

Contemporary Aspects of Profitability

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Ethics has become an important topic in our world today. Ethics helps leaders make decisions that support community and drive societal actions. An ethical framework guides one as new ideas and behaviors are established in order to utilize resources to produce an interchange of communications, goods, and services. Goods and services create profits for organizations in order to satisfy stakeholder needs, be it in for profit organizations or not-for-profit organizations. Although a direct correlation between ethics and economic activity may not be considered immediately by many, there is a relationship as sound ethical practices often help to promote a concern for all involved, enhancing repeat customers and employee commitment, which in turn contribute to long-term economic stability.

However, many people see the bottom line, and especially high profits, as a measure of success. In reality, how organizations define success today can differ greatly. While people are not in business to lose money, a strong shift is taking place as far as where a business places its focus and many organizations are looking to add aspects to the bottom-line focus. Aspects such as sustainability, philanthropy, and social responsibility are all gaining more attention. While “the most widely accepted view is that there are four dimensions of corporate social responsibility- economic, legal, ethical and philanthropic” (Jayesh, 2014). Some people see sustainability as one of the largest areas where “ethical responsibilities of a business actually address sustainable development in three dimensions: economic, ecological and social (Ghosh & Chakraborti, 2014).

With either a broad or narrow view of social responsibility, when looking at the immediate dollar profits of an organization promoting social responsibility, sustainability, and ethical leadership, one might initially find that the financial profits are less than an organization with a profit-only focus. Some might argue that a lower profit early on in an ethics focused organization as compared to a profit-focused organization is only because organizations lacking ethical leadership may entertain unethical practices that lead to quick, short-term profit. Thus, an ethically lead organization might under perform a profit-focused organization. However, over a longer period, an organization with ethical leadership promoting ethical business practices may be more profitable than one with unethical leadership or profit-focused leadership. Research is even now finding a positive relationship between an organization's performance and social responsibility (Dumitrescu & Simionescu, 2014; Gherghina & Simionescu, 2015) with some companies showing "5% growth, compared with just 1% for brands without any public stance on corporate social responsibility" (Brush, 2014). In part, many believe this positive effect is because customers tend to respond well to ethical organizations and many consumers look to patronize only socially responsible and ethically focused organizations. In addition, organizations with ethical leadership tend to employ individuals that promote ethical considerations bringing the organizational members to a high level of organizational commitment that helps to increase goal achievement. Organizational commitment can also contribute to teamwork, quality, and organizational learning.

Many argue that ethical leadership and making money can't go together. Others only look at short-term profits and profess that unethical leadership has no impact on short-term profits. However, in a profit-only focused organization, the focus on short-term gains often result in unjust treatment of people, creating deterioration in commitment even for those behaving

unethically. While some people do commit to a high profit-focused organization, followers may initially succumb to unethical behaviors for the short-term gains only to find that as time passes, they have a need to move beyond short-term gains toward something more fulfilling. Ultimately, long-term profits, as well as the viability of an organization beyond a few years, rests on the ability of organizational members, leaders included, to display ethical behaviors.

Profit will always be a driver for business as businesses cannot continue to operate with losses, but being an ethical business citizens supporting societal needs is also important for businesses today. Organizations are creating formal codes of ethics, annual ethics training for all employees, and new positions such as Ethics Officers to monitor ethical behaviors. Organizations led by ethical leadership are also creating social responsibility plans, community involvement programs, and strategic plans that promote sustainability. As a society, we are moving past a profit-only focus.

References

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