CHAPTER FIVE

Ethics

DETAILED LECTURE OUTLINE

I. Sources of Management Ethics
   A. Two Dimensions
      1. Formal-Informal Dimension: Ethics can be influenced by formal sources like religious teachings or Business Ethics courses or by informal sources like family, friends, and the media
      2. Public-Private Dimension: Ethics can come from the public arena such as work and the media or the private arena such as family, friends, and personal philosophies.
   B. Four types based on the two dimensions
      1. Informal/Public
         a) Ethics are influenced by the unwritten etiquette and norms of a culture
         b) Ethical climate = the informal shared perceptions of what are appropriate practices, procedures, and behaviors.
            (1) Research example: employees who witness unethical behavior at work are subsequently more tolerant of such behavior
      2. Informal/Private Dimension
         a) Ethics are largely influenced by family at an early age
      3. Formal/Public
         a) Formal schooling influences ethics by teaching children what is valued and rewarded
         b) Laws also indicate the ethical values of a society, often serving as minimum standards for ethics
      4. Formal/Private
         a) People may adopt personal ethical “maxims” from family, religion, or other sources
         b) Research by Kohlberg suggests that people’s personal moral development can be at one of three basic levels
            (1) Pre-conventional: Ethics are determined by self-interest and what is rewarded and punished
            (2) Conventional: Ethics are determined by social norms and external standards
            (3) Post-conventional: Ethics are based on transcendent universal principles derived through conscience and reason
               (a) Example: Immanuel Kant’s categorical imperatives, such as never to steal or lie
      c) Research suggests that 72 percent of the world’s population belong to a major religious group and that religious values can impact work behavior

II. Mainstream management ethics
   A. Moral point of view = a framework of values used to develop internally consistent and logically justified principles of right and wrong
      1. Example: The Golden Rule, “Treat other people as you would like to be treated,” is found in many religious and philosophical traditions
      2. Example: Cynical variation of the Golden Rule, “The person who has the gold makes the rules”
      3. Three components of a moral point of view:
a) Overarching goals
   (1) Mainstream example: maximize productivity, efficiency, profitability, and competitiveness

b) General rationale to explain why the goals are worthy
   (1) Mainstream example: variation of consequentialist utilitarianism assertion that the self-interested pursuit of material wealth is the best way to maximize well-being of the overall society
      (a) Consequentialist theory considers the consequences of an action in determining whether something is ethical
      (b) Utilitarianism: form of consequentialism that suggests that the ethical action is that which produces the “greatest good for the greatest number”
      (c) Egoism: form of consequentialism in which the utility of the option is dependent on the consequences to the individual decision maker

c) Description of key practices that are believed to be virtuous or effective

B. Mainstream process of making ethical decisions – four steps
1. Recognizing ethical issues (ethical awareness)
   a) Mainstream managers recognize issues as unethical if they undermine the goals of maximizing productivity, efficiency, profits, and competitiveness
   b) Managers can draw a stakeholder map to visually depict the groups that might be impacted by a decision

2. Gathering information and developing alternatives (ethical wisdom)
   a) In general, gathering more information from various sources leads to better decisions

3. Evaluating options and choosing wisely (ethical judgment)

4. Implementing ethical decisions (ethical courage)
   a) Courage is a middle ground between fearful inaction and fearful rashness and occurs when people challenge prevailing norms that they believe are unethical
   b) Whistleblowers = organizational insiders who identify unethical behavior and courageously report it even if it costs them personally to do so

C. Mainstream ethical influences on the four management functions
1. Planning: goals and responsibilities
   a) Mainstream managers’ primary goals include
      (1) Serving financial interests of the organizational owners
      (2) Maximize organizational profits (which is believed to maximize greatest good for the greatest number)

2. Organizing: structure and systems
   a) Official values and espoused ethical codes can influence employee ethical behavior, as can reward systems
   b) Mainstream approach to ethics is often a “deterrent approach” that aims to identify and punish unethical behavior
   c) Many organizations provide ethics training to help employees understand and practice ethical behaviors.

3. Leading: implicit and explicit action
   a) Managers act as role models in demonstrating ethical (or unethical) behavior
   b) Mainstream approach is transactional leadership whereby leaders reward ethical behavior and punish unethical behavior

4. Controlling: formal and informal
   a) Code of ethics: formal written statement of an organization’s primary values and the ethical rules it expects employees to follow
   b) Organizational culture: informal shared values, norms, standards, or the “unwritten” code of conduct
III. Multistream management ethics

A. Three components of Multistream moral -point of view

1. Overarching goals: providing meaningful work, practicing sustainability, attending to numerous stakeholders, facilitating servant leadership
2. General rationale is grounded in virtue theory that suggests that practicing and fostering virtue is the best way to improve societal well-being
3. Practicing the four management functions so to promote overall societal well-being

B. Virtue theory = Multistream approach to ethics that focuses on character and how managers practice and facilitate the practice of virtues and thereby facilitate happiness

1. Virtues = good and noble ways of acting regardless of the end result or consequence
   a) Four key virtues in organizations
      (1) Service: Managers should see themselves as serving employees, facilitating others’ efforts to get work done
      (2) Human development: Managers view work as a means for people to express themselves and grow
      (3) Nurturing community: Managers provide opportunities for all stakeholders to communicate and voice concerns and treat each other with dignity and respect
      (4) Balance: Managers promote “sustaincentrism” which promotes balance between human and ecological concerns in organizational endeavors
2. The goal, or “supreme good,” is to maximize happiness and well-being, which is achieved by practicing virtues

C. Comparing moral points of view from materialist-individualist perspective

1. Consequentialism: Mainstream approach with high materialist, high individualist emphasis
2. Virtue theory: Multistream approach with low materialist and low individualist emphasis
3. Moral-rights view: low materialist, high individualist approach asserting that managers should strive to protect the fundamental rights and privileges of individuals
4. Justice approach: high materialist, low individualist perspective that evaluates decisions and actions with regard to how benefits and harms are distributed among individuals and groups

D. Multistream process of making ethical decisions

1. Recognizing ethical issues
   a) Because Multistream managers consider more stakeholders and types of well-being, they may consider a broader range of ethical issues than Mainstream managers
2. Gathering information and developing alternatives
   a) Considering wide range of stakeholder perspectives, including their personal experiences and needs
3. Evaluating options and choosing wisely
   a) Multistream managers are more likely than Mainstream managers to invite input from stakeholders in decision making
4. Implementing ethical decisions
   a) Implementing Multistream moral point of view often requires courage to go against pressures to maximize financial success

E. Multistream ethical influences on the four management functions

1. Planning: goals and responsibilities
   a) Multistream goals tend to be balanced in financial and other needs of multiple stakeholders and to avoid teleopathy and organization-specific responsibility (OSR) associated with Mainstream goals
      (1) Teleopathy = an addiction to the unbalanced pursuit of a single purpose or goal
      (2) Organization-specific responsibility = responsibility to ensure that plans serve the financial interests and goals of the organization’s owners
b) Corporate social responsibility (CSR) is a growing Multistream approach referring to managers’ obligation to act in ways that protect and improve the welfare of stakeholders over and above the owners’ financial interests.

c) Social audit = a systematic analysis of an organization’s effect on stakeholders, including:
   (1) Is the organization economically responsible and profitable?
   (2) Is it meeting its legal responsibilities?
   (3) Are its ethical responsibilities being met?
   (4) Is it contributing to the broader community?

2. Organizing: structures and systems
   a) Multistream approach is to encourage positive ethical behavior rather than drawing attention to and punishing unethical behavior.
   b) Research shows that deterrence approach can backfire, ironically increasing the likelihood of unethical behavior.

3. Leading: implicit and explicit action
   a) Servant leadership = active, purposeful, self-controlled leadership that aims to help people grow, achieve, and derive esteem.
      (1) Has been shown to contribute to creativity and reduce unethical behavior.
      (2) Example: King Wangchuck of Bhutan instituted a measure of Gross National Happiness in contrast to the financial focus of the Gross National Product.

4. Controlling: formal and informal
   a) Multistream codes of ethics often differ from Mainstream in both content and process of creation.
      (1) Content: Likely to include positive or desired behavior as well as behaviors to avoid and often includes expectations for multiple stakeholder groups.
      (2) Process: Usually involves more than just upper management, seeking input from all organizational levels and multiple stakeholders.
   b) Multistream managers rely heavily on informal controls such as the organizational culture to influence ethics.