

Do it well and do it right: Business success requires top-notch service and ethics

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Recent headline-grabbing scandals at Volkswagen and Bank of America, among a host of car makers, big banks and other businesses, have underscored the impact poor corporate ethics can have on top, globally established companies. New research from the University of Notre Dame shows that businesses must place equal importance on ethical adherence and quality service in order to be successful.

Excellent service alone is not enough.

In "Do it well and do it right: Impact of service climate and ethical climate on business performance and the boundary conditions," forthcoming in the *Journal of Applied Psychology*, Jasmine Hu, assistant professor of management at the University of Notre Dame's Mendoza College of Business, collected data from 196 movie theaters and linked survey responses to the objective financial performance of each theater.

"Our results showed that movie theaters needed both quality service and ethical behavior for achieving success," Hu said. "We also found that service excellence was instrumental to customer satisfaction and financial outcomes only when it was accompanied by low unethical behavior. Top-notch service is a necessary, but insufficient condition for success."

When Volkswagen installed illegal software to cheat emission tests for its 580,000 diesel cars sold in the United States, the company faced massive losses in recalling millions of cars worldwide and up to \$18

billion in fines in a lawsuit filed by the U.S. Environmental Protection Agency. Likewise, following the footprints of JPMorgan Chase, Citigroup and Goldman Sachs, Bank of America settled with the Justice Department by paying a record-breaking \$17 billion fine for allegedly misleading investors in mortgage-backed bonds.

"While carmakers and banks strive to provide superior customer service, their unethical conduct and the resultant fines inevitably jeopardize customer trust and diminish long-run financial returns," Hu said. "Our results also suggest that when the market is very competitive and when customer interests are changing, ethical climate matters even more."

Provided by University of Notre Dame

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