ORGANIZATIONAL COMMITMENT AND CORPORATE GOVERNANCE – CASE STUDIES

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ABSTRACT

When employees mix personal and business interests, conflicts of Governance will eventually arise. A conflict of workplace commitment exists when an employee's loyalties or actions are divided between the employer's interests and those of another person or entity, such as a family member, a supplier, or a customer. Both are actual conflict of corporate governance and the appearance of a conflict of interest should be avoided. Despite best intentions, these conflicts of corporate governance will likely negatively affect both the employee and the employer. The mere appearance of behavior adverse to the employer may impact business performance and workplace morale. This paper discusses corporate governance building workplace commitment involving personal and business relationships and provides practical guidance on how to avoid those relationships. Conflict of workplace commitment can easily manifest themselves when transactions are not at an arms length.

Keywords: *Ethics, Electronic, Security, On-line, Transferred, Damage, Hacking, Viruses.*

I. INTRODUCTION

This paper presents three cases on common types of conflicts of corporate governance and workplace commitment in the workplace (1) when a relative or friend is employed by a supplier or customer (2) Fraternization (supervisor-subordinate dating) (3) Favoritism. These short case studies can be used in the classroom to explore the difficult issues that accompany conflicts of corporate governance and commitment in the workplace. It is envisioned that these three cases will generate classroom discussion at a level appropriate for business management related courses dealing with governance issues caused by conflicts of commitment.

II. CASE 1: RELATIVE OR FRIENDS EMPLOYED BY SUPPLIERS OR CUSTOMERS

The objective of this paper is to identify the various electronic crimes such as service theft, money theft ,programme data theft, programme damage, data destruction, programme copying, data alteration, hacking violation of privacy. It provides a numbers of techniques and methodology that are used in an unethical manner in support of electronic commerce. Our implementation and testing section represents that how someone can steal your information in unethical way with example. Finally it provides some suggestions to try and prevent any of this information being available to unauthorized.

(a) Fact

Jay is responsible for identify and approving a vendor for machine cleaning services for their company's worldwide headquarter. Jay has narrowed the potential vendor list to two machine cleaning companies: X's machine cleaning and Y's machine cleaning. Evaluation of X's machine cleaning company revealed that x recently acquired expensive, state of the art equipment enabling x to provide high quality, industrial machine cleaning. In addition, x machine cleaning is both price and time competitive with all alternative cleaning operations available. Jay was excited about x's machine cleaning company and knew the company well because his wife. Jenny, is employed as the controller of x's machine cleaning company. X's machine cleaning has a bonus incentive plan that (1) pays a finder's bonus to employees who find new customers (2) pays a bonus to employees based on profit sharing. Jenny intends to put in for a finder's bonus should her husband decide to select X's machine cleaning company as his company's machine cleaning vendor. Jenny is also excited about the possibility of a larger profit sharing bonus that would likely result from the increased business. Y's machine cleaning, which has been used in the past, uses outdated, older equipment. Regardless, Y's machine cleaning is both price and time competitive.

Jay decided to hire X's machine cleaning company as the sole machine cleaning vendor for his company because of the anticipated higher quality of work associated with the newer equipment that would be used. Jay has not disclosed any information regarding his wife's employment to his company.

(b) Discussion Questions

Is there a corporate Governance and organizational commitment problem? If so, is there a real problem or merely the appearance of one? If you feel that there is a conflict of governance and commitment, what is the immediate financial cost to Jay's company of this conflict? What is the immediate financial cost to Jenny's company of the conflict of commitment? Why is the marriage between Jay and Jenny, and their employment positions, a cause for concern for both companies?

- What action(s) should Jay take to reduce or eliminate the conflict of governance and commitment? Is disclosure sufficient?
- If Jay disclosed Jenny's position with X's machine cleaning company, would a conflict of governance and commitment still exist.
- How could the conflict of governance and commitment have been prevented?
- As a high level manager within the organization, how would you address and resolve the conflict of governance and commitment problem?

III. CASE 2: FRATERNIZATION

This fraternization case, slightly modified, was taken from Kizirian et al (2004)

(a) Fact. Sid and Rajni are peers in the same accounting firm and are scheduled on many of the same audits. After working together for six weeks on an audit, they developed a romantic relationship outside of work.

To maintain their privacy and avoid gossip, Sid and Rajni agree to keep the personal relationship as quiet as possible and refrain from publicly displaying affection at work. Sid and Rajni are confident that relationship is not common knowledge within the firm. In the fall, Rajni is promoted to a managerial position. In Rajni's new role, she will manage Jack. Jack will manage Sid as Sid's senior on several key audit engagements.

Since, Rajni will not be directly managing Sid, she and Sid decide to continue to keep the relationship secret. Both are certain that the relationship will not cause any issues within the audit team and that no actual conflicts of governance and commitment will occur. Rajni is not directing or reviewing Sid's work at a detailed level and they know they can maintain a purely professional relationship at work.

(b) Discussion Questions

(i) Did a conflict of corporate governance and workplace commitment exist? Before Rajni was promoted?

(ii) Does a conflict of governance and work place commitment exist now that Rajni has a managerial position within the accounting firm?

(iii) What are the implications of disclosure vs. non-disclosure of the relationship to Rajni and Sid?

(iv) Which is bigger conflict: the relationship or the failure to disclose the relationship?

Assuming that the relationship is disclosed, what are the implications of the mere appearance of a conflict of organization governance and workplace commitment caused by the relationship on the behavior of Rajni, Sid and Jack?

As partner in charge of the accounting firm, how would you address and resolve the conflict of governance and commitment problems?

IV CASE 3: FAVORITISM

(a) Fact

Radha is the daughter of Raghu who is an accounting manager at a company. Radha has a minor in accounting, so she meets the minimum qualifications for a job opening in the accounting department. Radha applies for a position through normal staffing procedures. Raghu supervises Roma who makes the hiring decisions for their department.

Roma sees that Rahul has also applied for the position. Rahul has a Masters degree in accounting from a reputable school and unlike Radha, has passed the CPA examination. Rahul is a much stronger candidate. Raghu drops a hint to Roma that Roma will be rewarded for hiring Radha.

(b) Discussion Questions

(i) What is meant by the term favoritism?

(ii) How is Raghu acting in a manner that exhibits favoritism?

(iii) How is Raghu's favoritism's behavior hurting the company?

(iv) How might Raghu's favoritism action hurt her? Radha?

(v) How could the conflict of corporate governance and organizational commitment problem have been prevented?

As a high level manager within the organization, how would you address and resolve the favoritisms problem?

V. ANALYSIS AND INTERPRETATION

(a) Case 1

If Jay did not formally disclose his wife's high level employment with X's machine cleaning company, he has likely violated his employer's standards on conflict of commitment and disclosure. Most employers have a policy that employees avoid and activity that shows favoritism towards family members or the perception of such favoritism. Such behavior is considered disloyal or at odds with the best interests of the employer. Employees should always inform their managers when confronted with any situation that may be perceived as conflict governance, even if the employee doesn't believe the situation would actually result in a conflict of workplace commitment.

To prevent the perception that Jay's recommendation was influenced by the possibility that he or his wife might somehow benefit from the vendor decision. Jay should have formally declared the relationship whether or not he believed a conflict existed. To prevent and actual or perceived conflict of governance and commitment, Jay's employer probably should have removed Jay from a decision-making role for the machine cleaning decision.

Some practical steps managers can take to avoid risks associated with conflicts of commitment and governance when relatives or friends are employed by suppliers or customers include:

(i) Review your company's policies on conflict of governance and commitment to be sure that you are current on policies governing conflicts of interest involving relatives or friends. Most firms have policies and guidelines which address "relative or friends employed by suppliers or customers" types of conflict of commitment. Be sure that disclosure issues are addressed. In many situations, publicizing the family/friend relationship will reduce or eliminate the perception of a conflict of governance and commitment. Other prevention options available to an employer should be identified such as transferring and employee, or changing the employee's responsibilities either temporarily or permanently.

(ii) Require all your subordinates to periodically review your firm's policies, guidelines and resolutions procedures related to conflicts of governance and organizational commitment involving relatives or friends.

(iii) Direct your human resources department to resolve any such conflict of commitment issue which might be unresolved in a timely manner.

(iv) Direct your employees who have a conflict of commitment concern to describe the situation to a human resources department contact and ask for guidance. Employees should always inform their employers when confronted with any situation that may be perceived as a conflict of governance, even if the employee doesn't believe the situation would violate employer guidelines.

(v) Investigate, address and resolve any conflict of commitment or governance concerns (either real or apparent) immediately upon identification to lessen their repercussions.

(vi) Do not allow gossip to flourish and fuel unwarranted perceptions of favoritism that could, if uncontrolled, negatively impact your organization.

(b) Case 2

As stated by Kizirian et al (2004), Rajni's conduct probably violates her firm's rules on fraternization. Supervisors who pursue romantic relationships with subordinates usually do so in violation of their firm's principles of conduct and guidelines to behavior. Since most employees will spend more time interacting with colleagues than they will spend with people outside the company, workplace dating and intimacy is a natural and likely outcome. While most firms do not generally prohibit workplace dating, they do prohibit managers from pursuing romantic or sexual relationships with employees whom they supervise. Involved managers need to take steps immediately to end the supervisory relationship. The notion of supervision extends to anyone within the manager's direct or indirect chain of supervision. Manager-subordinate dating relationships damage workgroup morale, create perceptions of favoritism and can easily generate lawsuits for sexual harassment, retaliation and wrongful termination.

If the relationship ends on a bad note, the subordinate may claim 'quid pro quo' harassment. The subordinate can complain that he or she thought their job depended on the continuance of the relationship. Quid Pro Quo represents a form of harassment requiring a favor or interaction as a condition for employment, continuing employment, or in exchange for employment benefits (e.g. promotion, pay raise, etc.)

Some practical steps to guide managers on how to avoid risks of fraternization include the following (Kizirian et al, 2004):

Review your company's policies on fraternization to maintain your currency. Most companies have employment guidelines specifically stating that managers are not permitted to date or pursue romantic or sexual relationships with employees whom they supervise directly or indirectly.

Require all your subordinates to periodically review your firm's fraternization guidelines and resolution procedures.

(i) Direct your human resource department to resolve any current fraternization issues outstanding.

(ii) Direct your employees who have a conflict of interest concern to describe the situation to a human resources department contact and ask for guidance. Employees should always inform their employers when confronted with any situation that may be perceived as a conflict of governance and commitment, even if the employee doesn't believe the situation would violate employer guidelines.

(iii) Address and resolve all new fraternization concerns immediately to lessen the chances of lawsuits.

(iv) Investigate all complaints of favoritism, retaliation, wrongful termination or sexual harassment for underlying signs of fraternization.

(v) Do not allow gossip to flourish and fuel unwarranted perceptions of favoritism that could, if uncontrolled, negatively impact your firm.

(C) Case 3

A nepotism type of conflict of governance and commitment exists when one uses a position of power or authority to influence the hiring or promotion process of a spouse, partner, sibling, child or other relative. This same philosophical view also prohibits supervising or directing the work of a subordinate who is a family member. Such a prohibition removes from the workplace any hint of nepotism. This prohibition is extremely important since a supervisor's division of loyalties between the employer's best interests and family generates overwhelming perceptions of favoritism among co-workers. It also introduces a bona fide risk of biased judgment and decision-making.

Raghu is using her position to influence the hiring decision in favor of her daughter. The company should have policies and procedures in place to ensure that an employee does not use his or her position to exert influence to get a family member hired. Raghu's loyalties appear to be divided between her employer's best interests and her daughter's best interests. Raghu's action is hurting the company in the following ways:

(i) If successful, Raghu's actions will result in the hiring of a less qualified employee. Hiring Rahul would be best for the company.

(ii) If Radha is hired, department-wide perceptions of favoritism that will hurt morale is likely to occur.

(iii) If Radha is hired, Roma will be in an awkward position. Raghu will effectively supervise and evaluate Radha. Radha and Raghu will both also be in awkward positions.

Employees should avoid any nepotism type of activity whether in fact or in appearance that is adverse to the employer's best interests. Any such activity can significantly degrade workplace morale and result in internal turmoil. An employer's prohibition against undue positional influence or pressure to hire or promote relatives enables the company to focus efforts on hiring and promoting the best-qualified applicant without bias.

Some practical steps to guide managers on how to avoid risks of nepotism include:

(i) Review your company's policies on nepotism to maintain your currency. Most companies have employment guidelines specifically stating that employees are not permitted to take part in activities that could be construed as nepotistic.

(ii) Require all your subordinates to periodically review your company's guidelines and resolution procedures involving nepotism to assure familiarity.

(iii) Direct your human resources department to resolve any nepotistic issues which might be unresolved in a timely manner.

(iv) Direct your employees who have a conflict of interest concern to describe the situation to a human resource department contact and ask for guidance. Employees should always inform their employers when confronted with any situation that may be perceived as s conflict of interest, even if the employee doesn't believe the situation would violate employer guidelines.

(v) Investigate, address and resolve any new nepotistic conflicts of governance and commitment concerns (either real or apparent) immediately upon identification to lessen their repercussions.

Do not allow gossip to flourish and fuel unwarranted perceptions of nepotism that could, if uncontrolled, negatively impact your organization.

VI. CONCLUSION

These cases stress that employees should work proactively to prevent and resolve conflict of governance and commitment issues. Failure to take such issues seriously can have dire consequences. Be sure to review your company's policies on conflict of governance and commitment, which should be available in the human resources department. If an employee is uncertain about whether a conflict exists, the employee should describe the situation to a human resource department contact and ask for guidance. Employees should always inform their employers when confronted with any situation that may be perceived as a conflict of interest in life management, even if the employee doesn't believe the situation would violate employer guidelines. If the employee or employer should conclude that there is a conflict of governance and commitment in organization, the employee must either relinquish the conflicting activity or resign the position. Most of the time, however, a solution is readily available. For example, the employee can be transferred or removed from a decision-making role on a temporary basis.Employees are expected to devote their best efforts and full attention to the performance of their duties. They are expected to use good judgment, adhere to high ethical standards and avoid situations that create an actual or perceived conflict between the employees' commitment and the governance of the employer in organization management.

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