

The Effect of Organizational Structure on Ethical Decision Making

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Article Info	ABSTRACT
<p>Corresponding Author: Muhammad Syafri E-mail: syafri.rewa008@gmail.com</p>	<p>This study examines how organisational structure affects modern business ethics. Various literature sources are collected and analysed for the study. Hierarchy, specialisation, departmentalization, range of control, and formalisation affect ethical decision making, according to the findings. Uncertainty and disagreement can inhibit ethical decision-making, but a clear and well-organized structure can create an environment that encourages it. Culture and leadership also moderate the impact of organisational structure on ethical decision-making. Organisational ethical decision-making is linked to ethical beliefs and principles. Therefore, organisations must understand how their organisational structure affects ethical decision-making, create a culture of open communication, transparency, and ethical dialogue, and ensure that policies and procedures support ethical decision-making. This research illuminates how organisational structure affects employees' ethical behaviour and decision-making, which can help establish ethical and sustainable management practices.</p> <p>Keywords: Ethical decision making, Organizational structure, Employee ethical behavior, Organizational culture</p>

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INTRODUCTION

In the world of business and organizations, decision making is a critical aspect that can determine the direction and success of an entity. Decisions taken by individuals or groups within an organization do not only impact internal performance (Jackson et al., 2013), but also on the reputation and sustainability of the business in the eyes of the public and stakeholders. One important aspect in decision making is the ethical aspect (Faried, 2018; Johnson, 2020; Munizu et al., 2023), namely how the decision complies with moral and ethical principles (Mustanir et al., 2023).

The influence of organizational structure on ethical decision making has become an important topic in management literature. Organizational structures include hierarchies, division of tasks, reward systems, and internal control mechanisms (Nugraha & Dinanti, 2018). Previous research shows that organizational structure can influence employee ethical behavior and ethical decision making in companies. However, a deeper understanding of this

relationship is still needed, especially in the context of modern business which continues to develop.

In the midst of increasingly complex challenges and competition, organizations are required to not only focus on achieving economic goals, but also consider ethical aspects in every decision.(Arief, 2017; Purnamasari et al., 2023; Sudipa et al., 2023). This is becoming increasingly relevant with the development of public awareness of social, environmental and justice issues. On the other hand, organizational structure, which is the framework of how activities within an organization are organized and controlled, has a significant influence on how decisions are made and how ethical values are implemented.

Different organizational structures can influence the way decisions are made, including in an ethical context. For example, a more hierarchical structure may inhibit free communication and collective decision making(Kretschmer & Khashabi, 2020), which can influence the application of ethical values. In contrast, a flatter or horizontal structure might promote greater involvement and more open discussion of ethical issues, which could lead to more ethical decisions(Casali & Perano, 2021).

The urgency of this problem lies in its impact on company reputation, consumer trust and long-term sustainability(Soomro & Shah, 2019). Cases of business ethics scandals involving leading companies have shown how important ethical decision making is in organizations(Abubakar et al., 2019). By understanding the influence of organizational structure, managers can design systems that encourage ethical behavior and responsible decision making.

It is important to examine the influence of organizational structure on ethical decision making because it can provide deep insight into how elements of organizational structure, such as hierarchy, division of tasks, and reward systems, influence employee ethical behavior and decision making at the organizational level.(Syafri, Vanchapo, et al., 2023). This study is relevant in the context of modern business management, where a better understanding of these relationships can help in the development of sustainable and ethical management practices(Griffin et al., 2020). Additionally, by understanding the influence of organizational structure, managers can design systems that encourage ethical behavior and responsible decision making, which in turn can have a positive impact on a company's reputation, consumer trust, and long-term sustainability. Therefore, research on this topic can make a significant contribution to practitioners and academics in efforts to promote ethical behavior and responsible decision making in organizations.

METHOD

Literature Review

Ethical Decision Making

Ethical decision making is the process by which individuals or groups within an organization make decisions based on moral and ethical principles. This process involves assessing the choices faced by considering what is morally right and wrong, fair and unfair, and responsible and irresponsible.(Johnson, 2020). The main goal of ethical decision making is to achieve results that not only benefit the organization from a financial or strategic perspective, but also that are consistent with ethical values and social responsibility. In ethical decision making, various factors such as social norms, organizational codes of ethics,

laws and regulations, as well as the interests and rights of stakeholders are taken into account.(Griffin, 2022; Zahari et al., 2023). This process often involves considering the long-term impact of a decision on all parties involved, including employees, customers, society, and the environment. Ethical decision making requires the ability to identify and evaluate ethical dilemmas, which are situations in which there is a conflict between different values or interests(Griffin et al., 2020). It also requires critical and reflective thinking skills to assess options and their consequences, as well as the courage and integrity to act in accordance with ethical principles, even though there may be pressure to do otherwise. In an organizational context, ethical decision making is also closely related to organizational culture and leadership. Ethical leaders play an important role in setting standards and modeling ethical behavior, while an organizational culture that supports honesty, transparency, and accountability will facilitate ethical decision making at all levels of the organization(Abubakar et al., 2019). Ethical decision making refers to the process in which a person or an organization makes decisions that take into account ethical values and principles. In an organizational context, ethical decision making involves considering the impact of the decision on various stakeholders and ensuring that the decision taken is in accordance with applicable ethical standards.(Munizu et al., 2023).

Organizational structure

Organizational structure is a system that determines how activities in an organization are organized and managed, which functions as a framework for assigning tasks, authority and responsibilities.(Asmini et al., 2023; Griffin et al., 2020). This includes the organizational hierarchy, which shows the vertical structure from top management to basic level employees, as well as determining authority and responsibility at each level. Another important element is specialization and division of labor, which defines how tasks are divided and how specialization is implemented(Budiyanto et al., 2023). Departments group activities into units or departments based on criteria. Organizational structure also involves decisions about the centralization or decentralization of decision making, indicating the extent to which decision making is concentrated at the top or spread across various levels of the organization.(Suryapermana et al., 2023; Syafri, Ginting, et al., 2023). Organizational structure refers to the system used to define hierarchies within an organization with the aim of establishing how an organization can be coordinated and organized. It involves defining tasks, dividing responsibilities, and relationships between different parts of the organization. There are various types of organizational structures, such as functional, process-based, matrix, circular, and flat, which help organize tasks, responsibilities, and communication within an organization.

Research Methods

The literature study method is a critical approach to research that focuses on collecting, analyzing and interpreting information from various existing literature sources. In the context of the research "The Influence of Organizational Structure on Ethical Decision Making", the method is used to collect and integrate theoretical and empirical understanding related to the topic(Kurniawan et al., 2023; Sugiyono, 2019). This process begins with the formulation of the objectives of the literature review, which directs the focus on

understanding organizational structure theory, ethics in decision making, and existing related research findings. Once the appropriate sources are collected, the process continues with reading in depth and analyzing the contents of the sources. This involves recording key ideas, arguments, research results, and relevant conclusions (Ibrahim et al., 2023; Wada et al., 2024). Synthesis of information from various sources is the next step, where researchers integrate information to form a comprehensive understanding of the topic of the influence of organizational structure on ethical decision making.

RESULTS AND DISCUSSION

The Relationship Between Organizational Structure and Ethical Decision Making

The relationship between organizational structure and ethical decision making is an important aspect that influences effectiveness and integrity in organizations. Organizational structure, which includes hierarchy, specialization, departmentalization, chain of command, span of control, and levels of centralization and formalization, has a significant influence on how decisions are made and the extent to which they are ethical. A clear and well-organized structure can create an environment that supports ethical decision making, whereas a poor or unclear structure can lead to ambiguity and conflict that hinder ethical decision making.

In a decentralized structure, decisions are often made closer to the information source and operational context, allowing for a better understanding of the ethical consequences of those decisions. This often results in quicker and more appropriate responses to complex ethical situations. Conversely, a structure that is too centralized can hinder the flow of information and make decision-making slow and disconnected from the realities of the field, which in turn can ignore important ethical considerations.

Organizational culture is important in moderating the influence of professional commitment on ethical decision making. High organizational culture support can increase ethical decision making, while low support can reduce the level of ethical decision making. A person's personality also influences ethical decision making. A person's character and behavior in decision making can be an internal factor that influences the ethical decision making process. Individual values are also a major factor influencing ethical decision making. The values held by individuals will influence ethical considerations in making decisions.

In structures with narrow spans of control, managers may be better able to monitor and influence the ethical behavior of their subordinates. However, this can also result in excessive supervision and reduced employee autonomy, which can reduce motivation and confidence in making ethical decisions. On the other hand, a wide span of control may reduce direct supervision, but may increase autonomy and personal responsibility, which are important for ethical decision making.

A highly formalized organizational structure with strict rules and procedures may reduce the risk of unethical behavior because employees are expected to follow clear standards. However, excess formalization can also reduce flexibility and creativity in dealing with non-standard ethical dilemmas. On the other hand, a less formal structure may provide more space for individual ethical considerations, but may also result in uncertainty and inconsistency in dealing with ethical issues.

Hierarchy in organizations also impacts ethical decision making. A high hierarchy can create distance between top management and employees, thereby reducing management's understanding of the ethical dilemmas faced by employees. However, an effective hierarchy can also provide a clear pathway for reporting ethical concerns and ensuring accountability.

Organizational culture, which is often shaped by organizational structure, also influences ethical decision making. Structures that support open communication, transparency, and ethical dialogue can promote an organizational culture in which ethics are respected and ethical dilemmas are proactively addressed. Leadership within the organization is also important; leaders who demonstrate a commitment to ethics can inspire similar behavior throughout the organization.

In short, organizational structure not only influences operational efficiency, but also has a significant impact on ethical decision making within the organization. A balanced structure, which supports role clarity, accountability, open communication, and autonomy, can facilitate more effective ethical decision making. It is important for organizations to consider the impact of their structures on the ethical aspects of their operations and to adapt those structures to support a strong and sustainable ethical culture.

Organizational Culture Can Influence Decision Maker Behavior in Organizational Structure

Organizational culture can influence the behavior of decision makers in the organizational structure. Research in the fields of management and organizational behavior has demonstrated various ways that organizational culture influences how decisions are made and implemented.

Formation of Norms and Values

Organizational culture, consisting of prevailing values, beliefs, and norms, forms the standards of what is considered acceptable and expected behavior in an organization. Ethical decisions are often made based on these norms and values. If an organization's culture emphasizes integrity, honesty, and social responsibility, then decision makers will be more likely to make decisions that reflect these values.

Leadership Influence

Leaders play an important role in shaping and maintaining organizational culture. An ethical and transparent leadership style tends to create an environment where decision makers feel encouraged to act in an ethical and responsible manner. Conversely, if leaders demonstrate unethical behavior or downplay the importance of ethics, this can create a culture in which unethical behavior becomes more accepted.

Communication and Decision Making

An organizational culture that supports open and inclusive communication can facilitate the exchange of information and diverse views in the decision-making process. This allows decision makers to gain a broader and more diverse understanding of the issues at hand, which is critical in dealing with ethical dilemmas.

Empowerment and Autonomy

An organizational culture that empowers employees and provides autonomy in decision making encourages individuals to take responsibility for their decisions. This often leads to increased ethical considerations, as individuals feel more responsible for the consequences of their actions.

Resistance to Change

On the other hand, an organizational culture that is very rigid and resistant to change can hinder the adaptation of ethical decisions. If the organizational culture does not support innovation and questioning of the status quo, this can result in decisions oriented towards maintaining old practices that may no longer be ethical or effective.

CONCLUSION

The research findings indicate that ethical decision-making plays a crucial role in the realm of business and organisations, exerting an impact on reputation, sustainability, and stakeholder confidence. The impact of organisational structure, encompassing elements such as hierarchy, breadth of control, formalisation, and hierarchy, on ethical decision-making is substantial. An effective organisational structure can foster an atmosphere conducive to ethical decision-making, whereas an inadequate or ambiguous structure can impede it. Furthermore, the impact of organisational structure on ethical decision making is moderated by both organisational culture and leadership. These conclusions lead to various suggestions. Initially, organisations must prioritise and comprehend the influence of their organisational structure on ethical decision-making. This can be accomplished by conducting a comprehensive assessment of the current organisational framework and pinpointing areas that require modifications. Furthermore, it is crucial to establish an organisational culture that fosters open communication, transparency, and ethical discussion. One can achieve this by means of training, coaching, and cultivating leadership that is dedicated to ethical principles. Organisations must ensure that their current policies and procedures effectively facilitate ethical decision-making, while also allowing for the required adaptability when confronted with intricate ethical problems.

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