Creating Ethical Alignment at All Levels: A Supply Management Essential

K.T. Connor, Ph.D., Social Psychologist
Center for Applied AxioMetrics
912/634-1302; ktconnor@thinkingpattern.com

90th Annual International Supply Management Conference, May, 2005

Abstract. Given the importance of ethical alignment for effective supply management, if the rest of the organization is not in alignment, the efforts of those espousing an ethical stance can be undermined. Moreover, lack of alignment might exist even within departments, creating adverse consequences due to decisions made. Thus alignment is a critical factor is both supporting, and living out, stated values and in avoiding costly problems.

Workshop Summary. We'll discuss several traps that make the alignment effort difficult:
1) the assumption that a code communicated is a code internalized
2) the assumption that ethics is a one-dimensional concept
3) the assumption that "soft measures" are adequate for assessing ethical climate

Then participants will do a quick exercise that will illustrate the complexity of the concept of ethics. We'll then identify the building blocks of an ethical climate, using a scientific ("hard science") model of decision making. Identifying the 9 dimensions of an ethical climate that result from this model, we'll discuss case data, exploring gaps that can exist in alignment and what they imply. Participants will then be challenged to connect this data with their own organizational experience and propose ways to identify and address some of their own climate gaps.

The Supply Function Predicament. If there is a function that has sensitized itself to the fine discriminations of ethical behavior, it is the Purchasing and Supply function. Anyone familiar with the NAPM and ISM over the years has been aware of the recurrent reinforcement of ethical thinking, ethical behavior and ethical norms. Yet all is not yet well, for inconsistencies with the organizations and between levels and departments abound.

For example, a Purchasing or Procurement Department might be very tuned in to routines and policy that ensure that ethical violations are avoided. Yet this good effort might be undermined by another department, maybe even well-meaningly and out of ignorance. How do we discover our differences on these value issues and do something about them? A laissez faire approach is not productive. Not only does unethical behavior in another department or within one's own undermine leadership's best intended exhortations, but such behavior could put the entire organization at risk.

Attacking the Problem at its Base: Transforming the Culture. In the Organization Development (OD) field we see culture as that set of attitudes and values that form a network of understanding around the organization's life. It is often unspoken and not given overt attention in the day to day functioning of the company. Yet its impact is significant. It gives quality and tone to those very day-to-day goings on, and, more importantly, impacts results. If the values of the organization are not reinforced level to level and person to person, there will be "noise in the system" as the technicians say, allowing vulnerability to ethical misbehavior.

So why is this so difficult to achieve? Why don't companies clarify their values and get on with it?

The Difficulties. There are some challenges to contend with.

1. **Vision vs. Reality:** Gaps exist often between what is desired and what is.

    Within the Person: How many of us, whatever our function or organization, have noticed that those who stand before us and call for certain values and standards, often themselves violate those very values.

    Within the Organization: How many leaders become convinced that the rest of the organization not only agrees with the vision and mission set forth, but make decisions that accord with them, only to find that they were mistaken. The espoused and/or lived values of the lower levels of the organization often diverge widely from those in leadership.

In analyzing ethical climate, it is important to acknowledge that the code communicated is not always the code lived.

This discrepancy if aggravated by another difficulty: the way people view the notion of ethics.

2. **Simple vs. Complex:** Ethics is not a simple concept. It is more than just rules, or making sure someone is not "hurt" by what we do. A true ethical climate has a completeness to it that rings true to people when it exists. It might seem difficult to imagine measuring such a concept. Yet it is possible to capture the complexity of the concept in a simple way.

Which brings us to the last difficulty: perceptions of ethics as an intangible.

3. **Soft vs. Hard:** Ethics can be considered a "soft" issue. After all, it stems from philosophical roots, far from the mathematical rigor of "hard" science. Yet the science of valuing has progressed today to such a degree that for the first time it is possible to think about the reality of ethical climate in a rigorous, measurable way, so as to identify gaps in alignment.

Transcending the Difficulties. The challenge, then, is to align the organization so that the ethical energy of the organization is diffused throughout the system. To do this we need to first acknowledge that ethics involves more than rules and that it is a complex concept that nonetheless can be measured simply.

Finally, we must acknowledge that there will be gaps, both between what is espoused and what is real, and between one person's perception of those and another person's. If we can identify these gaps, we are on our way to making effective changes.

Finding the Gaps. The gaps we need to find are those between the vision of ethics and the reality that exists, as well as the gaps between what we think the reality is and what it really is.

Within the individual: How often have we heard a leader say that individual responsibility is paramount to building an ethical company. Is it possible, though, that in their own decision-making process they value obedience to directives, not individual responsibility.

Within the organization: How many leaders have honestly and responsibly rested easily knowing they communicated their ethics policy in every imaginable company medium, only to find that people were circumventing it.

To find these gaps before a problem occurs, we have to be clear about what we are looking for. Value science can aid us here.

Value Science. Value science, also known as axiology (axios = value), suggests that there are three levels to valuing, Intrinsic, Extrinsic, and Systemic.

 Intrinsic valuing is a focus on the uniqueness of the object, person, or situation, or even of ourselves. It involves that kind of thinking whereby we take something as it is, we identify with it. In terms of ethical thinking, it is when we identify with our ability to choose good or bad, and see the value of good over bad.

Extrinsic valuing is a focus on the environment around us, on the practical, functional world, and on ourselves as functioning in that world. Ethics in this dimension involves responsibility for our actions, awareness of the common good, and of the impact of our behavior**.**

Systemic valuing is a focus on code. It is the respect given to standards and systems of behavior and the quality of those standards. The ethical expression of this kind of valuing is seen in the myriad laws and penalties and proclamations of ethical principles hanging on company walls.

By far the emphasis in most companies has been on the last way of valuing, systemic ethical focus. The human mind, however, works out of all three dimensions (Hartman, 1967; Carpenter, 1991). The company that will be most effective in created an ethical culture which is innovative, consistent and productive will make sure that all three levels are taken into account.

A process known as axiometrics (the measurement of valuing) can be used to identify which dimensions are operating in an organization, and where the gaps exist. It identifies nine pathways to a complete ethical culture, and charts the company's position on that path. Among the questions addressed:

- Are people sensitive to their own potential for goodness and badness?
- Do they see good as better than bad?
- Do they commit to doing what is good?
- Do they take responsibility for their actions?
- Do they take actions that create good results?
- Do they take future consequences into account when they act?

- Do they respect the rules and codes of the company?
- Do they see the practical value of an ethical code?
- Do they clearly understand the code?

Naturally, these are sensitive, personal considerations. Therefore the measure of these dimensions must be non-self-report measures (Connor, 2004). Self-report measures are vulnerable to the biasing that comes from wanting to present a particular image. When company sanctions are at stake, this biasing will probably be more deliberate than ever.

Some of our Findings. Research is ongoing, but already we are finding interesting alignment gaps in organizations. This data will be explored in the workshop and linked with real-life situations faced by the participants in their own work environment.

In one company, for example, the top team felt overwhelmingly that company rules took precedence over ethical behavior. They felt individual conscience was not important at all. They were stressed by this, and the data helped they see why. The data on their perceptions of the rest of the company indicated that they felt the rest of the organization was too concerned with effects of bad actions on people. Yet when asked directly, they attested a strong concern for the individual. In actual decision making and prioritizing, this was shown not to be the case.

In that same organization, both upper and lower levels of the organization were concerned about avoiding fraud. Lack of accountability, however, was high on the "radar screen" of the lower levels, however, and did not surface at all among the higher levels. Data debriefs revealed that the employees felt management was letting people get away with things and pretending not to see.

Not surprisingly, such findings created stimulating, productive discussions among all levels of the organization. From that discussion came an even clearer picture of what the gaps were, and hence, where the problem-solving needed to start. Someone said once, "A problem well-defined is a problem half-solved." Looking at the ethical climate of an organization from a more scientific point of view allows us to move further along on the path to a more aligned organization: an organization where the ethical ideals supportive of professionals in Supply Management can pervade the decision making of the entire organization, as well as be a solid, aligned model within the department itself.

REFERENCES

Carpenter, Wayne. "Why good people do bad things," in Rem B. Edwards and John W. Davis (Ed.) *Forms of Value and Valuation,* University Press of America, Lanham, MD, 1991.
Connor, K.T., "Measuring Competence Competently—Applying hard science to the « soft stuff » in NPD," *Visions,* October 2004, pp. 11-13.
Hartman, Robert S. *The Structure of Value.* Southern Illinois University Press, Bloomington, IL, 1967.