

How each influences behavior and cultural norms about how people might treat one another. If the code of ethics always recommended utilitarian decisions how might that contrast with what it would be like to work in an organization where the code of ethics always recommended rights reasoning in decision making? In other words, how could your actions be different in these two approaches to management?

Cite your answers in 100 words using the reference below.

Ethics. (2009). *Encyclopedia of Management* (6th ed.), pp. 273–278. Detroit: Gale.

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Class,

This question is important but optional. As noted in the Week 4 reading (Ethics, 2009), teleological ethical reasoning is concerned with the outcomes of a decision. Utilitarianism is a form of this that is commonly used. Its focus is providing the greatest good for the greatest number of people – the consequences of a decision. Under this reasoning, if funds are limited, we would choose not to save the life of a single individual (e.g., open heart surgery) if those same dollars could be used to save the lives of thousands of people via a vaccine.

In contrast, deontological theories focus on respect for the inherent worth of an individual. This is sometimes called “rights” reasoning since its focus is on treating everyone with dignity. It assumes that people have an inherent right to things like liberty, good health, etc. People are never just to be treated as means to an end. Under this reasoning, in the example above, we would choose to save the individual's life no matter the cost because everyone's life is of value.

Both utilitarianism and deontological rights reasoning are separate entries on Table 1 in the reading, with a brief explanation.

This is a question to help us go deeper into how these types of reasoning might play out in an organization -- how each influences behavior and cultural norms about how people might treat one another. If the code of ethics always recommended utilitarian decisions how might that contrast with what it would

be like to work in an organization where the code of ethics always recommended rights reasoning in decision making? In other words, how could your actions be different in these two approaches to management?

Dr. Shelleman

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Module 4 - Ethics



Organizational Theory and Behavior

MGMT 630

In this module you will learn:

- The important role that managerial ethics plays in establishing a successful organization.
- The role that leaders and managers must play to establish an ethical environment.
- About the relationship between organizational culture and ethics

Module 4

Ethics, Multi-cultural Influence and Social Responsibility

Introduction: The Current Situation

During the past decade, whistle-blowing by US workers increased 40% to approximately 700 official complaints per year. We do not know if this increase is due to more instances of unethical behavior, or that there are safer/better processes for reporting this type of behavior. What we do know is that ethics and corporate social responsibility have become important topics in our business schools and our society.

In addition, global initiatives such as the 2003 UN Norms for Transnational Corporations and the UN Global Compact both focus on corporate governance issues world-wide.

While most leaders say they have high ethical standards, acting on these standards is another matter, as exposed in a number of documentaries, such as *Wal-Mart: the High Cost of Low Price*, or *The Corporation*, or *Supersize Me*, among others. In a World where 2.8 billion people are living on less than \$2 a day, there is an obligation for organizations and leaders to act in ethically and socially responsible ways.

At-a-glance definitions:

- **Ethics:** A moral code which defines acceptable behavior as determined by a set of values and norms that

help people distinguish the differences between right and wrong.

- **Corporate Social Responsibility (CSR):** Policies, practices, and strategies that lead individuals and organizations to act in ways that are aligned with the interests and welfare of the communities they serve.

Ethical Standards and Legal Requirements.

Some people have argued that if it is legal it is moral/ethical. Do you subscribe to that point of view? In some instances, there is an overlap between what is legal and what is moral. For example, it's against the law to murder people, and from our point of view it's also immoral. For the most part, however, ethical standards refer to behavior that is not covered by the law. For example, stopping to help a stranded motorist is not against the law or mandated by law, but is it the right thing to do. The great recession of 2008 was created by people who were not doing anything illegal but were engaging in behaviors that were unethical. Recent reports of politicians using private email servers, while not illegal, raise questions of whether people are acting ethically or not. Recent reports of candidates refusing to pay sub-contractors for work that was performed is another example of unethical behavior.

Managerial Ethics

Ethics define the kinds of behavior that we find acceptable or not. Our ethical principles provide us with guidelines for making decisions in line with what is considered to be right or wrong, or good or bad in a particular situation. Managerial ethics is concerned with the way leaders behave, and the moral code they use when making decisions. Managers make decisions and take actions every day that have ethical considerations and consequences for the business. For example, managers have the choice of whether they are going to give honest feedback to employees during performance reviews, or whether they going to skip over the "bad" news just to avoid potential conflict. Conflicting cultural norms can raise ethical issues for managers as well. In some countries, providing bribes and money in exchange for favors is an accepted practice, but clearly against US law and corporate policy. But "when in Rome (shouldn't managers) do what Romans do?" After all, if we are going to do business in another country shouldn't we adapt to their norms and standards? These are all examples of the everyday decisions that managers are faced with and require ethical responses if the leaders are going to build or maintain credibility.

Ethics is central to leadership. Because leaders "model the way," their behavior influences the behavior of others. Their decisions impact the lives of others and speak volumes about what they value and what is important to the organization. Unethical behavior sends a message to others that this type of behavior is acceptable. Because leaders have power over others, their behavior can influence others. People watch what the boss does, and if she

can act in a certain way, then people assume that they can act this way as well.

Leaders build trust and influence by acting in ways that are ethical. Without trust, leaders lose all credibility and capability to lead effectively. Acting in ways that build trust are also ways that reflect ethical leadership. Below is a list of behaviors that not only build trust but are the basis for ethical leadership.

- **Honesty:** Tell the truth. Let people know where you stand. Don't manipulate or distort the facts to fit your personal agenda.
- **Show Respect:** Show people that you care for them, and respect the dignity of every role. Show kindness and caring.
- **Be Transparent:** Tell the truth so it can be verified. Be genuine, open, and authentic. Don't have hidden agendas or hide information.
- **Right Wrongs:** Admit your mistakes. When you are wrong, apologize. Don't cover up things. Take responsibility for your actions.
- **Show Loyalty:** Acknowledge. Don't bad mouth others behind their back. Don't disclose private or confidential information.
- **Accountability:** Hold yourself and others accountable. Don't blame others or point fingers when things go wrong.
- **Keep Commitments:** Do what you say you are going to do. Don't make excuses for a broken commitment.

These behaviors are the basis for one's character. Character and ethical behavior are closely tied together. (Covey, The Speed of Trust, 2008)

As you consider your professional responsibility for being an ethical manager, think through the answers to these questions:

- What specific behaviors are required of you in being ethical as a leader?
- What situations often push or pull people into grey areas of ethics?
- How should people, especially you, interact when encountering an ambiguous or difficult decision?
- What do you do with the powerful cultural values surrounding accepted or normal business practices? This is often communicated with a shrug of shoulders and saying "It's just the way of doing business."

Corporate Ethics and Globalization.

Organizations operating in different countries and cultures face an array of new and difficult ethical challenges. What is acceptable behavior in some cultures may clash directly with another culture or a corporation's values and ethics. Research has shown that country cultures have a greater impact on employee behavior than corporate cultures. Because there is a great deal of variation in national cultures upon which corporate cultures and ethical systems are built, there is much room for conflict, and uncertainty in knowing the "right" thing to do. When cultures and ethical systems clash, managers must make tough decisions that need to be grounded in a more universal approach to ethics. Vijay Govindarajan, a professor at Dartmouth, suggests that global corporate cultures are beginning to emerge that emphasize the following values:

1. A sensitivity and acceptance of differing cultural values;
2. A desire to recognize values that cut across cultural boundaries;
3. Basing status and position on merit and not nationality;
4. Examining the potential benefits of all ideas, no matter from what culture they originate;

Are we moving toward a state of global ethics? There are some indications that we are. Global standards have been established to address issues such as low wages, unsafe working conditions, and child labor. Social audits are conducted on organizations to report on the social, ethical and environment impact of an organization's actions.

As noted below, efforts are being made to develop an international standard of ethical corporate behavior.

Corporation 2020's Principles for Ethical Business in a Global Economic Setting

The purpose of a corporation is to harness private interests to serve the public interests:

- Corporations shall accrue fair returns for shareholders, but not at the expense of the legitimate interests of other stakeholders (people—who are customers, consumers, and clients).
- Corporations shall operate sustainably without compromising the ability of future generations (your children, your grandchildren).
- Corporations shall distribute their wealth equitably among those who contribute to its creation (this principle aids in constraining the desire of upper level management to award salaries and bonuses unfairly).
- Corporations shall govern themselves in a manner that is transparent, ethical and accountable.

- Corporations shall not infringe on people's right to govern themselves, nor infringe on universal human rights (Corporation 2020, 2012).

Organizational Culture and Ethics

Organizational culture is based upon a set of beliefs and values that are held in high regard by organizational members. The cultural value system is the key driver of organizational ethics, making culture and ethics deeply tied to one another. Leadership establishes the organization's culture, and, therefore, by extension establishes the company's ethical system. The organization's values guide the behavior of leaders, managers, and employees with respect not only to how we do things around here but also with respect to what is right and wrong.

While culture drives ethics, leaders shape ethical behavior. When leaders develop and share a vision of proper values and social responsibility, they are taking the first step to ensuring ethical behavior. This vision must be communicated to the entire organization and reinforced through the leadership's behavior, rituals, symbols, ceremonies, and reward and performance management systems.

Organizations formally embed ethical practices into the culture, by establishing ethics departments, conducting ethics training, developing codes of conduct and values statements, and establishing mechanism for calling out wrongdoing.