review*, 16(3), 409-420.
- [11] KnowledgeLeader (2019). Six tips on how to implement a strong ethics program. Retrieved from <https://info.knowledgeleader.com/bid/165219/implementing-an-ethics-program-in-the-workplace>
- [12] Mathooko, J. M. (2013). Leadership and organizational ethics: The three-dimensional African perspectives. *BMC Medical ethics*, 14(S1). <https://doi.org/10.1186/1472-6939-14-s1-s2>
- [13] McLeod, M. S., Payne, T. G., & Evert, R. E. (2016). Organizational ethics research: A systematic review of methods and analytical techniques. *Journal of Business Ethics*, 134(3), 429-443.
- [14] Moon, H. K. & Choi, B. K. (2014). How an organization's ethical climate contributes to customer satisfaction and financial performance: Perceived organizational innovation perspective. *European Journal of Innovation Management*, 17(1), 85-106.
- [15] Riivari, E. & Lamsa, A. M. (2014). Does it pay to be ethical? Examining the relationship between organizations' ethical culture and innovativeness. *Journal Business Ethics*, 124(1), 1-17
- [16] Royal Caribbean Group. (2021). Retrieved from <https://www.rclinvestor.com/content/uploads/2020/12/Royal-Caribbean-Code-of-Business-Conduct-and-Ethics.pdf>
- [17] Sharma, A., Agrawal, R., & Khandelwal, U. (2019). Developing ethical leadership for business organizations: A conceptual model of its antecedents and consequences. *Leadership & Organization Development Journal*, 40(6), 712-734.
- [18] Smith, G. E., Barnes, K. J. & Harris, C. (2014). A learning approach to the ethical organization. *The Learning Organization*, 21(2), 113-125.
- [19] Snellman, C. L. (2015). Ethics management: How to achieve ethical organizations and management? *Business Management and Education*, 13(2), 336-357.
- [20] Starbucks. (2021). Company Profile. Retrieved from <https://stories.starbucks.com/press/2019/company-profile/>
- [21] Starbucks Standards of Business Conduct. (2021). Retrieved from <https://content-prod-live.cert.starbucks.com/binary/v2/asset/137-71881.pdf>
- [22] Wickham, M. & O'Donohue, W. (2012). Developing an ethical organization: Exploring the role of ethical intelligence. *Organization Development Journal*, 30(2), 9-29.

**Citation:** Dr. Arthur M. Baldonado, Ph.D. "Practicing Organizational Ethics: Lessons Learned from Ethical Companies " *International Journal of Managerial Studies and Research (IJMSR)*, vol 10, no. 1, 2022, pp. 98-102. doi: <https://doi.org/10.20431/2349-0349.1001008>.

**Copyright:** © 2022 Authors. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.