

**Ethical
Considerations
— in Today's
Business
Environment**

Importance of Ethical Behavior

- Strengthens relationships & reputations
- Avoidance of liability
- Enhances efficiency & effectiveness within the organization

Organizations Influence Individual Behavior

- Ethics framed in organizational context
- Does not dilute individual moral responsibility

Limits of Legal Compliance Programs

- Designed to prevent unlawful conduct
- Management required to:
 - Establish compliance standards and procedures
 - Designate oversight to high level personnel
 - Avoid providing authority to potential “bad actors”
 - Communicate company standards & procedures

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- Take steps to achieve compliance
 - Develop system for “risk-free” reporting of misconduct
 - Apply appropriate disciplinary measures
 - Respond to detected offenses
 - Take measures to prevent recurrences

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- Strategy for legal compliance necessary
 - Requires understandable guidelines
 - Accompanied by training

Legal Compliance Does Not Mean Ethical Behavior

- Compliance approach overemphasizes threat of detection & punishment
- Assumes rational behavior
 - Maximization of self-interest
 - Responsive to costs & benefits of behavior
 - Indifferent to moral integrity of decisions

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- May be counterproductive
 - Resistance to programs with standards that:
 - Stress penalties
 - Are established without employee involvement
 - Are vague or unrealistic

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- Do not engender mutual trust
 - Seen as liability insurance for management
 - Rarely address root causes of misconduct
 - Unlikely to stimulate moral imagination or commitment
 - Do not seek excellence or distinction
 - No guide for exemplary behavior or good practices

Integrity as Governing Ethic

- Holds organization to higher standard
 - Compliance – avoiding legal sanctions
 - Integrity – self-governance in accordance with guiding principles
- Gives meaning & life to guiding values
 - Creates environment supporting ethically sound behavior
 - Instills sense of shared accountability

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- Integrity strategy broader, deeper, & more demanding
 - Broadened by seeking to enable responsible conduct
 - Deepened by focus on ethos & operating systems of organization & its members
 - Guiding values
 - Patterns of thought & behavior

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- More demanding by requiring active effort to define responsibilities & aspirations making up entity's moral compass

Various Approaches to Integrity Initiatives

- Depends on what ethical values focused on
- May focus on core values reflecting basic social obligations
 - Respect for rights of others
 - Honesty
 - Fair dealing
 - Obedience to law

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- May focus on aspirations
 - Ethically desirable
 - Not necessarily morally obligatory
 - Good service to customers
 - Commitment to diversity
 - Involvement in community

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- Also depends on implementation approach
 - May specify appropriate behavior with system of incentives, audits, & controls
 - May focus on developing attitudes, decision-making processes, & ways of thinking

Ethical System Design

- Requires examination of interaction of numerous factors & forces
- Can enhance trust & morale within the organization
 - Hiring practices
 - Fairness of internal procedures
 - Potential for toxic social environment

Overview of Approach

- Building an Ethical Foundation
- Developing the Organizational Behavior System
- Interacting with the Community

Building an Ethical Foundation

- Tone at the top
 - Purpose
 - Playing a meaningful role in accomplishing something believed in encourages ethical behavior
- Communicated through mission statement

https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action

Mission Characteristics

- Moral & ethical position of organization
- Desired public image
- Key strategic influence for the business
- Description of target market
- Description of products & services
- Geographic domain
- Expectations of growth & profitability

Samples

<http://www.nucor.com/story/mission/>

<http://deliveringhappiness.com/book/zappos-core-values/>

People

- Meaningful hiring practices
 - Characteristics of “good” employee
 - Team member
- Developing a team
 - Job descriptions
 - Evaluation process

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- Aligning employees with mission
 - Job significance
 - Inclusion

Developing the Organizational Behavior System

- Dealing with diversity
 - Diverse cultures
 - Tolerance
 - Education
 - Diverse moral compasses
 - When it was set
 - How it is applied

LET'S EXAMINE SOME CASES

#1 Employee Sickness

You're a manager at a nonprofit. Your supervisee has been a planned-giving fundraiser there for five years. Four years ago, his performance was poor because he was undergoing chemotherapy. Since then, it's improved to average but, in the past few months has declined severely again—He's raised only half as much money as before.

He explains that his cancer has recurred and has spread to his lymph nodes, so he's in the middle of a six-month round of chemotherapy and his prognosis is not good. He says he prefers to keep working but if you terminate him, he won't file a claim under the Americans with Disabilities Act. He is his family's sole source of income and his non-profit salary is modest and so he has little in savings. He's just getting by.

Do you retain him?

Argument for Retention

Most organizations but especially nonprofits espouse putting people above profits. To let him go when he's been an acceptable performer and now has to endure treatment for recurred cancer would be hypocritical, especially since you know he is his family's sole support and he's saved little because he's worked for nonprofits.

From a pragmatic standpoint, letting him go would hurt the organization's morale. Besides, with his cancer having recurred and in his lymph nodes, it's unlikely he'd want or be able to stay employed for very long. Retaining him would be an appropriate "cost of doing business."

Argument for Termination

Less money raised means less services to the many needy people the nonprofit services. He's only one person. Yes he's an employee but the wise person makes decisions mainly based on what will do the most good, not giving extra consideration to the person in front of you.

You can mitigate the toll to staff morale by telling the employees the ethical basis for letting him go and giving them ample opportunity to process it. To help him financially, you might give a generous severance package. That would still save much money compared with keeping him on.

#2 Problem Pregnancy

You're four months pregnant and an ultrasound reveals your baby will have Down's Syndrome. Do you keep the baby or abort?

Argument for Continuing Pregnancy

To abort a Down's child is to kill a future person who likely can live a decent life. And from a selfish perspective, Down's children often are unusually sweet.

Argument for Termination

Having a Down's child will dramatically impede your career and personal life. And if you abort that child, you can choose to have another, who likely will be normal. In either case, you're bringing one child into the world. Why not bring one who will live a more enriched life and allow you to live yours?

#3 Cutting In

Every day, your commute back home requires you to exit from a two-lane road onto a freeway. To do so, you must be in the right lane. But that right lane backs up for two miles, adding 20 minutes to your daily commute.

You're tempted to stay in the left lane, which moves much more quickly and then, right before the freeway on-ramp, cut ahead of the cars that have been waiting the 20 minutes.

Do you cut in?

Argument to Cut In

Unlike some of the drivers, you're exhausted from a full work day and when you get home, you're going to have the equanimity to listen to them, break up their fights, be present for your spouse, and so on. To sit in that gridlock for that 20 minutes every day makes you a worse spouse and parent.

Argument Against Cutting In

Many other people also would be more effective human beings if they didn't have to sit in that right lane for 20 minutes. Even if your rationale is more compelling than some of theirs, the lesson you give to the other drivers—that selfishness pays—imposes too great a social cost.

#4 Product Weaknesses

You sell new Chevys. A prospect is deciding between a Chevy Cruze and a Mazda 3. She tells you that reliability is the #1 criterion in choosing the car. “I hate getting into my car to go to work and then it won’t start.

Or the vulnerability of being on the side of the road waiting for a tow truck." She thinks the Chevy is more reliable than the Mazda. You think she's wrong but aren't sure. You're thinking of checking *Consumer Reports* and letting the customer know what you find.

Argument for Researching & Reporting Weakness

If you do find that the Mazda is more reliable, you'll likely save the prospect much anxiety—She'll buy the Mazda, which she'll feel more confident in. And the car will, in fact, be less likely to break down. Of course, you can cite any benefits the Chevy has over the Mazda.

Argument for Not Researching & Reporting

It's unrealistic to expect a salesperson to do research that will likely eliminate the possibility of a sale. If that would be the case, the Chevy salesperson probably will sell few cars. That will both cut the dealer's income and result in the salesperson getting fired and being less likely to obtain another job to support the family.

If in a subsequent job interview, she is asked why s/he lost the job and says, “Because I keep doing research for prospective customers that reveals that my company’s cars are inferior,” she may never get hired for a sales job and have to train for a new career. It is ethical for a salesperson to not do such research for the customer but rather, listen to their needs and point out any relevant advantages the Chevy has over the Mazda.

#5 Resume with Known Discrepancies

You're a soft-skilled employee. You're not technical and have gotten by on being organized and well-liked. After having been laid off, you've looked hard for a job but it's now been 10 months and received no offers. You've exhausted your savings and are just two months from being unable to pay the rent. You could move back in with your parents but then your child would have to change schools, to a worse school.

You know that the longer you're unemployed, the harder it will be to convince an employer to hire you— You're increasingly viewed as having been picked-over—No one else wants to hire you so why should they. So you're wondering if you should lie on your resume and say you're working and ask your friend if it's okay to list him as your boss.

Argument for Lying on Resume

Many jobs require just soft-skills and you're good at them and so deserve a job, but with that gap in employment, it's really hard to land one. So if you leave that gap on your resume, you'll lose your apartment and have to live your parents, which will be hard on them, and your child having to change schools will mean she'll get a worse education and be around worse kids, not to mention she'd lose all her current friends. The small lie is more than compensated for by the benefit.

Argument for Not Lying on Resume

You're being unfair to the honest job applicant who thereby would be denied the job. Yes, it's possible that person needs the job less than you do, but that's far from certain. Also, the fact that you've not been selected despite 10 months of trying suggests that you may not be as worthy an employee as you think.

It's wiser to look inward and to get some honest feedback so you can improve your skills or change careers to one in which you'd more readily be hired.

#6 Hiding Money from Spouse

You've been married for five years and live in a city with high cost of living. You made nearly all the income and because that has been a real strain, you begged your spouse to find a job: "The stress is killing me!" But it has been to no avail. Your spouse made only half-hearted efforts, which not surprisingly failed. You were quite sure your spouse sabotaged efforts to land a job because she didn't want to work.

After three years, you were increasingly sure that the marriage won't last and so you hid \$25,000 by giving it to your mom for safekeeping. Now you're divorcing and although \$75,000 remains in a joint account, a friend tells you to put that \$25,000 back in the pot to be divided with your spouse in the divorce settlement.

Argument for Including Hidden Money

When you decided to marry, you knew the law requires that, in divorce, your spouse get half the money, no matter who earned it. And even if, before marrying, you didn't know your spouse would earn no income, if that indeed was a deal breaker, you should have initiated divorce when you realized that, which would have allowed both of you to more quickly move on to a mutually agreeable relationship.

Argument for Excluding Hidden Money

From a universal justice perspective, you deserve that money. You earned it and your spouse, who claimed, in marrying you to love you forever, despite your begging, “The stress is killing me,” refuses to work, and unless your income is unusually high, it's untenable, after taxes, to live in a major city or suburb on just one income.

From that cosmic justice perspective, it is unjust for that non-earner to get \$12,500 on top of having been supported for five years, plus the \$37,500 she'd get from the joint account's assets.

#7 Understating Age on Dating Website

You're older, been single a long time, and are lonely. You're frustrated that it seems that all the good potential romantic partners want someone younger. You think, "If only they'd give me a chance, they'd see I bring a lot to a relationship even if I have wrinkles."

So you're wondering if, like many people, your profile should say you're younger than you and include only a distant photo so your age isn't apparent.

Argument for Lying About Age

What really counts is what's inside and if you have to lie to overcome unreasonable ageism, why not? That would result both in you and the other person getting into a good relationship that wouldn't otherwise have occurred.

Argument Against Lying About Age

People should be allowed to make choices based on the truth. If a person wants a younger partner because of chemical attraction, is afraid that an older spouse will be culturally different, or get sick sooner, that's their right. Also, lying about age builds your relationship on a lie, which typically leads to more lies.

And all that assumes you don't get discovered. It's likely that at the first date, if you look older than your stated age or fuzzy picture implies, the person will distrust you and probably discontinue the relationship even if she otherwise enjoyed your company.

#8 Whistle Blowing

Your coworkers routinely pad their expense accounts.
Do you blow the whistle?

Argument for Blowing the Whistle

Except in unusual circumstances, stealing is unethical. A society in which property is unjustifiably wrested, cannot survive. Even if the company makes plenty of money and underpays you, that's insufficient justification for stealing. The appropriate response is to ask for a raise and/or look for an employer that will treat you better.

Argument for Not Blowing the Whistle

A few employees padding an expense account has minimal impact on most organizations' bottom line. And study after study shows that whistle-blowers normally lose their jobs and have a hard time finding new work.

For a relatively venial sin, is it worth jeopardizing your and your family's financial security? Besides, many organizations and their leaders make far more money than the workers—That's unjust. Not ratting on your coworkers is a mere bit of justifiable Robin-Hooding, income redistribution.

#9 Taking One's Own Life

You have stage 4 cancer and have poor quality of life.
So you're wondering if you should off yourself.

Argument for Taking One's Own Life

Even with co-pays, your family is probably losing its financial security paying for your care, for example in assisted-living or home nursing and domestic help. And the more care people get, the more expensive insurance premiums will be for everyone. Plus, there's a shortage of doctors, nurses, etc. If it's spent on hopeless cases, there's not enough access for people who could profit more.

That's something every war medic knows: Triage is necessary to make the biggest difference. And you know that if you continue with treatment, chances are you'll need expensive palliative surgery, drugs, etc, and still only live a short, low-quality time. You're well aware that most people spend the most health care dollars in their life's last six months.

Argument Against Taking One's Own Life

You can't be expected to be that self-sacrificial. You're entitled to live as long as you decide is worth it. Society has enough money to pay for good health care. If it chooses to spend on other things, that doesn't mean you have an obligation to kill yourself. Give yourself a break.

You're suffering enough in your illness. You shouldn't feel the need to donate your life. The savings to the system would be trivial, and with regard to your family's spending down their resources, shouldn't they have the freedom to decide what to do with their money?

Understanding Your Answers

- May be based on stage at which moral compass was set
- Consider Kohlberg's stages of moral development

Pre-Conventional

- Reward & punishment orientation
- Self interest orientation

Conventional

- Interpersonal accord & conformity with social norms
- Recognition of authority & social order orientation

Post-Conventional

- Social contract & belief in human rights
- Universal ethical principles & a principled conscience

Making Ethical Decisions

https://www.youtube.com/watch?v=yg16u_bzjPE

Diversity in View of What is Right

- Different theories of ethical behavior
 - Confucianism
 - Golden rule
 - Mutually beneficial relationships
 - Five constraints
 - Humaneness
 - Righteousness or justice
 - Proper rite – reason
 - Knowledge
 - Integrity

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- Personal integrity
 - Actions guided by excellence or virtue
 - Apply practical or moral wisdom
 - Strive for happiness or flourishing without impeding others
 - Socrates
 - Improvement of soul comes from virtue
 - Virtue is knowledge & acts of reason
 - To know good is to do good
 - Virtue is unteachable

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- Plato
 - Principles of justice, courage, wisdom, & moderation
 - Source of virtue through education
 - Belief that no one knowingly does wrong

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- Aristotle
 - Ultimate good is happiness, attained through moral virtue, which results from a habit of making right choices
 - Virtue is taught & practiced until it becomes habit
 - Do nothing to impede others' pursuit of happiness

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- Kantian
 - Ethics of moral duty
 - Reason is source of morality
 - Actions should be based on principle, not consequence
 - Motives are critical in evaluating morality
 - Actions are good only if motivated exclusively by duty

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- Utilitarianism
 - The ends justify the means
 - Morality of actions is based on their consequences
 - Actions, rules, & institutions are only justified if they bring about greater overall good
 - An action's value is measured on the basis of the quality & quantity of happiness that results

- Other Aspects of the Organizational Behavior System

- Develop attitudes that support & encourage positive behavior
- Build rapport based on trust & respect, not fear
- Lead by example, teaching by techniques & rewarding positive actions

Responsibilities of the Organization

- Effects community

Step 1 – Boss yells

at employee



Step 2 – Employee yells at wife



Step 3 – Wife yells at child



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Step 4 – Child is bully at school



" I STOOD UP TO THE CLASS BULLY LIKE YOU SAID,
DAD ... THEN *SHE* PUNCHED ME IN THE EYE!"

Just a Reminder



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- Profits or people
 - Peter Drucker
 - Human resource goals
 - Profit necessity
 - Nucor mission statement

HIGH MORALE

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HIGH MORALITY

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- Shaping moral character
 - “Doing well by doing good”
 - Nucor example
 - Investment in community
 - Safer environment & better employee pool

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- Promulgate trust, open communication, honesty, & integrity
 - Transparent environment
 - Thoughtful leadership
 - Even handedness
 - Mirror or window?

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- Organizations shape behavior of individuals
 - Will employees do what is best for company?
 - Will employees proudly display affiliation?

What About You?

A Happy Work Place Creates an Ethical Environment

<https://www.youtube.com/watch?v=Da5PNfG9Ezk>

Last Thoughts

- Keep an open mind & an open heart
- Practice common sense & common courtesy
- Do not be a silent bystander

And Remember

Small gestures can make a huge
impact