Shortcuts to Failure:
Why Business Ethics Matter

A case study of one healthcare agency in the United Kingdom

"Greatness is not found in possession, power or prestige. It is discovered in goodness humility, service and character."

William Mead

"When I do good, I feel good, when I do bad, I feel bad, and that is my religion."

Abraham Lincoln, 1809-1865, American President, abolisher of slavery

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Place: Lisbon, Portugal.

ACKNOWLEDGEMENTS

I would like to thank my supervisor Professor António Gomes Mota for assisting me with this case study. It was indeed a great pleasure working with him. Thanks also go to Sofia Rebelo, administrator of the ISCTE Msc. BA program for assisting me through all the administrative challenges. I would also like to thank all the faculty of the University INDEG for providing me with this opportunity to complete this Msc. BA.

Last but not the least; I would like to thank my husband Gary Applegarth for being the most supportive partner and helping me in every step of this program.

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Title: Shortcuts to Failure: Why Business Ethics Matter

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Abstract (English)

The aim of this case study is to provide a better understanding of how ethical behavior can be beneficial for a company and how cutting corners to gain short term profits will eventually harm a company in the long run. This case study describes, explores, explains and analyzes ethics and its role in management, training and motivation, and the advantages of incorporating ethics in business operations. The case study presented is about a healthcare agency in the UK.

Problem: The healthcare agency failed to recognize the opportunities and benefits of using an ethical approach and instead took shortcuts to improve near-term profits at the expense of long-term prosperity.

Purpose: The purpose of this case study is to show how the management of a healthcare agency carried out unethical practices in order to boost short-term profits, ultimately resulting in the dissolution of the organization. This case study will examine how companies benefit from practicing business ethics. This case study will present real life examples of unethical and poor management practices and will highlight their negative impacts. This study will define business ethics and present, alternative ethical strategies to illustrate the benefits of ethical behavior within an organization for better long-term performance.

Method: Data were drawn from the personal experience of the writer who was employed by the subject healthcare agency and by telephone interview of one of the former managers of the company. Data was also collected from books and articles.

Conclusion: Companies benefit in the long-term from operating ethically.

Tema: Mestrado em Gestão de Administração

Título: Como chegar mais depressa ao insucesso: A importância da Ética na Gestâo

Prepared by: Parisa Applegarth

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Abstracto (Português)

O objectivo deste estudo consiste em fornecer uma melhor compreensão de como um comportamento ético pode beneficiar uma empresa e como evitando demoras para ganhar benefícios a curto prazo se pode, a longo prazo, prejudicá-la. Este estudo descreve, explora, explica e analisa a ética e o seu papel na gestão, treino e motivação, e as vantagems de incorporar a ética nas operações comerciais. O estudo apresentado diz respeito a uma agência de cuidados de saúde no Reino Unido.

Questão: A agência de cuidados de saúde falhou no reconhecimento de oportunidades e benefícios no que diz respeito a uma abordagem ética e, em vez disso, levou tempo a melhorar benefícios a curto prazo em prejuízo de uma prosperidade a longo prazo.

Propósito: O propósito deste estudo consiste em mostrar como a gestão de uma agência de cuidados de saúde levou a cabo práticas pouco éticas com vista a aumentar benefícios a curto prazo, podendo resultar na falência da organização. Examinaremos o modo como as empresas beneficiarão da prática da ética na gestão. Apresentaremos exemplos concretos de práticas pouco éticas e de duvidosa gestão e realçaremos os seus impactos negativos. Defeniremos também a ética na gestão e apresentaremos estratégias éticas alternativas tendo em vista a exemplificação dos benefícios de um comportamento ético dentro de uma organização para melhorar uma gestão a longo prazo.

Método: As informações recolhidas tiveram em conta a experiência pessoal da mestranda que desenvolveu actividadas profissionais no campo dos cuidados de saúde e em entrevistas telefónicas com um dos gestores da empresa. Também se procedeu à selecção de dados a partir de livros e artigos publicados.

Conclusão: A longo prazo as empresas de certo beneficiarão de um comportamento correcto e eticamente reconhecido como tal.

Executive Summary

The Oxford Dictionary defines ethics as "the principles of conduct governing an individual or group." In an ordered society ethics obviously applies in all situations – the principles of conduct followed by a people help define their identity and display the level of development of the society. With the evolution and growth of economies, the application of ethics in the business world has become increasingly relevant and indeed has become a discipline unto itself. Business ethics can be defined as the principles of conduct applicable to the business environment in relation to business stakeholders, customers, and employees.

In today's competitive business environment, companies face growing pressure to increase profits and can be tempted to relax their ethics for the sake of short term gains. Some companies overpromise and under deliver to gain new clients and increase market share. Companies also err by shrugging-off bad business behavior deemed harmless in order to gain immediate benefits such as higher profit or productivity, but such behaviors become detrimental to the organization when they become habitual, causing long-term harm to the image of the company. This pressure to perform can result in a lack of due care in business operations, resulting in lower standards and compromising of values. Profits may be increased in the short-term, but the questionable practices damage the organization in the long-term.

This case presents one example of an organization, a healthcare agency (the Agency) in the UK, which disregarded business ethics for the sake of short-term profits, damaging the company in the long run and ultimately resulting in the company's dissolution. The Agency hired health care professionals and placed them in hospitals, care facilities, and other healthcare concerns, and like its many competitors in the healthcare market, the Agency was in constant search for qualified candidates to employ and struggling to retain its existing candidates. Candidate healthcare professionals are required to hold certain minimum qualifications, including work permits, references and the most importantly up- to-date training and certification. Due to the high demand and low supply of these healthcare staff, many agencies cut corners to gain high profits. This agency that the author worked for started cutting corners and opted for short term goals to gain quick profits.

These short term gains were achieved by the company by practicing various unethical behaviors regarding management style, employment procedures and training. The

Agency management style evolved into an overly authoritative structure with power limited to family members and close associates of the owners and was characterized by chaotic or nonexistent communication between different departments and branches across the country. Employment procedures declined due to non cooperation of the administrative department and the sales department, with the administrative department being required to follow established rules and procedures to clear a certain candidate while the sales department was just interested on placing the candidates as quickly as possible to increase profits. Management, looking at only profits and gains, supported the sales department over the administrative department, which resulted in employing and placing unqualified healthcare staff into the healthcare system. The last issue regarded the training of both internal and external staff. Internal staff, the Agency's employees, were underpaid, over worked and unskilled, with low levels of education with low self esteem and confidence, while the external staff, the healthcare candidates, needed to be trained to a certain level in order to be legally qualified to join the work force. However the company cut corners and failed to provide training in many cases to more quickly place candidates and limit expenses in order that their profits would continuously grow. Failure to provide adequate training worsened the healthcare professional placements – not only was the Agency hiring healthcare professionals who lacked the required qualifications, but the Agency was also choosing not to provide training necessary to give them the legally-required qualifications. Cutting corners on training was detrimental to internal operations as well – internal administrative staff who managed records and interacted with clients were not given adequate training to perform their responsibilities, so client service suffered, and internal Agency information systems went unused. These shortsighted, unethical practices did in fact increase profits in the short term. What the company failed to realize, however, was that such actions can actually harm the company in the long run, and ultimately these unethical business practices caused the company to be liquidated and terminated the business after just a few years in the market.

Several solutions and alternatives are given in this case study which the Agency could have followed, to the long term betterment of the company. These alternative approaches include the seven principles of business ethics, basic principles that can better the performance of any company. These principles include earning and keeping your customers' trust, fostering open communication within the organization, maintaining operational transparency and sound recordkeeping, and respecting employees, customers, and stakeholders. Adequate training must be provided in order to maintain high levels of customer service as well as foster professional health and growth for the staff. It is also critical to maintain the ability to diagnose when problems arise within a company, in order to minimize damage to organizational operations and to quickly develop solutions. There are numerous approaches for organizational performance measurement, such as the balanced scorecard, to maintain visibility of performance throughout the organization and facilitate improved communication and collaboration between various departments and offices around the country. Although such approaches may require some periodic investment and increased expense, the benefits they provide more than make up for their modest cost, and such ethical practices ensure the organization has the best chance for long term success.

Introduction

This introduction presents the background, problem and the purpose of the research area. The first section presents the literature and theoretical definitions and studies, the concepts and their components, followed by approaches, motives, implementation, and evaluation of ethics. The second section presents the case study and its issues. The third section is the analysis of the case study, including discussion of the various theoretical frameworks that explain business ethics and their competitive advantages. The practices of the subject organization are highlighted and discussed. The final section provides alternative strategies that would have made the healthcare agency more successful in the long run.

Background

"The first step in the evolution of ethics is a sense of solidarity with other human beings"

Albert Schweitzer [18] 1875-1965

The desire to acquire possessions and to secure a position of greater power can cloud our better judgement. We live in a society with the attitude that "more is better," leading some to temporarily set aside their ethics and values to attain material goals.

This can also happen in the business world. Some companies overpromise and under deliver to gain new clients and increase market share. Companies also err by shrugging-off bad business behavior deemed harmless in order to gain immediate benefits such as higher profit or productivity, but such behaviors become detrimental to the organization when they become habitual, causing long-term harm to the image of the company. In today's competitive business environment, more and more companies seek increased profits by pressuring their employees to bring in higher revenues. This pressure to perform can create fear in the employees that may result in a lack of due care in business operations, resulting in lower standards and compromising of values. Profits may be increased in the short-term, but the questionable practices damage the organization in the long-term.

According to Ma (1999) competitive advantage is defined as the asymmetry or differential in any firm-attribute or factor that allows one firm to better serve the customers than its competitors and hence create better customer value and achieve superior performance. Business ethics did not become a field of interest for competitive purposes until the 1970's, and it was only in the late 1980's and during the 1990's when the interest in business ethics increased (Edlund, 1999). The world we live in today has become a different place. Today's customers expect more than they did in the past. People are more educated and better informed. People expect to be treated honestly and fairly. Companies that lose their core values, credibility and image will not survive in the long run.

The best way to demonstrate the relationship between ethics and business is by looking at how real companies incorporate ethics into business. This case study will show how one company, a healthcare agency in the United Kingdom, cut corners by unethical behavior to achieve its short term goals, and eventually had to deal with the consequences by liquidating its assets. This case study will also focus on the advantages of ethical behavior, which are better for long-term health of a company. According to (Donaldson, 1992) a short-term approach to running a business, when examined with little care, can often be seen to be ineffective, and even counter productive. Thus, one can say that there are better alternatives to short-term expediencies and gimmicks.

Velasquez shares this view. In the short run (Velasquez, 1998), business ethics is a contradiction in terms because there is an inherent conflict between ethics and the self-interested pursuit of profit. (Velasquez, 1998) also stated that when ethics conflicts with profits, businesses always choose profits over ethics. However, (Velasquez, 1998) in the long run, there may be no inherent conflict between ethical behavior and the pursuit of profit, because in the long run companies cannot function unethically and remain in the market. Companies today need to look at their clients and satisfy their needs ethically to be able to retain profits in the long run. Velasquez suggests that ethical behavior creates the kind of goodwill and reputation that expand opportunities for profits.

Business is driven by values. In all cases, values determine what people do and how others react. It is true that managers have an obligation towards their stakeholders and investors and sometimes they ignore certain ethical factors to gain the profits to please business leaders.

There have been numerous cases where companies have profited through unethical behavior. However, today's more informed customers would rather buy products and services from sound companies that follow good ethical practices. Sound companies attract stronger workforces. When companies are competing with each other for the best candidates and businesses, the companies with good reputations and ethical behavior have the advantage against companies following unethical practices.

I A. LITERATURE REVIEW – PART ONE:

"Concerns about ethical issues in businesses go back as far as history itself; there has always been some form of mandate for people in commerce."

Werhane and Freeman (1997, p. 317)

Define Ethics

Ethics (from the Ancient Greek ethicos, meaning arising from habit) as a concept is defined in several ways. According to the Oxford dictionary, the term ethics has a variety of different meanings. One of them is "the principles of conduct governing an individual or a group." Another is "the study of morality." (Velasquez, 1998) says "ethics is the activity of examining one's moral standards or the moral standards of a society, and asking how these standards apply to our lives and whether these standards are reasonable or unreasonable, that is, whether they are supported by good reasons or poor ones." (Donaldson, 1992) also defines ethics as a moral philosophy that can be referred to as the standards which a particular group or community acts upon.

Furthermore, Schlegelmilch (1998) states that ethics and law are not the same, but are related to each other, and that the law makes an attempt to codify a society's definition of wrong and right, even if this is not a process that can be done comprehensively. According to Vasiljevienė and Jeurissen (2002), ethics is the study of morality, and is in this sense a theoretical attempt that considers moral phenomena and problems. It also differs from actual morality or moral practice, which do not always involve theoretical analysis or critical thoughtfulness (Vasiljevienė & Jeurissen, 2002). Lastly Zinkhan (1994) states that ethics is a phenomenon that requires every individual to speak up. Therefore, ethics can be described as the moral principles which serve as a guide in our judgments about the good and bad, right or wrong choices that an individual chooses to make.

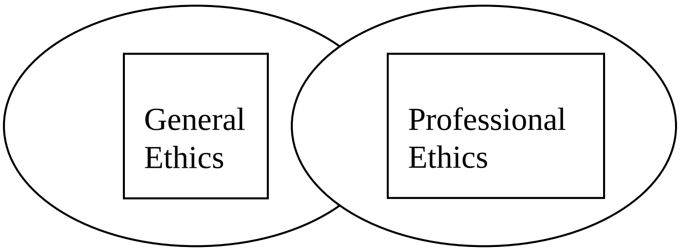
Define Business Ethics

Defining business ethics is not easy, but many different definitions of business ethics have emerged during the last decade due to the attention given to the concept.

According to De George (1993), ethics has always been a part of business. However, business ethics is not a new or different way of considering ethics. It is an element of the universal concept of ethics. Business ethics can also be seen as a pattern within businesses that originate from diverse ways of communicating depending on cultural differences between countries (De George, 1993). (Velasquez, 1998) states that business ethics can be described as a study of moral standards and how these apply to the systems and organizations through which modern societies produce and distribute goods and services, and to people who work within such organizations. (Donaldson, 1992), describes business ethics as the systematic study of moral (ethical) matters or practices and beliefs. Hence one can say that business ethics can be referred to the actual standards, values and practices or beliefs of an organization.

According to Caroll and Buchholtz (2003), business ethics is right and wrong, or good and bad manners in a business context. Today, right or wrong in terms of concepts tends to include complex and difficult issues of fairness, justice and equity today (Caroll & Buchholtz, 2003). Furthermore, business ethics can be written or unwritten rules within economic actions in business life. Thus one can say that business ethics is the study of standards which businesses should observe in their dealings, over and above compliance with the law. Hence business ethics applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole. (M. Green, 2005), states that both general and professional ethics stress the principles of equality, but professional ethics give priority to the client's interests, ahead of the interests of all others. See figure 1.1 for the relationship between general and business ethics. Therefore one can define business ethics as the study of the moral choices of individuals and institutions and considers individuals and organizations as moral agents.

The Overlap between General and Professional Ethics



Foundation for ethical decision making

Ralph,D, et, al (2005), states that decisions involve questions of right and wrong and they are deeply rooted in that value system which is most important o the decision maker.

There are two theories, ethical relativism and absolutism, that will be described as theories that are essential to help companies

Ethical relativism

Ethical relativism rejects fixed moral rules. Ralph, D; et al (2005) explains that relativism is justified by ethical decisions on the basis of the context in which they are made. According to Beauchamp and Bowie (2004) it asserts what may be right in one culture is or will be wrong in another. This implies that what is considered ethical in one country and culture is seen differently in another country or culture. Furthermore, ethical egoists believe that one should always maximize what is good for oneself, no matter what the consequences for others.

Ethical relativism is not a recent invention but was already known in ancient Greece. Among its early followers were sophists and Herodotus and in more recent times, John Stuart Mill, Jeremy Bentham, and Sigmund Freud, who thought that ethical decisions should be made on the basis of maximizing pleasure and avoiding pain.

Ethical Absolutism

Ralph, D; et al (2005), states that ethical absolutism stresses the overriding importance of fixed moral rules. Philosophers teach that it is the idea that by doing the right things, the good things are being done. The theory supports the idea that the world becomes a better place by doing the right things (Werhane & Freeman, 1997). Ralph, D: et al (2005) continues to say that ethical absolutists maintain that ethical rules can be formulated and that these should hold under all circumstances. For an ethical absolutist, the rule, “a social worker shall tell the truth to her client,” is always correct no matter how much damage it may cause.

Ethical decision making

When making ethical decisions in an organization, it important to consider the different forces that can affect the firm (Caroll & Buchholtz, 2003). It is a process of or series of thoughts and activities that occur over time and that result in a person or group acting in a particular manner (Ralph, D. et al; 2005). Ralph continues to explain that these decisions can be more effective and more ethical if the process becomes conscious.

I B. LITERATURE REVIEW – PART TWO

Business ethics and the different types of issues

It has been explained in the above paragraph that business ethics is a form of applied ethics. There are many varieties of issues to which ethical considerations can be applied. In this case study three types will be explained. These three different kinds of business ethic issues are:

1. Systemic issues: These are ethical questions raised about economic, political, legal, and other social systems within which businesses operate.
2. Corporate issues: The ethical questions rose about a particular company, including the morality of the activities, policies, practices, or organizational structure of an individual company.
3. Individual issues: The ethical questions raised about a particular individual or individuals in a company, including the morality of the decisions, actions, or character of the individual(s).

Stakeholder and ethics

The relationship between organizations and shareholders/investors has always been regarded with the utmost importance throughout business history. Before the recognition of ethical concerns the sole focus for companies was to generate profits and higher revenues in order to keep the investors satisfied. Unethical yet profitable practices like using child labor, environmentally harmful operations and providing poor working conditions were common in many companies across the world. But today the world is changed, and unethical practices are no longer acceptable. Customers are more and more selective as to whom they buy or deal with. Media representation of a company can substantially determine if a company will grow or decline. Bad publicity is one thing every organization wants to avoid. Just ask the Nike group, who lost considerable customer confidence when published reports revealed that child labor was used to produce some Nike products. Stakeholders may not have the possibility to directly affect the company, customers excluded, but they affect organizations indirectly in a favorable or unfavorable way (Brooks, 2004). But Brooks (2004) explains that companies will lose the support of their investors if they do not have their best interests in mind, and unethical behaviors that damage a company’s reputation are obviously not in their investors’ best interest.

Customers and ethics

It takes a lot of time, effort and money for an individual or a company to create a good name or goodwill for itself, but it may take just one case of bad publicity to spoil that hard-won image.

Today’s information technology and the internet have produced customers who are better educated than ever before. Panchak (2002) states that consumers are becoming more and more aware of business ethics. Organizations cannot ignore their customers or their time in the market will be numbered. Companies must meet their environmental and social responsibilities as well as their business goals to be successful. Elkington (1997) explains that customers today pay attention to trust issues - if clients are not able to trust an organization they will not do business with that organization.

Employees and ethics

According to De George (1993), companies today are more and more dependent on human capital. It is absolutely vital for the organizations to employ candidates who are educated and understand working ethics (Edlund, 1999). In order to achieve high standards and reputation, companies must set goals and focus on ethical working habits (Schlegelmilch, 1998). Schlegelmilch, (1998), suggests that this goal can be achieved only by working together with the employees throughout the company at all levels. He says that everyone must be considered as an individual, given respect and be recognized for their merits. Schlegelmilch, (1998) continues his discussion by stating that every employee must have a sense of job security, with fair and adequate compensation and clean, orderly and safe working conditions. One can say that finding the right person for the right job is one of the main tasks of any company, because employees are the main assets of a company and most employers would like to attract and retain the best. According to Cowling and Mailer (1981), unethical hiring and firing policies result in low levels of performance by motivated employees. Cowling and Mailer continues to argue that employees are the main drivers of modern business today, who offer products and services which can satisfy customers, and therefore there is no substitute for sound hiring policies. A good company reputation attracts good and qualified employees, and losing good staff is a major loss of investment from the recruitment process. Hence in the long run it is best to attract, employ, and retain qualified applicants. (Arkin, 1996) further states that companies must invest in their staff through job training, rewards, employee involvement in appropriate changes and decisions, and other motivations in order to retain them and improve their performance.

Hence companies must give more importance to who they employ. Employees must be given equal opportunity and be treated fairly and justly.

The interview process

Most companies today use the process of interviewing for employing an applicant, although today companies also use methods such as cognitive tests or assessment centers. Lane (1992) states that it is very rare for an organization to offer a job to a candidate without a face-to-face interview. Although an applicant might pass all the tests with flying colors few companies are prepared to hire an individual that they have not actually had a chance to meet and assess for themselves.

Training

Today's businesses generally recognize the importance of training their staff. According to Cowling and Mailer (1981), training is planned effort by an organization to facilitate the learning of job–related behavior on the part of its employees. Training includes forms of planned learning experience and activities whose main purpose is to enhance the performance of the employees through the new knowledge that can influence their ability and increase their confidence level, enabling them to perform better and have better job satisfaction and also enable them to give better customer service.

"Training is a continuous investment in the most valuable of all of our national resources- the energy of our people".

Department of employment in the UK (1984),

There are many studies and research in the UK on companies and the training they provide to their staff. Throughout the 1980s and 1990s there was a long debate about how Britain had been ignoring the training of its working force.

"We in Britain have over the years consistently under-invested in human capital" and *"we have not sufficiently recognized its (training) importance in the past. This we must remedy and ensure that the skills of our people are fitted for the challenge of the years ahead."*

O'Brien (1982)

The Britain Survey' (1989) revealed that a high percentage of students were leaving school after the age of 16 to join the workforce of UK, suggesting that the average education qualifications are low compared to other countries. If training is not adequate then the performance of these workers will be low, thus the organization ultimately suffers in the long run. Furthermore, the ability of such organizations to adapt to long-term shifts in international competition will be impeded by the lack of qualified staff.

Motivation

Most organizations try to motivate their staff by offering financial rewards. It has been proven that financial rewards are not the best forms of motivation. There are other factors such as job satisfaction, job security, and good working conditions. The opportunity to maintain and improve skill levels, status, and good social behavior in the workplace are more valued by employees.

According to Cowling (1981) motivation is a psychological concept related to the strength and direction of human behavior.

"The degree to which an individual wants and chooses to engage in certain specified behavior."

Mitchell (1982)

Cowling (1981) explains that understanding motivation at work requires an understanding of the goals that an individual is pursuing.

Motivating Employees with informal rewards

According to Nelson (1995) there is an increase in the use of non-monetary forms of motivation and that financial rewards, while still important, are becoming less and less effective. Financial incentives were over-applied to the extent that their motivating power was diminished. Nelson (1995) states that workers have come to view economic incentives more and more as a right than a reward. Therefore, when a raise is not given it feels like a punishment.

Nelson (1995) continues to argue that cash rewards reduce teamwork as they incentivize employees to focus more on their own individual performance. Furthermore, cash rewards have become less attractive because if everyone is incentivized by personal gain no one is rewarded for improving the system for collective gain. The surest way to destroy cooperation (and organizational excellence) is to require employees to compete for rewards, recognition or to rank them against each other.

Nelson explains that workers value informal rewards. Examples of informal rewards include:

- Managers personally congratulating employees who do a good job;
- Managers writing personal notes for good performance;
- Managers publicly recognizing employees for good performance; and
- Mangers holding morale-building meetings to celebrate successes.

Social and Moral responsibilities

According to Newell (1995), ethical dilemmas do not allow right/wrong answers. The social and moral responsibilities of any company have become an increasingly important issue (Newell, 1995). Thus businesses today are looking at a wider perspective of the wellbeing of the community and the environment. Newell (1995) continues that companies must seek to justify the costs of social and moral responsibilities, not just making decisions according to legal rules and guidelines but also adding or giving back something of value to the community. As explained in the customers and ethics paragraph, customers today expect companies to be more active in social responsibilities, thereby placing great responsibilities on the organization's management. It has also been explained that companies benefit and are more successful when they take their social responsibilities seriously.

II. DESCRIPTION OF THE CASE

In many countries, public health systems have been established to provide health care to the population at little or no cost at time of service. Many European countries follow this model, including the UK's National Health Service (NHS).

The competitive Nursing agency recruitment market

Growth in the NHS created an increased demand for qualified health care professionals that the UK educational system struggled to meet, and employers increasingly turned to international sources. "The available talent from abroad throws an important lifeline to the UK given the pressing need for skilled nurses. Around 10% of nurses working in the UK have trained abroad and the shortage of skills can only be adequately filled by targeted international recruitment," commented Simon Hudson, Director of Hays Global Resourcing at Hays Healthcare.

A combination of more effective utilization and retention of skilled nurses, increased emphasis on training new nurses and, in the short term, increased international recruitment, would seem to provide the optimal solution to the nursing jobs crisis. "While most of the temporary and permanent recruitment is carried out locally, the demand for certain skills has outstripped supply," stressed Hudson.

The problems facing the nursing sector in the UK were further compounded by an aging domestic workforce - around 60% of the worker population is due to retire over the next decade. However, the shortage of nurses is not just limited to the UK, with demand outstripping supply across the world, fueling a cyclical international movement of labour in the nursing profession. Many UK nurses left to work abroad, to destinations such as Canada, Australia, the Middle East and the United States. Hudson explained: "Clearly, lifestyle and financial reasons rather than an inability to find a job in the UK are two of the key motivators."

All of these factors combined to create a very competitive market for nursing professionals, which posed a significant challenge to an Agency whose operations depended on a steady stream of qualified candidates to place.
If done effectively and the agency is able to employ good qualified workers then there is plenty of profits to be made. This is one of the main issues because skilled workers in UK are getting harder and harder to find and many such agencies are scrambling for candidates. Often some skilled workers work for several agencies and are not loyal to either one of them.

Many good agencies are able to maintain their clients and candidates for a long time and to be able to do that is to be ethical and efficient. But many other agency's cut corners and try and make profits by unethical working behavior. This is what happened to the Nursing agency that the writer worked for. Due to the competitive healthcare market, where all the agencies and hospitals were having difficulties finding skilled staff, the profit margins get very slim so the company felt more pressure to relax their standards in order to maintain profits and stakeholder returns.

The Case

This case study describes the unethical working behavior of a healthcare agency in the UK. All of the practices described were observed by the author while working in the organization. The author joined the healthcare agency in February 2005 as an administrator, with high expectations of a challenging and rewarding career in such a large company with multiple offices, in the important healthcare sector. Unfortunately, as this case will describe, these high expectations were unjustified, and the author soon realized that except for a few handful of nurses that were qualified for their positions, the rest of the staff were insufficiently educated…and that was just the tip of the iceberg.

The first section provides the background of the company and its functions. The second part describes the unethical practices and the mismanagement of the organization. The third part of this case study is the final outcome, including suggestions that could have improved the situation of the company.

The Healthcare agency

The subject agency (the Agency) was based in the UK with offices in London, Reading, Basingstoke, Oxford, Swindon and Leeds. The Agency worked in close partnership with several hospitals and health care institutes. The hospitals and healthcare institutes are in constant demand of nurses and healthcare assistants who are looking for either full time or part time work.

The biggest concern for recruitment agencies such as the Agency is candidate supply. Recent research by the Recruitment & Employment Confederation (REC) showed that retention of staff within the industry is another problem. Therefore in many large organizations the human resources (HR) function is to outsource candidates. This is where nursing recruitment agencies play a big role in filling the gap in the job market.

The Agency placed candidates in a wide range of positions that include:

- Registered General Nurses (RGNs) (all Grades): Accident & Emergency (A&E), Orthopedics, Oncology, critical care (ITU), intensive care (ICU), pediatrics, surgical, rehabilitation, chemotherapy, and other specialties.
- Registered Mental Nurses (RMNs) and Registered Nurse, Learning Disabilities (RNLDs)
- Midwives
- Clinical Services / Unit Managers
- Care Home Managers
- Healthcare Assistants (NVQ 2 AND 3)
- Allied Health Professionals

This Agency was proud to have an ever increasing portfolio of private and NHS clients across the South West, Northern and Yorkshire, Trent/LNR, Leicester and Oxfordshire.

The Agency's aim was to provide an uncomplicated recruitment solution offering clients and workers flexibility in both permanent and temporary employment.

Temporary workers benefited from great rates of pay, flexible working hours and good benefits. Clients could rely on the staff provided by the Agency, which interviewed and referenced the staff it was supplying to ensure each candidate is properly qualified.

Agency structure

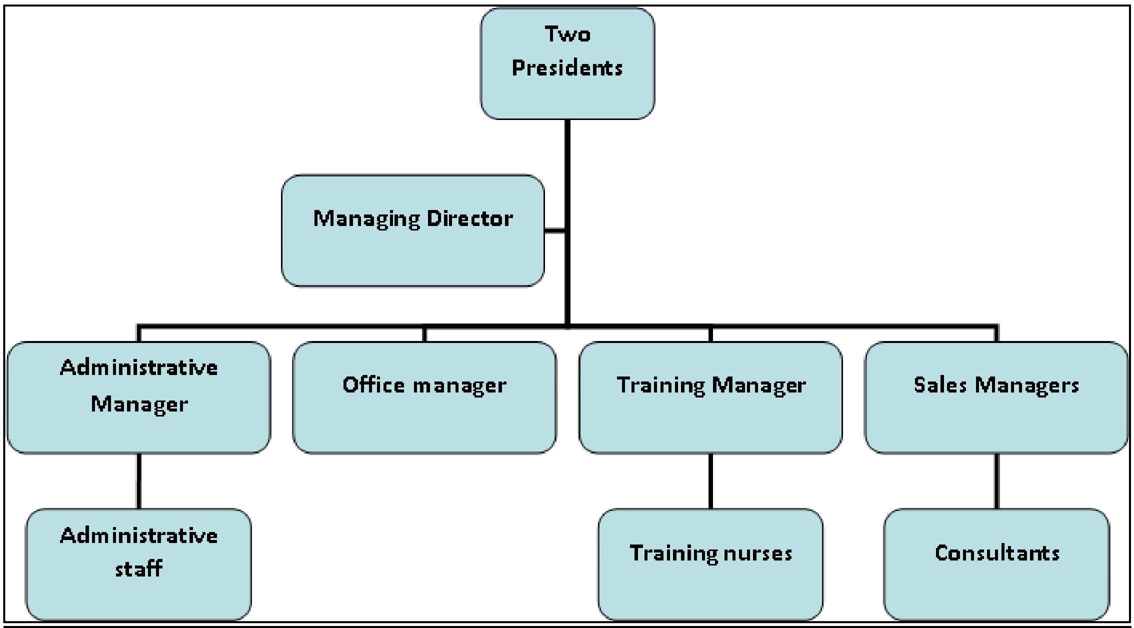
The company had an administrative department, a training department based in the headquarters of the company and several sales departments around the country.

Administrative Department: The backbone of the company, Administration was in charge of screening the new candidates and for checking their references. Only candidates with proper qualifications and a legitimate working permit were supposed to be processed.

Training Department: The Training Department consisted of one training supervisor and three nurses who provided training to the healthcare personnel. This department’s main task was to update the training requirements of all the nurses and healthcare assistants.

Sales department: Sales consisted of several recruiters who were to identify and recruit qualified candidates and ultimately place them in various elderly homes, hospitals and mental care units. These recruiters depended on the administrative and the training department in order to place the qualified healthcare staff.

Organizational structure



The Agency attracted strong candidates by offering:

- Career opportunities in the area of the candidates choice;
- A simplified placement process, eliminating the need to submit multiple applications to unsuitable hospitals, by supplying details of the vacancy and a resume of facilities of the hospital and local area, before arranging an interview; and
- Recruitment service, helping nurses and healthcare assistants find the best opportunities available in the UK

What was needed from the candidate?

- At least 1 years experience as a registered nurse; and
- Nursing and Midwifery Council (NMC) Registration: In order to work London as a nurse the candidate needs to be fully registered with the NMC. The agency can assist with this. However it can take a long time to get registered, depending on the candidate's country of origin and level of training.

How do candidates apply for a specific job?

The candidate reviewed the company's website, identified the desired job, and registered their personal details. If they could not find a suitable job, they could contact the registration office and register, and one of the consultants would contact them and discuss their requirements in order to find a suitable position.

What happens next?

- After registration: Once registered the candidate will be contacted with their registration details.
- Contact: The candidate will be then assigned to one of the agency's experienced recruitment administrators, who will verify the candidate's eligibility to work in the UK and then contact the candidate.
- Shortlist vacancies: A consultant, in conjunction with the candidate will create a shortlist of suitable vacancies and then send the candidate's CV to these hospitals for their review.
- Interview: If the details are accepted by the hospital, the agency will arrange a time and date for an interview.
- Permanent placement: If successful in the interview and offered a job then the agency will then assist the candidate with employment negotiations.
- Temporary placement: The agency charges the hospital a fee, and the agency pays the candidate on an hourly basis.

The issues

As stated previously, the UK health care market was an incredibly competitive one. In addition to the pressures inherent with operations in a competitive market, the stresses were compounded by the shortage of qualified human resources, health care workers and administrative professionals alike, due to shortcomings in the UK educational system and worker displacement to other countries for economic reasons. These operational stresses create a difficult business environment, potentially triggering lapses in ethical behavior for short term gain that can snowball overtime and become major threats to the long term health of an organization. Unfortunately this was the case with our subject Agency. The business ethical issues of the Agency can be grouped into three areas:

1. ***Management Style***
2. ***Employment Procedure***
3. ***Training***

1. Management style

The issues with the Agency stemmed from the management style. The culture of the nursing agency, a privately-owned company, was mainly based on power. The culture emphasized strength, decisiveness, and determination based on total control.

The Agency was owned by two brothers (the presidents) who did not have healthcare backgrounds. The brothers are British nationals but did not reside in the UK. Apparently their main aim was not to profitably operate a reputable nursing agency, but rather to simply make as much as money as possible. Their operational manager, the managing director by title, was a nurse who seemed to lack management experience. While she did manage this company for a few years, her management style consisted of periodic meetings with department managers to distribute current performance targets and pressure them for more profits. She did not share any company information with her managers so they operated in the dark. Her style of management was a traditional hierarchical structure, command from above.

Management meetings were held frequently and mainly consisted of constant exhortation of the administrative section to produce and clear more candidates. This department was under staffed, with several areas being covered by a single employee. The work load per employee was high, and so was the pressure, which caused severe frustration and frequent mistakes.

2. Employment Procedure

Another problem within the company was that of hiring and promotions, which were rife with nepotism and cronyism. There was no human resource department so each department did their own hiring, without consistent screening and hiring procedures and no attention paid to equal opportunity or other employment law guidelines.

Because of the growing difficulties with finding qualified healthcare candidates to place, the Agency began to employ many candidates who were not adequately trained. Many of these nurses and healthcare assistants were not trained in the UK, with more than half of the candidates coming from African countries with lower training regulations. In the UK health care professionals must have valid certifications to be employed. Due to the increasing pressure to maintain profits, the Agency began to hire and place staff with expired qualifications, intending to later rectify the certification "gap" through training and re-certification by the Agency's training department. The Agency placed these unqualified candidates in several hospitals and healthcare institutes.

The main goal of the company was to make profits and management clearly believed the best way to do that was to increase recruiting and place more candidates in the field, with little interest in the provision of basic training, qualifications, or valid references.

3. Training

Training of the staff was another major problem area within the company. Internal training of staff was nonexistent. Many employees of the agency were from different cultural backgrounds and mannerisms and did not perform their duties in a manner that was customary in the UK. Phones were often not answered, and when they were, the callers frequently had to wait a long time before they were attended to. None of the staff members were empowered through adequate training to answer even simple questions. The head of the administrative section was a nurse with many years of experience, and though she tried her best to organize the department she was constantly pressured by the sales department, who had very close ties with the top management, to verify more health care staff as having adequate qualifications.

This relaxation of hiring standards spread to Agency operations personnel as well. It almost seemed that, provided an office candidate was able to take a phone call and speak English, they were hired. The company assured the new applicants that on job training would be provided, primarily through job shadowing, but this on the job training was rarely carried out. Poorly qualified staff stored files in cabinets without any proper filing system. Documents were lost and when found they were put in wrong files. Most of the staff were barely high school graduates without appreciable computer skills so the office management software that that should have been a helpful tool for managing data was so poorly applied that, when searching for a particular file, it was often quicker to search through all of the files rather than refer to the system. After several months of campaigning and sending requests, the training department was able to get approval to bring in an onsite computer skills training for the staff, but ultimately management did not support the training delivery. The staff were not allowed to take a few minutes away from their desk in order to attend the classes, even though it was just once a week for 45 minutes. Only a few of the staff passed the course, while many others, correctly assessing management's lack of interest, ignored it altogether.

Lack of attention to the basic qualifications of the health care staff being placed resulted in dissatisfied customers. The training department constantly received complaints from various hospitals and associations. Under pressure to meet their own performance targets, the sales department continued to place unqualified candidates despite being warned by the training department that the candidates were not qualified for their position. The training manager bore the brunt of the complaints and her reputation within the industry began to suffer. The training department requested meetings with the director to discuss the complaints made by the hospitals and the need for adequate training for the staff within the company but management did not respond. The memos and requests were neglected by all the offices and there was no communication between the departments within the company.

Ultimately the Agency was insolvent within a few months of the author's departure. The employees were given no prior warning and were laid off without any compensation. Although not publicly stated, the common belief among former employees was that the owners directed management to inflate the sales figures and the balance sheet so that the company could be sold. Whether such financial statement manipulation occurred in this case or not, such practices are followed all too frequently, as organizations make questionable decisions to improve short-term results, to the long-term detriment of the organization.

III. ANALYSIS OF THE CASE

Analysis of the case

This case will be analyzed by reviewing the issues of the case in comparison with the theoretical aspects with a few examples. This section presents an in-depth discussion of the unethical behaviors of the healthcare agency.

As explained in section two, the company had numerous issues with the management style, employment procedure, and training. These issues will be discussed in turn.

1. Management style

Corporate culture is the pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaption and internal integration.
(Schein, 1985)

The management style in the Agency was a traditional hierarchical structure, where

1. Decision making is located at the top of the organization;
2. All staff report to only one supervisor;
3. Spans of control are limited;
4. Commands and official information are passed from top to bottom;
5. Authority derives from status in the organization's hierarchy; and
6. There can be limited communication between the top management and the staff.

Hierarchical management has advantages such as clear lines of control, but also suffers from disadvantages such as inflexibility, poor organizational communication, and lack of cooperation between departments and different levels of organization.

These disadvantages to management through hierarchical control can be ineffective and lead to unethical behavior by both management and staff, and this was the case with the Agency. Due to the pressure put on the managers by the top management to meet performance and profit goals, lack of staff training and empowerment caused the managers to become nervous and stressed. It is very common for a manager under duress to lose their cool and behave abusively toward the staff, behavior which rarely improves staff performance but rather spreads the uneasiness and distress within the department.

Agency leadership managed through fear, and the staff was threatened with salary cuts and termination if performance goals were not achieved. Individuals working under such circumstances can get nervous at work and make many mistakes – exactly the opposite of the improved performance that was desired. As stated in the preceding section, frequent meetings were held by the top management with the department heads, and staff came to realize that these meetings were almost exclusively focused on improving company profits, highlighting poor manager performance and on emphasizing the minimum acceptable revenue goals. After these management meetings, it was the employees' turn, and the employees had to face the heat from the managers. This style of holding meetings can cause heavy stress for the departments.

The authoritarian management style ran up to the top level so the department heads were also cowed by the top management and therefore no questions were asked hence no information was handed down. This can cause major problems because when a question or problem arose the managers did not have an answer because no information was given to them in the first place and because they were reluctant to ask the director.

Placement of candidates lacking the required certifications was the most egregious management problem with the Agency. Agency management clearly displayed their disregard for ethical behavior in favor of short-term gain by misrepresenting the certifications of candidates in order to place them in health care positions. For the sake of adding additional monthly revenue, Agency management jeopardized the reputation of the company as well as their client organizations, as well as the health of the persons who had to rely on the Agency candidates for their care. The Agency has a moral obligation to live up to the placement agreement by ensuring its candidates are properly certified, particularly as it is placing personnel in a health care environment.

Recall that business ethics represent moral standards and how these apply to the systems and organizations through which modern societies produce and distribute goods and services, and to people who work within such organizations (Velasquez, 1998), and that professional ethics give priority to the client's interests, ahead of the interests of all others (M. Green, 2005). The Agency leadership's single-minded emphasis on short-term financial performance, without communicating any plans for how to sustainably achieve those goals, while withholding necessary training, and by placing uncertified candidates in patient care positions, clearly disregarded their moral responsibility to their stakeholders, customers, and staff.

Could the Agency have benefitted from an emphasis on ethical management? There are huge benefits of conducting a business ethically. Curtis (2001) stated that a study by Walker Information, a global stakeholder research firm, showed that tangible benefits result from greater attention to various aspects of ethical behavior. Ethical capability has been defined by Buller and McEvoy (1999) as an organization's ability to identify and respond effectively to ethical issues in a global context, as a potential source of competitive advantage. Wood (1991) suggests that management must incorporate ethics into their strategic goals. In the healthcare industry, where the "product" is effective care for human life, it is absolutely vital to follow fixed moral rules; in health care, ethical absolutism is not an option, it is required.

Ethical behaviors could have benefitted all facets of Agency management. Litz (1996) has identified three crucial resources for competitive advantage based on ethical capability:

- Perceiving interdependence;
- Thinking ethically; and
- Responding ethically.

Perceiving interdependence is based on the perspective of the organization's stakeholders. This theory focuses and satisfies the diverse need of the investor/stakeholders to sustain their institutional legitimacy (Freeman, 1984). Various authors have given their views on this theory, for example Waddock and Graves (1997) have incorporated social performance to increase in financial performance while Frooman (1994) stated that unethical working behavior would lead to the decrease in stock prices. Also, Arthur (1984) agrees with Frooman and suggests that incorporating ethics in before-profit decision-making will eventually lead to increase in profits.

Thinking ethically is basically based on ethical awareness. It includes various ethical frameworks as well as sensitivity to the differences among ethical perspectives across cultures. (Buller & McEvoy, 1999).

Responding ethically is taking the appropriate ethical action in a timely manner.

Buller and McEvoy (1999), concludes that an organization can exceed and enhance their capabilities and achieve competitive advantages by responding effectively to ethical issues. Litz (1996) explains that these advantages can be achieved by direct collaboration and communication with the organization's stakeholders.

2. Employment Procedure

As explained in the preceding section the Agency hiring process was rife with nepotism and cronyism. There were many people that were related to management who worked in the company. Perceived favoritism toward management relatives had a very negative impact on the other employees as increases and promotions were disproportionately given to those related to company management. It seemed that the only desirable posts were offered to family members. The staff came to believe that one either had to be a family member or a very close friend of company management to grow within the organization. Those outside of these two "favored classes" pandered to management just to get by. The healthcare company's broken style of hiring and promotions resulted in back-biting and back stabbing within the company.

Also, because there was no human resource department, the hiring and promotion problems caused much more stress and work for the heads of departments. There are issues such as unequal job opportunities and promotions, and a failure to adhere to employment laws and procedures. As stated previously, staff that were hired were promised on-the-job training or job shadowing, but the author rarely witnessed this. New employees were given a minimum of operational direction and had to rely on informal direction from other staff to fill-in any knowledge gaps.

Clearly accepted moral standards were not being applied to the staff, and all of these issues are therefore unethical for any company.

Business ethics in recruiting influences who is selected, how jobs are defined and who becomes a candidate. An ethical recruitment and selection process should arrive at a decision which places the future of the candidate and that of the employer in the least possible jeopardy. The goal is to choose a candidate who will be challenged while succeeding and who contributes to achieving the organization's goals.

Ethical behavior begins with defining the position. It is unethical to place someone in a role where they will fail, thereby harming their career or jeopardizing the results of the organization, by inadequately defining the job and its requirements. If the requirements for success and the expectations for performance are not accurately communicated, the chances for an improper selection decision and moral injustice to the candidate and the organization are heightened. Likewise, misrepresenting the scope, difficulty, training opportunities, reward structure or other key elements of a position is unfair and unethical. In the same fashion that it is unethical to gloss over the shortcomings of the candidate in discussing a recommendation of that candidate, it is not right to disguise the shortcomings of a position or the department, division or company in which it is situated. An appropriate match of job and applicant can only occur when the candidate and the employer are fully knowledgeable of each other's true status and capabilities.

Furthermore, companies that follow good business ethical practices can improve employee relations and reap human resource benefits. Therefore, having good results in human resources produces great advantages for any company. Good relations between management and their employees brings about more effective recruitment, higher retention, better morale, loyalty, motivation, and productivity. Employees are the faces or the representatives of the organization, hence happy employees who feel they are a valued part of the organization can ultimately produce much higher customer satisfaction. Companies prefer to have loyal and repetitive customers for reasons such as up-selling and continuity. Therefore, keeping customers satisfied results in increased customer loyalty, enhancement of brand image, and tiebreaker effects for customer purchasing decisions. It follows that companies following good business ethics gain higher competitive advantage, higher financial returns, and better reputation.

3. Training

As explained in the case above the staff in the administrative department that was the backbone of the company were under trained and over loaded with work. It has been proven that untrained staff that are over stressed and pressured to perform without effective motivation and incentive typically perform poorly. This will negatively impact the company, as mistakes and time consumed in correcting them cost company money. By training the staff to a higher level of performance, eliminating costly mistakes, costs will actually be reduced and profits will grow. In this way, failure to provide adequate training is revealed to be an unethical practice, as it reveals disregard for stakeholder interests in quality performance and sustained acceptable financial return.

Section two, Training, described the lack of internal training in the healthcare company. According to Hogarth et al (1996), effective training can improve the competiveness, productivity and quality of service. Hogarth et al; continues to explain that that the cost of training for companies in long run is less than the cost of recruiting fully trained staff. Hogarth et al, also states that evidence has suggested that fully trained staff are more likely to leave the company sooner than the employees that are trained by the organization.

There are other advantages to training for a successful company that wants to operate in the long run. These include instilling the “right” attitude in the employee, and in many cases a good attitude is as important as skills and knowledge. The long-term benefits of training exceed the training costs for any organization. These benefits include a qualified and skilled staff, lower labor turnover, reduction of recruitment costs, and higher employee commitment to the organization. Other benefits of training are the improvement of delivery performances, improved quality of goods and services, and improved reliability of such services and products which in the long run brings about customer loyalty through higher satisfaction. Additionally, today’s technology is constantly changing, and having trained staff better able to cope with technological change gives companies a competitive edge. According to Gallie D, White M (1993), Britain’s survey stated that the training provision was near the top of people’s preference in determining what job to accept.

Anybody who has been given training at their jobs understands the sense of satisfaction it conveys, making the job more interesting. Being interested at work and performing better leads to better pay and promotion. Training is vital for the growth of the employees that in the long run make the company successful and competitive. Nelson (1995) explains also that implementing an informal reward system tends to motivate an individual more strongly. Motivation also brings about good behavior and reduces bad behavior. Nelson continues by arguing that motivating groups and teams brings about commitment and support by staff. Motivating staff is one key factor for positive mental attitude of the workers within any company. Giving empowerment and confidence can increase staff job satisfaction and performance. By training and motivating staff a company will benefit financially.

IV.ALTERNATIVE SOLUTIONS & CONCLUSIONS

Alternative solutions to the case study

This section presents alternative approaches available to the Agency to improve performance and long-term health of the organization, and the case conclusions. The conclusions are derived from the preceding sections and mainly focus on ethics and its importance within a company.

Alternative methods and solutions

How to become a profitable and a successful company: The Seven Principles of Business Ethics:

One of the most important factors for a successful small business is adhering to sound business ethics. Business ethics become the heart and soul of the company's culture and can mean the difference between success and failure. To have a successful business, the company must follow and abide with good business ethics.

1. Be Trustful: Businesses must realize that customers prefer to do business with organizations that they can trust. Trust is an assured reliance on the character, ability, strength, and truthfulness of a business. If customers do not trust a business, they will seek out partners they do trust.

2. Keep An Open Mind: The management must have a more open policy and involve the staff as well as the customers to gain new ideas and understand problems. Gaining new ideas is essential for the continuous improvement of a company. By asking for opinions and feedback the company will continue to grow.

3. Meet Obligations: Companies must honor all commitments and obligations it has with its customers, to gain their trust.

4. Have Clear Documents: Companies must sure they do not misrepresent or misinterpret the customers by false advertisements and brochures.

5. Become Community Involved: Companies must get involved in social responsibilities and also encourage their staff to do the same.

6. Maintain Accounting Control: Take a hands-on approach to accounting and record keeping, not only as a means for appropriately documenting the operations of the company but as a resource to detect any "questionable” activities. Maintaining control of accounting and record keeping facilitates the identification and correction of dubious activities promptly.

7. Be Respectful: Regardless of differences, positions, titles, ages, or other distinctions, always treat others with professional respect and courtesy.

How to diagnose the problem of corruption in health care systems

- Measure and document abuse through focus groups, expert and client.
- Conduct regular, random and unannounced audits to verify that billed services were indicated and provided.
- Technology should assist rather than replace human surveillance.
- Provide empowerment and protection to individuals working in the administrative, training and auditing departments.

Human Resource Department

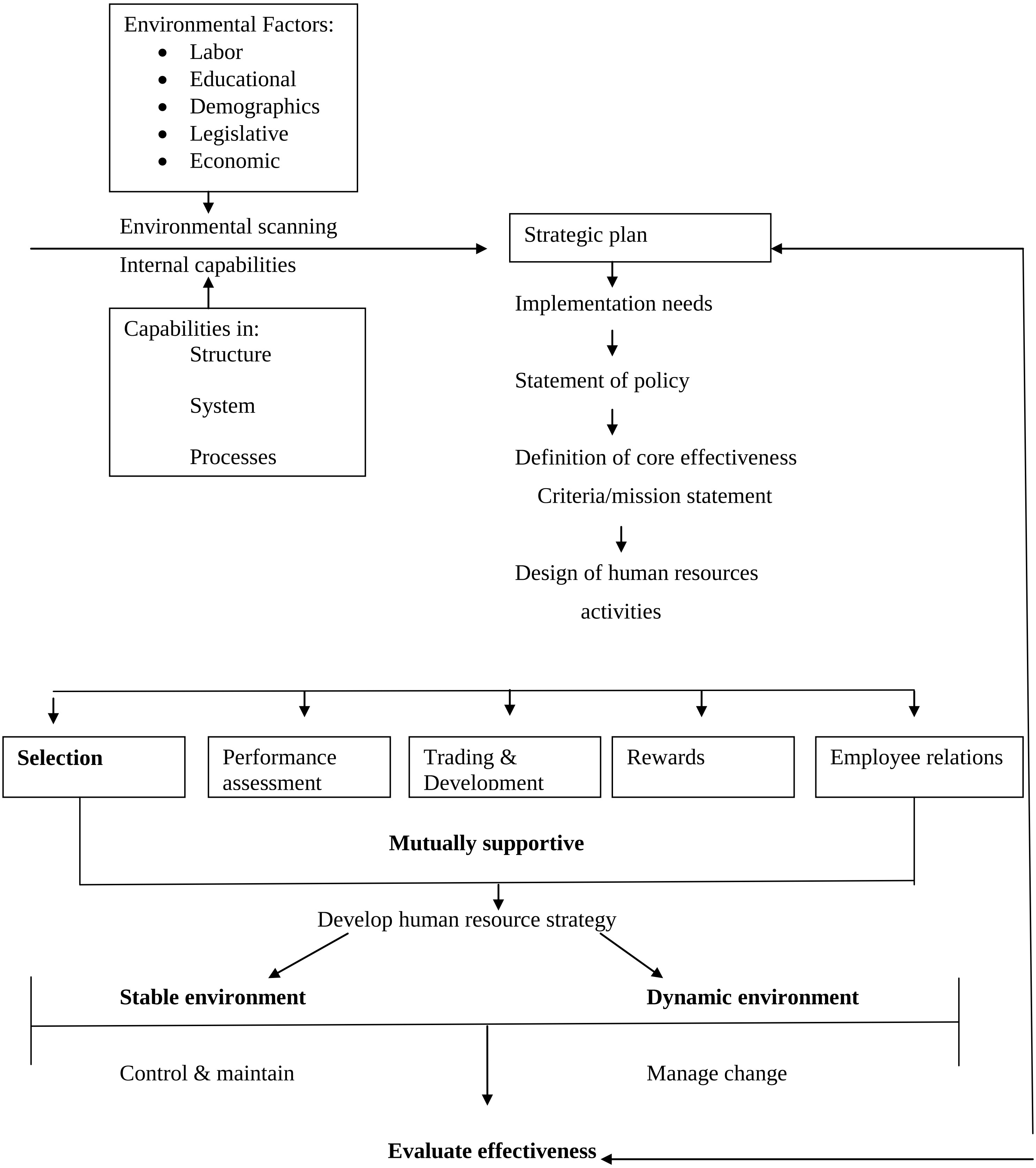
The lack of a human resources department contributed greatly to the issues of the Agency. Human Resources departments oversee the procurement and management of the most important assets of any organization, their personnel. If the Agency had a strong Human Resources department it is doubtful that the unethical behavior and abuses could have occurred to the extent they did, and the Agency may have thrived.

Strategic human resource management a comprehensive model

The diagram below illustrates the different functions of human resource management. There are various factors that a human resource department needs to take in to consideration. The human resource managers must be cognizant of environmental factors, including the labor market, educational factors, demographics, legislative issues and economic factors. These factors play a big role in designing, implementing and monitoring human resource activities, such as recruiting, rewards, training and development, mentoring, assessments, and promotions. For the entire process to work the human resource department should have a mission statement with achievable, clear objective and goals. Once there is a process that is selected and implemented there must be follow-through at the end of each process and which is thoroughly and effectively evaluated. The department must also get feedback from the employees on a regular basis to ensure that the department is providing the greatest benefit to the organization.

The following graphic depicts the important elements of a comprehensive human resources organization.

Strategic human resource management a comprehensive model

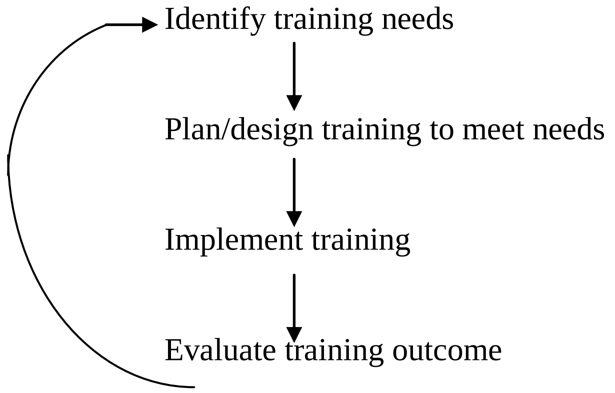


Source: Lundy Crowling, Strategic Human Resource Management

Training

The benefits of training cannot be overstated. There are many types of training programs that companies are providing to their employees, including competency–based training, teamwork, extended national vocational qualifications, and more tailor-made courses. There is growing support for continuous professional development, flexible studying behavior such as distance education, and computer-aided programs.

The figure below shows the four components of comprehensive training management.



Source: Cowling and Mailer, 1981

Motivation

As stated previously, informal rewards are increasingly more effective than monetary incentives. The characteristics of an effective informal reward system are:

- Direct reinforcement of desired behavior;
- Rewards have to be given as soon as possible after the desired behavior;
- Rewards are delivered personally; and
- Rewards are valued and meaningful to the individual receiving them.

There are certain principles that need to be followed when implementing such reward system.

- The organizational goals must be linked to the reward system;

- Rewards must be visible;
- The details and rules of the reward process should be clearly understood by all employees;
- Management much continually monitor its effectiveness;
- Management must re-energize and revise the process, as continuation and innovation are important to the on-going effectiveness of the scheme; and
- The process must be linked to formal reward systems.

The scheme should be presented to the staff as a positive activity clearly benefiting the staff as well as the company. An excellent approach is to include the staff in the initial design of the program rules and rewards, and when the scheme is operational staff should help in its management.

Gainsharing solution

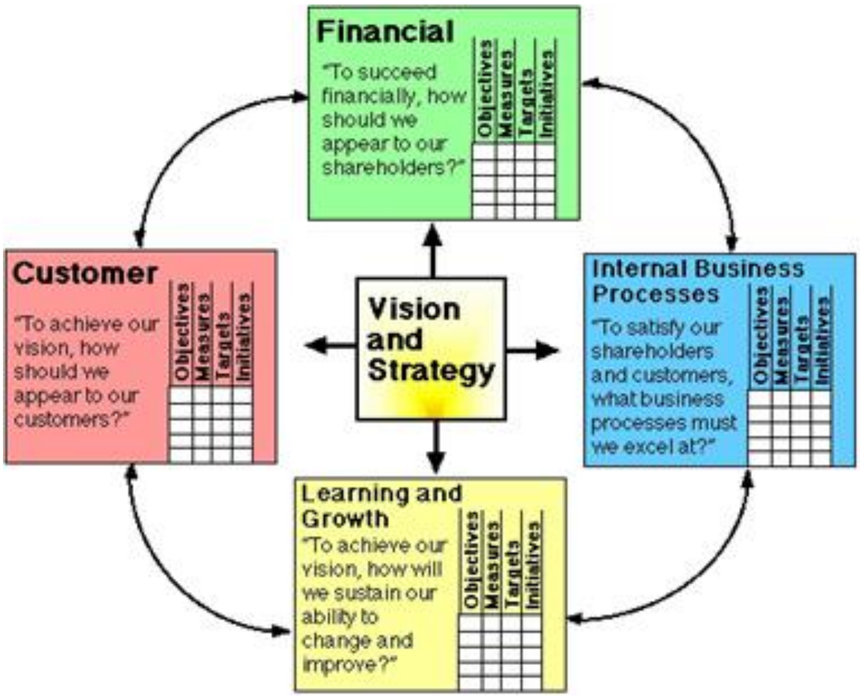
Gainsharing is another effective motivational approach that gives employees a stake in the organization's good financial performance. This is an incentive or bonus plan for individuals exceeding a standard or a quota. Gainsharing is a group bonus plan.

There are four guidelines to effective gainsharing plans:

1. The goals must be reasonable and achievable.
2. The key to the success is the involvement and employee understanding of the program. Employee participation and education are obviously crucial.
3. There should be shorter intervals between bonus payments. Monetary rewards should follow performance with minimum delay. Monthly payments seem to function best in reminding workers of the rewards of gainsharing
4. Unionism is irrelevant to the success or failure of gainsharing. Gainsharing provides an opportunity for the workforce and management to concentrate on problem solving and rewarding improvements, rather than fighting each other.

Balanced score card

> *"The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."*
>
> *(Kaplan and Norton)*



The balanced scorecard represents four critical dimensions of organizational performance - Learning and Growth, Internal Business Processes, Customers, and Financial - and the organization should measure, manage and evaluate performance simultaneously on all of these dimensions.

Conclusion

Business ethics is a complex concept, with numerous definitions. The motivational factors for companies applying business ethics vary, but there is no doubt that including environmental and social factors in management decisions is in the stakeholders' best interest. Business ethics also govern appropriate and responsible approaches to internal management, and this case study has explained and evaluated this regarding management, recruitment and training issues.

Business ethics is important for several reasons. By applying ethics to business, the social and environmental aspects of business operations are kept in focus. It is any company's responsibility to work towards a sustainable future. Since ethics goes beyond law and regulations, companies can differentiate and work toward higher standards to improve their sustainability in the future.

By practicing ethical practices, companies can improve their performance. An important outcome of applying such ethics is more loyal employees with greater confidence and performance. Conclusively, companies gain competitive advantage in the long run.

Companies can strengthen their reputation by being ethical in several ways. They have different motives of ethics, but what is common is that they want to create values for their stakeholders. This includes providing trustworthy products to customers, creation of better work conditions for employees by providing adequate training and development opportunities, and by having fair and standard recruitment procedures.

Managing ethically is also an effective means to help ensure organizational practices are not just sound, but legal. There are more and more lawsuits regarding organizational human resource management issues and the effects of an organization's services or products on stakeholders. Paying attention to ethics in formulating management policies is like taking preventive medicine: it's far better to incur the cost of managing ethically now than to incur the usually much higher costs of litigation later.

Managing in an ethical manner can help ensure organizational behaviors are aligned with management values. Managing ethically requires the conscious identification of organizational values, developing policies and procedures to align behaviors with preferred values, and then training staff to follow the policies and procedures. This exercise to align behaviors with values also assists with quality management, strategic planning, and other beneficial practices.

Attention to ethics is also strong public relations. If an organization regularly gives attention to its ethics, it can portray a strong positive to the public. Such organizations are seen as valuing ideals and people more than profit.

What is the bottom line? Managing ethical values in the workplace legitimizes management actions, strengthens organizational culture, improves trust in relationships between management and staff, supports more consistency in standards and qualities of products, and cultivates greater management and staff sensitivity to the impact of the enterprise's values and messages.

"Ethical values, consistently applied, are the cornerstones in building a commercially successful and socially responsible business."

(Bob Dunn, President and CEO of San Francisco-based Business for Social Responsibility)

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