

Business Ethics

Instructor's Edition

THOMSON
—★—
COURSE TECHNOLOGY

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NOT FOR PRINTING OR INSTRUCTIONAL USE

Business Ethics

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ISBN 0-619-14820-9

Printed in the United States of America

1 2 3 4 5 PM 06 05 04 03

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PREVIEW

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Business Ethics

Introduction

After reading this introduction, you will know how to:

- A Use Course Technology ILT manuals in general.
- B Use prerequisites, a target student description, course objectives, and a skills inventory to properly set students' expectations for the course.
- C Set up a classroom to teach this course.
- D Get support for setting up and teaching this course.

Topic A: About the manual

Course Technology ILT philosophy

Our goal at Course Technology is to make you, the instructor, as successful as possible. To that end, our manuals facilitate students' learning by providing structured interaction. While we provide text to help you explain difficult concepts, the hands-on activities are the focus of our courses. Leading the students through these activities will teach the skills and concepts effectively.

We believe strongly in the instructor-led classroom. For many students, having a thinking, feeling instructor in front of them will always be the most comfortable way to learn. Because the students' focus should be on you, our manuals are designed and written to facilitate your interaction with the students, and not to call attention to themselves.

We believe in the basic approach of setting expectations, then teaching, and providing summary and review afterwards. For this reason, lessons begin with objectives and end with summaries. We also provide overall course objectives and a course summary to provide both an introduction to and closure on the entire course.

Our goal is your success. We encourage your feedback in helping us to continually improve our manuals to meet your needs.

Manual components

The manuals contain these major components:

- Table of contents
- Introduction
- Units
- Course summary
- Glossary
- Index

Each element is described below.

Table of contents

The table of contents acts as a learning roadmap for you and the students.

Introduction

The introduction contains information about our training philosophy and our manual components, features, and conventions. It contains target student, prerequisite, objective, and setup information for the specific course. Finally, the introduction contains support information.

Units

Units are the largest structural component of the actual course content. A unit begins with a title page that lists objectives for each major subdivision, or topic, within the unit. Within each topic, conceptual and explanatory information alternates with hands-on activities. Units conclude with a summary comprising one paragraph for each topic, and an independent practice activity that gives students an opportunity to practice the skills they've learned.

The conceptual information takes the form of text paragraphs, exhibits, lists, and tables. The activities are structured in two columns, one telling students what to do, the other providing explanations, descriptions, and graphics. Throughout a unit, instructor notes are in the left margin.

Course summary

This section provides a text summary of the entire course. It is useful for providing closure at the end of the course. The course summary also indicates the next course in this series, if there is one, and lists additional resources students might find useful as they continue to learn about the subject.

Glossary





The glossary provides definitions for all of the key terms used in this course.

Index

The index enables you and the students to quickly find information about a particular topic or concept in the course.

Manual conventions

We’ve tried to keep the number of elements and the types of formatting to a minimum in the manuals. We think this aids in clarity and makes the manuals more classically elegant looking. But there are some conventions and icons that you should know about.

Instructor note/icon	Convention	Description
	<i>Italic text</i>	In conceptual text, indicates a new term or feature.
	Bold text	In unit summaries, indicates a key term or concept.
<i>Instructor notes.</i>		In the left margin, provide tips, hints, and warnings for the instructor.
 <i>Warning icon.</i>		Warnings prepare instructors for potential classroom management problems.
 <i>Tip icon.</i>		Tips give extra information that the instructor can share with students.
 <i>Setup icon.</i>		Setup notes provide a realistic business context for instructors to share with students, or indicate additional setup steps required for the current activity.
 <i>Projector icon.</i>		Projector notes indicate that there is a PowerPoint slide for the adjacent content.

Activities

The activities are the most important parts of our manuals. They are usually divided into two columns, with questions or concepts on the left and answers and explanations on the right. To the left, instructor notes provide tips, warnings, setups, and other information for the instructor only. Here's a sample:

Do it!

A-1: Steps for brainstorming

Exercises

1 Sequence the steps for brainstorming.

Begin generating ideas.

Select the purpose.

Organize for the session.

Ask questions and clarify ideas.

Review the rules.

Select the purpose.

Organize for the session.

Review the rules.

Begin generating ideas.

Ask questions and clarify ideas.

PowerPoint presentations

Each unit in this course has an accompanying PowerPoint presentation. These slide shows are designed to support your classroom instruction while providing students with a visual focus. Each one begins with a list of unit objectives and ends with a unit summary slide. We strongly recommend that you run these presentations from the instructor's station as you teach this course. A copy of PowerPoint Viewer is included, so it is not necessary to have PowerPoint installed on your computer.

Topic B: Setting student expectations

Properly setting students' expectations is essential to your success. This topic will help you do that by providing:

- A description of the target student at whom the course is aimed
- A list of the objectives for the course
- A skills assessment for the course

Target student

Students will get the most out of this course if they are employees, supervisors, managers, and senior managers who want to learn how to make ethical decisions, encourage ethical conduct, and discourage unethical conduct in their organizations.

Course objectives

You should share these overall course objectives with your students at the beginning of the day. This will give the students an idea of what to expect, and will also help you identify students who might be misplaced. Students are considered misplaced if they lack the prerequisite knowledge or if they already know most of the subject matter to be covered.

After completing this course, students will know how to:

- Define business ethics, balance personal values and organizational ethics, and follow a process for making good decisions when ethical dilemmas arise.
- Identify criteria for whistle blowing, the risks associated with it, and when and how to blow the whistle.
- Identify the characteristics of ethical management, handle common human resource issues, and address ethical dilemmas raised by subordinates.
- Recognize and prevent unethical behavior, conduct an intervention meeting, and promote ethical behavior in the workplace.
- Identify the types of ethical issues that arise in various functional areas, promote and maintain ethical principles, develop a corporate code of ethics, execute an internal audit, and identify and balance corporate social responsibilities.

Skills inventory

Use the following form to gauge students' skill level as they enter the class. (Students have copies in the introductions of their student manuals.) For each skill listed, have students rate their familiarity from 1 to 5, with 5 being the most familiar. Emphasize that this is not a test. Rather, it is intended to provide students with an idea of where they're starting from at the beginning of class. If a student is wholly unfamiliar with all the skills, he or she might not be ready for the class. A student who seems to understand all of the skills, on the other hand, might need to move on to the next course in the series.

Skill	1	2	3	4	5
Defining business ethics					
Identifying the causes of ethical dilemmas in business					
Identifying the categories of ethical dilemmas in business					
Following a process for making ethical decisions					
Identifying barriers to making decisions					
Identifying criteria for when to blow the whistle					
Follow a process for blowing the whistle					
Identifying characteristics of ethical management					
Identifying ethical categories of managerial behavior					
Identifying types of human resource issues					
Addressing the ethical dilemmas of subordinates					
Identifying sources of unethical behavior					
Using an intervention meeting to end unethical behavior					
Encouraging ethical behavior in the workplace					
Identifying types of issues in various functional areas					
Developing a corporate code of ethics					
Executing an internal ethical audit					
Identifying types of corporate social responsibilities					
Handling conflicts that arise from responsibilities					

Topic C: Classroom setup

In addition to a manual, each student should be provided with a pad and pens or pencils for jotting down notes or questions. Students should have a comfortable place to sit and ample table space to spread out their materials.

Computer requirements

If you wish to use the PowerPoint presentations, you'll need the following:

- A Pentium-class or better computer
- A keyboard and a mouse
- A sound card and speakers
- Windows 98, NT, 2000, or XP
- A minimum of 32 MB of RAM, depending on your operating system
- A CD-ROM drive
- A Super-VGA monitor
- An overhead monitor projector
- PowerPoint 2000 or later, or PowerPoint Viewer

Classroom requirements

- A white board or flip chart and markers

Downloading the PowerPoint presentations

If you need to download the PowerPoint presentations for the course, here's what you do:

- 1 Connect to www.courseilt.com/instructor_tools.html.
- 2 Click the link for Business and Office Skills to display a page of course listings, and then click the link for Business Ethics.
- 3 Click the link for downloading the PowerPoint files, and follow the instructions that appear on your screen.

Topic D: Support

Your success is our primary concern. If you need help setting up this class or teaching a particular unit, topic, or activity, please don't hesitate to get in touch with us. Please have the name of the course available when you call, and be as specific as possible about the kind of help you need.

Phone support

You can call for support 24 hours a day at (888) 672-7500. If you don't connect to a live operator, you can leave a message, and we pledge to return your call within 24 hours (except on Saturday and Sunday).

Web-based support

The Course ILT Web site provides several instructors' tools for each course, including course outlines and answers to frequently asked questions. To download these files, go to www.courseilt.com/instructor_tools.html.

PREVIEW

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Unit 1

Ethical decisions

Unit time: 100 minutes

Complete this unit, and you'll know how to:

- A Define business ethics, describe how to balance personal values and organizational ethics, and identify common ethical dilemmas and their causes.
- B Describe the DECISIONS method of making ethical decisions and identify the barriers to making such decisions.

Topic A: Basics of business ethics

Explanation

Business ethics are the principles and norms that serve as a guide for good and bad conduct in business. Your company might have a specific, written code of conduct that acts as the ethical guidelines for employees.

Nevertheless, many ethical standards in business are implied, rather than being explicitly written down. An *implied ethical standard* is one that has been derived from your own ethical standards, or those of your family, friends, co-workers, and the society around you. Ethical standards influence your beliefs and how you make decisions.

Being ethical and being lawful are not the same. At times, ethical considerations can conflict with the financial or other interests of you or your company. Understanding how and why such ethical dilemmas arise will help you to overcome them. In order to make good decisions, you will also need to balance your personal ethics with those of your organization.

Differentiating law and ethics

Although many people equate obeying the law with being ethical, they are not the same thing. Situations will arise in which laws might not be broken, but ethical standards will be violated. Laws serve as a minimum requirement for ethicality. In other words, obeying the law is necessary but not sufficient in behaving ethically in the corporate world.

For example, imagine you've been asked to serve on a planning committee. Your objective is to decide whether to broaden the company's product line to include accessories for mobile phones. You currently own stock in a company that makes such accessories. Because competition from your own company might hurt the value of your stock, you might be tempted to influence the committee to decide not to go in that direction.

This type of ethical dilemma is called a *conflict of interest*. It is not illegal to act in a situation in which you have a conflict of interest, but it might well be unethical. In this case, you could avoid the ethical dilemma by explaining your situation and then immediately resigning from the committee.





Ethics in business

Ethical dilemmas arise for a variety of reasons in this business world. Four of the most common reasons are as follows:

- Selfishness and personal gain
- Profit pressures
- Business standards conflicting with personal values
- Cultural differences in global settings

Selfishness and personal gain

People who put their own interests above those of the business for which they work can become *ethical egotists*. Such people find the concept of business ethics worthless and often ignore the ethical standards of their company and society. In general, an ethical egotist will make decisions based on the punishment or reward they received for previous decisions. They often believe that such behavior will garner recognition by superiors, advancement, and the acceptance of their peers.

Profit pressures

People often act unethically due to the constant pressure to increase profits and beat competitors. Some businesses have been known to pressure suppliers to lower prices below market value. Companies also sometimes engage in price fixing, in which they collude with competitors to set high prices for all products. Both of these practices can result in higher profits, but both are unethical (and in some cases illegal).

Business standards conflicting with personal values

All people have their own sets of personal values that come from society, families, religions, and experiences. Ethical dilemmas can arise when those personal values conflict directly with the company's practices.

Cultural differences in global settings

Ethical dilemmas also arise in international businesses. Many companies have their headquarters in the United States, but manufacturing facilities in other countries. Ethical dilemmas might arise if, for example, job conditions that are considered normal in the manufacturing country conflict with labor standards in the United States.

Do it!

A-1: Discussing business ethics

Exercises

1 What are business ethics?

Business ethics are a set of principles and norms that serve as a guide for good and bad conduct in business.

2 Why do employees sometimes base their decisions on punishments and rewards?

- A Profit pressures
- B Selfishness and personal gain
- C Cultural differences

3 People who put their own interests above those of the business for which they work are known as _____.

ethical egotists

4 Define price fixing.

Price fixing occurs when a company collaborates with its competitors to set an artificially high price for products.

5 List some of the reasons for the existence of ethical dilemmas in business.

- ***Selfishness and personal gain***
- ***Profit pressures***
- ***Business standards conflicting with personal values***
- ***Cultural differences in global settings***

6 Your instructor will divide the class into two groups to debate the following statement:

“In the corporate world, obeying laws is necessary but not sufficient to ensure ethical behavior.”

The other two answers are reasonable as well. You might use this as a basis for discussion.

Divide the class into two groups to conduct the debate.

Encourage students to share some examples.

Personal and organizational ethics

Explanation



Balancing your personal ethics with that of your organization can be difficult. Nevertheless, you will need to do so in order to feel comfortable with the decisions you make at work. Here is a process you can follow to accomplish this balance:

- 1 Take inventory of your personal ethics.
- 2 Observe the organization's code of ethics and implied ethical standards.
- 3 Compare personal and organizational ethics.

Taking inventory

Take an inventory of your personal ethics. Ask yourself questions the following questions, among others:

- What values do I hold?
- What beliefs do I have?
- How do these values and beliefs apply to the business world?

Observing organizational ethics

You should obtain a copy of your organization's code of ethics. This document will provide an insight into the company's values. It is also important to make careful observation of the implied ethical standards at play within the organization.

Comparing personal and organizational ethics

Think of some specific ways in which your values can contribute to the business. For example, suppose your organization does not limit the number of sick days you may take per year. Although you've been given the freedom to call in sick as much as you want, your personal values probably tell you to call in sick only when necessary. In this case, you benefit your organization by merging your personal ethics with those of the company.

Do it!

A-2: Balancing personal and organizational ethics

Exercises

- 1 List the steps involved in balancing personal ethics with your organization's ethics.
 - 1 *Take inventory.*
 - 2 *Observe your organization's code of ethics and implied ethical standards.*
 - 3 *Compare your personal and organizational ethics.*
- 2 Which of the following questions will you ask yourself when taking an inventory of personal ethics?
 - A What values do I hold?
 - B What is my skill set?
 - C What beliefs do I have?
 - D How efficient am I in making decisions?
 - E How do my values and beliefs apply to the business world?
- 3 _____ will provide insight into the company's values.

Your organization's code of ethics
- 4 From your work experience, identify a situation in which there was a clash between your personal and organizational ethics. How did you manage the situation?

Answers might vary.
Encourage a discussion
around this question.

Ask two or three students
to share their experiences.

Common ethical dilemmas

Explanation



Here are five categories of common ethical dilemmas in business:

- Human resource issues
- Employee safety issues
- Conflicts of interest
- Customer confidence
- Use of corporate resources

Human resource issues

Issues associated with human resources occur as a result of employees working together. These issues are by far the largest category of ethical dilemmas in business. The three main types of human resource issues are as follows:

Point out that discrimination and sexual harassment laws and definitions vary.

- *Discrimination* is the unfair or preferential treatment of a person on the basis of one or more uncontrollable characteristics, including race, gender, age, color, religion, or national origin, as well as handicapped or pregnancy status. Discrimination against others in the workplace can impair your ability to perform your job according to company expectations.
- *Performance appraisals* are conducted to evaluate an employee's performance over a set period of time. For employees being evaluated, honesty and acceptance of responsibility for performance problems are important ethical considerations. For employees conducting appraisals, consistency and objectivity are key factors.
- *Sexual harassment* is any unwanted sexual behavior that creates an intimidating or hostile work environment. This includes unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature. This conduct is not only unethical, but illegal as well.

Employee safety issues

Every employee is entitled to a safe and healthy work environment. The Occupational Safety and Health Administration (OSHA) was created to ensure safety in the workplace. It is unethical and illegal to force an employee to perform an unsafe task.

Conflicts of interest

Conflicts of interest arise when an employee's judgment is compromised due to external influences. These situations present a particular ethical dilemma when the best interest of the employee and the best interest of the company are at odds.

Customer confidence

It is the ethical responsibility of every employee to ensure that customers are treated fairly and that no harm comes to customers as a result of using the company's products or services. There are three types of issues associated with customer confidence:

- *Confidentiality* has many aspects. It includes not divulging information about the particular products or services that a particular customer purchases. It can also include protecting information on mergers or downsizing plans, or even the fact that an organization or individual is a customer.
- *Product safety* means ensuring that the products entering the market are not harmful, and is the ethical responsibility of every employee. No product is completely safe, but it is the organization's responsibility to disclose all known effects of the product.
- *Truthful advertising* encompasses two primary types of ethical issues: exaggerating product features and falsifying product information. Deceptive advertising is unethical and it is the responsibility of the employee as well as the organization to see that false advertising does not occur.

Use of corporate resources

Ethical use of corporate resources requires that employees be fair and honest to their employers. Here are three considerations that fall under this category:

- **Using company letterhead.** Employees should not use company letterhead for personal reasons because such use can imply that the information contained in the personal document is supported by the organization. Examples include a letter of recommendation for a former employee written by an unauthorized employee, as well as personal messages that reflect the opinion of the employee and not the company.
- **Using supplies.** Unauthorized use of supplies is unethical because it costs your organization money, regardless of the quantity of supplies used. Although taking a box of pens home from the office might not appear to be an ethical issue, it is. Suppose that the box of pens costs the company five dollars. Now consider, that instead of taking the box of pens, you took five dollars out of the petty cash box. Ethically, the two actions are the same.
- **Skewed financial data.** Sometimes, an employee's compensation is linked to the company's financial performance. One major problem with this approach is the temptation of such employees to skew financial data. It is sometimes possible for an employee to accomplish this in a way that is unethical, although not illegal. Besides being unethical, such behavior can lead to serious consequences when future decisions are made based on the skewed data.

Do it!

A-3: Identifying common ethical dilemmas

Exercises

- 1 In the following scenario, Benjamin, a human resource manager, and Kate, another manager, are reviewing resumes to decide whom to hire.

Kate: Did you get a chance to look over Melissa Smith's resume? She seems ideal for this position.

Benjamin: No, I'm the one who interviewed her. She's pregnant right now and I don't want to hire someone who will go on maternity leave right after she's hired.

Kate: Isn't that unfair?

What type of ethical dilemma is portrayed in this scenario?

A human resource issue dealing with discrimination.

What is the right thing to do in this situation? Discuss.

It is illegal and unethical not to hire someone just because she is pregnant. Kate is right to point this out to Benjamin. If Melissa Smith is the most qualified candidate, she should get the job.

- 2 Which of the following is an important component of truthful advertising?

- A Disclosing product objectives
- B Disclosing product upgrades
- C Disclosing product faults
- D Disclosing product prices

- 3 Deborah has recently been hired as an administrative assistant in Icon International's consumer products division. She notices that some of her co-workers are taking office supplies home. She realizes that theft is wrong and is tempted to report the theft. But, she doesn't want to overstep her bounds or anger her new co-workers.

Which category of ethical dilemma is Deborah facing?

Use of corporate resources.

Discuss how Deborah might resolve her dilemma.

- 4 Which of the following issues is *not* associated with customer confidence?

- A Confidentiality
- B Skewed financial data
- C Product safety
- D Truthful advertising

Answers might vary.

Point out that Deborah might also be afraid of action taken against her if she speaks out about the theft.

Topic B: Making ethical decisions

Explanation

Ethical decision-making is a complex process as it is affected by a number of factors. Nevertheless, there are specific guidelines you can follow to help you arrive at solutions for these dilemmas. You also need to understand the barriers to decision-making that you will run up against.

Factors affecting ethical decision-making



Ethical decisions are difficult for many reasons. First, people are not always objective and rational during the decision-making process. Facts are overlooked and consequences might not be considered. Also, there is great uncertainty that exists in the business world. Although companies might go through rapid changes in organizational structure, it is often difficult to predict the outcome.

Religious beliefs and morals also have a strong effect on the process. People with a religious background use their beliefs as the foundation for their decisions. In addition, some people have strongly held, secular *morals*, which are beliefs about what is right and wrong. People aren't likely to take actions that go against their beliefs or morals.

People are also continually under the influence of external forces when making decisions. Some such influences are direct, while others are indirect.

Direct external influences

Direct external influences encompass our family, friends, and co-workers, as well as laws and regulations. Because we trust and respect our family and friends, we consider them to be a good source of advice. Co-workers also play an influential role because no one will understand a situation and its background better.

Of course, laws and regulations are a direct external influence, and must serve as the minimum requirements for all ethical people. If a course of action means breaking a law, it is most likely not ethical.

Indirect external influences

Indirect external influences include those that result from the prevailing beliefs of a region or society at large. There are diverse cultures both internationally and within each country. For example, the urban residents of the East and West coasts of the United States might be considered more liberal in their beliefs than the residents of the Midwest.

Media, such as newspapers, radio, and television, can also have a major impact on our beliefs.

The DECISIONS process for making ethical decisions

Ethical dilemmas are not simple matters, and it makes sense to keep a written record of how you arrive at your solutions. One process for making ethical decisions is represented by the *DECISIONS* acronym:

- 1 **D**iscover facts
- 2 **E**xamine issues
- 3 **C**onsider affected parties
- 4 **I**dentify solutions
- 5 **S**earch for consequences
- 6 **I**nspect obligations
- 7 **O**bserve effects on integrity
- 8 **N**ame potential actions
- 9 **S**elf-reflect

Discovering facts

Before you make a decision, it is imperative to gather all the facts surrounding the issue. In doing so, ask yourself these questions:

- What is the dilemma?
- What historical information is relevant to resolving the dilemma?
- How did the dilemma occur in the first place?

Sometimes, however, the facts are simply not available to you. In such a case, gather as much information as possible and move on.

Examining issues

For many ethical dilemmas, there will be more than one issue at hand. Don't stop at the first issue and accept it as the only one. During this step, it might be helpful to discuss the dilemma with people you trust, such as friends, family, and co-workers.

Considering affected parties

Identify the people affected by the dilemma. You can break up this step by categorizing the affected parties. Begin by identifying the individuals who are directly involved, then broaden your scope and identify all parties that are either directly or indirectly affected by your business. The following questions might help you during this process:

- Does the dilemma affect my department?
- Does the dilemma affect other employees, supervisors, or departments?
- Does the dilemma affect the entire organization?
- Does the dilemma affect our customers?
- Does the dilemma affect our suppliers?
- Does the dilemma affect the industry of which my organization is a part?
- Does the dilemma affect the local community?
- Does the dilemma affect the environment?
- Does the dilemma affect the government?
- Does the dilemma affect society in general?

Identifying solutions

Next, try to outline possible solutions to the dilemma. You should always consider at least two possible solutions, and often, there will be several more. List as many as you can, even those that don't seem ideal at first glance.

Searching for consequences

Then next step is to predict the consequences each affected party will face as a result of each potential solution. There can be numerous consequences for each party. Concentrate only on the most likely consequences and those that are negative. In this way, you'll spend less time considering consequences that shouldn't weigh heavily on your decision-making process.

Inspecting obligations

Obligations are the commitments, made directly or indirectly, that influence the day-to-day decision-making process. For example, accountants have an obligation to abide by generally accepted accounting principles. On a broader level, we all have an obligation to uphold the laws that are set forth by our governments. Your company's code of ethics is one obligation that you should always consider.

During this step, identify how the obligations of each affected party might influence the decision.

Observing effect on integrity

Determine how each possible solution will affect your character and integrity. One way to do this is to imagine the solution being publicized on the front page of a major newspaper or as the top story on a news broadcast. Ask yourself how you would feel if everyone in the world were to find out about your decision.

Naming potential actions

Next, determine which of the remaining possible solutions make sense when considering the affected parties, obligations, consequences, and your character and integrity. You should also consider any new possibilities that have come up during the decision-making process.

Self-reflection

Although objective and rational thinking is essential, it is also important to listen to your instincts. Instincts provide us with empathy and intuition, which cannot necessarily be modeled by an objective thinking process. If you are uncomfortable with a possible solution, think about it again.

Do it!

If you have time, ask students for examples of ethical dilemmas. Then, choose one and try going through the DECISIONS process with the class.

B-1: Discussing ethical decision-making

Exercises

- 1 Elaborate the acronym DECISIONS, which represents the steps for making ethical decisions.

Discover facts, examine issues, consider affected parties, identify solutions, search for consequences, inspect obligations, observe effects on integrity, name potential actions, self-reflect.

- 2 Which of the following are internal sources that influence the decision-making process?

- A Family
- B Religious beliefs
- C Morals
- D Laws
- E Media

- 3 When making ethical decisions, which of the following questions are helpful in gathering facts?

- A What is the dilemma?
- B Does the dilemma affect the government?
- C What historical information is relevant in resolving the dilemma?
- D What effect does it impart to the environment?
- E How did the dilemma occur in the first place?

- 4 What are obligations?

Commitments, made either directly or indirectly, that influence the day-to-day decision-making process.

- 5 Identify which of the following categories of external influences are direct and which are indirect.

Friends and co-workers

Direct

Country and society

Indirect

Laws and regulations

Direct

- 6 Give an example from your work experience of how your instincts helped you to make an ethical decision.

Ask a few students to share their experiences.

Barriers to decision-making

Explanation

There are many barriers that you'll face when making ethical decisions. The **SPECIFIC** acronym can help you to remember some of these barriers:

- **S**tress
- **P**attern processing
- **E**xternal influences
- **C**ost/benefit analysis
- **I**ntegrity
- **F**act gathering
- **I**nstinct
- **C**onsequences

Stress

Stress can inhibit you from making the best business decisions. It can cause a lack of attention to detail, which can then lead to poor fact gathering and unethical decisions. Some of the factors that contribute to stress in the workplace are:

- Need to balance personal and professional life
- Poor leadership
- Too many work hours
- Poor communication
- Lack of recognition
- Unattainable goals
- Downsizing

To combat stress at work, speak with family, friends, or a supervisor about your problems. It's also helpful to engage in extracurricular activities, such as exercise. If stress at work still doesn't diminish, changing jobs might be your only option.

Pattern processing

Pattern processing is the thought process used to make routine decisions. You don't think very deeply when pattern processing because your brain has been "programmed" to handle a particular routine event in a certain way.

One disadvantage of pattern processing is that you might overlook problems due to the habitual nature of your job. Another disadvantage is a lack of connection to honest negative emotions. Ethical dilemmas are often discovered when you feel uncomfortable about something. When pattern processing, you generally don't feel much of anything. Even if you do, you aren't likely to give voice to those feelings.

One way to combat pattern processing is to commit to being ethically conscious about every decision you make. To do so, you must consider the ethical dimension of every decision you are preparing to make.

External influences

It's natural and often useful to solicit advice on ethical issues from your friends, family, and peers. The problem here is that sometimes you won't get good advice. Be sure that the people with whom you consult have the appropriate background to offer advice, and are trustworthy, respectable, and insightful.

Cost/benefit analysis

A *cost/benefit analysis* is the process of adding up the dollar value of the benefits of a decision and subtracting the dollar value of its costs or disadvantages. If the dollar amount is positive, then you would say that the benefits outweigh the costs. Cost/benefit analysis takes the complexity out of the decision-making process, while making it as objective as possible.

The problem with cost/benefit analysis is that it eliminates the use of values and instinct. Another problem is that every decision has many aspects to which it is impossible to ascribe dollar values. How much, for example, is one employee's happiness worth? How much does a co-worker's anger cost?

Cost/benefit analysis also runs into trouble when you try to decide who gets to place a value on intangible items, such as human life. It also begs the question of how far into the future to calculate costs and benefits.

Integrity

Most of us believe we are more honest and respectable than the average person. Just as people are overconfident about their ability to determine and evaluate consequences effectively, it is common for individuals to inflate their honesty and integrity. As a result, it's not a good practice to rely solely on your innate integrity when making ethical decisions.

Fact gathering

When you're gathering facts, it is essential that you remain aware of any predispositions you have that are likely to bias you. If you are biased, you might stop gathering facts too soon, or you might interpret what you see in such a way that it supports your biases.

To minimize the effect of your biases, involve people of differing opinions in the fact-gathering process. If this is not possible, you should try to identify the matters about which you might be most biased. Being aware of your biases will help you to gather the most complete and accurate information.

Instinct

Just as it isn't wise to trust solely in your integrity, it is also unwise to trust your personal instinct without considering other factors. Although your instinct can help you through the ethical decision-making process, it can also mislead you when it is time to make the decision.

Consequences

People have a tendency to limit the number of consequences they consider. Another problem associated with the consideration of consequences is that people often overestimate positive consequences while undervaluing the negative ones.

To prevent inflating the positive aspects of a solution, involve various types of stakeholders in the decision-making process. When all affected groups are involved, the identification of consequences is much easier.



Consequences of ethical decisions

When faced with an ethical decision, you need to think about the consequences that stakeholders will face as a result of a proposed solution. You should also consider the consequences to you if you make a wrong decision. For example, you might suffer any number of personal consequences, including stress, headaches, depression, and other health-related consequences.

There are four other types of consequences you should consider when dealing with ethical dilemmas:

- Consequences of confidentiality
- Indirect consequences
- Immediate consequences
- Long-term consequences

Consequences of confidentiality

If you decide to keep an issue private to avoid negative reactions, consider the consequences associated with making the decision public at a later time. Think about how people will react when they find out that the issue was kept quiet.

Indirect consequences

Some effects that a decision will have on stakeholders will be obvious. But you must also think about the indirect consequences. For example, suppose you are trying to decide whether to tell your boss that your co-workers have been dishonest in reporting their work hours for the last week. If you tell your boss, your motives might come into question, and your co-workers might not trust you in the future. Future lack of trust is an example of an indirect consequence.

Immediate consequences

Immediate consequences occur within a relatively short period of time after the decision is made. Because the immediate consequences are often drastic, you should ask yourself if these consequences would be tolerable to the affected parties.

Long-term consequences

Long-term consequences occur some time after the decision has been made, and often have the biggest impact on the organization. Because of this, you need to consider them seriously when making an ethical decision.

*Do it!***B-2: Overcoming barriers in the decision-making process**

Encourage a discussion about the barriers in making ethical decisions.

Answers might vary. Encourage discussion if students have different answers.



Click the picture in the slide to play the movie.

Divide the class into three groups, and have each group discuss one of these barriers to decision-making.

Ask a volunteer from each group to summarize the key points of the discussion and share them with the entire class.

Exercises

- 1 Marcus is a network engineer in Icon International's consumer products division. He recently discovered that two of his co-workers have started an Internet business and are spending long periods of company time working on it. He has worked with these employees for a long time, and doesn't want to betray their trust. He is torn between his loyalty to his co-workers and his sense of duty to the company.

Discuss how Marcus can go about making a sound ethical decision.

- 2 Which of the following types of consequences has the most dramatic effect and needs to be considered extensively when making an ethical decision?

- A Consequences of confidentiality
- B Long term consequences
- C Immediate consequences
- D Indirect consequences

- 3 Watch the movie and then answer the following questions.

What type of barrier did Robert encounter?

Pattern processing

What would be the consequence if Kate did not find Robert's error? Discuss.

- 4 Your instructor will divide the class into three groups. Within your group, discuss the following barrier to decision-making:

Group A: Stress at work

Group B: Relying on integrity

Group C: Trusting your personal instinct without considering other facts

- 5 Which of the barriers listed below appears in the SPECIFIC acronym?

- A Consequences
- B Consider facts
- C Ignorance
- D Cost/benefit analysis
- E Instinct
- F Investigate choices
- G Cite reasons
- H Fact gathering

Use this scenario as a basis for discussion.

6 What are some of the disadvantages of cost/benefit analysis as an approach to making ethical decisions?

Answers might include the following:

- *Values and instinct are not considered.*
- *Dollar values can't be placed on some costs and benefits that should be considered.*
- *Difficult to determine whose values to use for intangible items.*

7 In the following scenario, Robert and Kristen, employees at Icon International, are seated in Kristen's office. They are discussing the company's recent plan to start the production of lids with latches.

Kristen: So, basically, we've decided not to add the safety latch onto the lid because we believe the latches will cost more than we would have to pay customers who are hurt as a result of not having them. Does this sound right?

Robert: Yes, that's what we decided initially, but I think we need to take another look at our customers' safety before finalizing the decision.

Kristen: Okay, I'll schedule a meeting with the General Manager so we can discuss it further.

Robert: Sounds good to me.

Is there a barrier here to making a good, ethical decision? If so, which type of barrier would you say it is?

The barrier here is using a cost/benefit analysis, which considers dollar costs, but not the human cost associated with customers being hurt.

What is the mistake that Kristen has made in her decision?

She did not consider the consequences of her decision that were not related to money.

8 How can you overcome your own biases during the fact-gathering process?

Answers might include:

- *Identify your biases so you are aware of them.*
- *Involve people with different opinions in the process.*
- *Be aware of predisposed opinions that you might have about the issue.*

Unit summary: Ethical decisions

Topic A

In this unit, you learned that **business ethics** are a set of principles and norms that serve as a guide for good and bad conduct in business. You learned that **being lawful** is important, but is not the same thing as **being ethical**. Next, you identified some of the **reasons** why **ethical dilemmas** exist in the business world. Then, you learned how to strike a **balance** between your **personal values** and your **organization's ethics**. You also learned about some of the **categories of ethical dilemmas**.

Topic B

Then you identified various factors that influence decision-making. You also learned a **process** for **making ethical decisions**. Finally, you learned about some of the **barriers** to making good ethical decisions, and considered the **consequences** of such decisions.

Review questions

- 1 What is pattern processing?

A thought process used to make routine decisions.

- 2 What is cost/benefit analysis?

The process of adding the dollar value of the benefits of a decision and then subtracting the dollar value of its costs.

- 3 What is OSHA?

The Occupational Safety and Health Administration created to ensure safety in the workplace.

- 4 List the three types of customer confidence issues.

- *Confidentiality*
- *Product safety*
- *Truthful advertising*

- 5 What are some of the factors that contribute to stress in the workplace?

- *The need to balance personal and professional life*
- *Poor leadership*
- *Excessive work hours*
- *Poor communication*

- 6 What are the two ethical issues associated with advertising?

Exaggerating product features and falsifying product information.

- 7 In which type of consequence would a lack of trust most likely result?

- A Immediate consequences
- B Long term consequences
- C Consequences of confidentiality
- D Indirect consequences

PREVIEW

NOT FOR PRINTING OR INSTRUCTIONAL USE

Unit 2

Whistle-blowing

Unit time: 45 minutes

Complete this unit, and you'll know how to:

- A Identify criteria for whistle-blowing and the risks associated with it.
- B Identify when and how to blow the whistle.

Topic A: Whistle-blowing criteria and risks

Explanation

Whistle-blowing is the process of exposing illegal or unethical actions conducted by members of an organization. Because the consequences of whistle-blowing can be extreme, you should be very sure that the situation has met certain criteria before you do it.

It's also important to note that an employer cannot legally reduce wages of an employee who blows the whistle. Although you are legally protected from being terminated or discriminated against if you blow the whistle, there are a number of risks you should consider before doing so.

Criteria for whistle-blowing

All of the following criteria must be met to justify unauthorized exposure of information (whistle-blowing):

- Information must be released by a stakeholder within the organization, usually an employee or former employee.
- Information that is released must not have already been made public.
- Information that is released must be about the misconduct of the company or its members.
- Information must be of substantial importance.
- Information must be released to parties that fall outside the whistle-blower's normal chain of command.
- Information must be released voluntarily in an effort to correct wrongdoing, rather than for revenge purposes.

Risks associated with whistle-blowing

According to several federal laws, including the Whistleblower Protection Act of 1989 and the False Claims Reform Act of 1986, it is illegal to fire an employee engaged in whistle-blowing. Several states also have laws that prohibit employers from firing individuals for whistle-blowing.

If termination does result from whistle-blowing, the whistle-blower should contact legal counsel immediately. Such an employee is eligible to file a suit against the employer for wrongful termination and might also sue for lost wages, punitive damages, attorney's fees, and emotional distress. It's also important to note that an employer cannot reduce an employee's wages for blowing the whistle.

Although you are legally protected from termination or discrimination if you blow the whistle, these are other risks you should consider:

- Falsely accusing the organization or its members
- Decreased individual and organizational morale
- Damaged relationships with co-workers or managers
- Decreased chance of promotions and wage increases

Do it!

A-1: Discussing whistle-blowing

Exercises

1 What is whistle-blowing?

Exposing illegal or unethical actions conducted by one or more members of an organization.

2 List three criteria for whistle-blowing.

Answers might include:

- *Information must be released by a stakeholder within the organization, usually an employee or former employee.*
- *Information that is released must be about the misconduct of the company or its members.*
- *Information that is released must not have already been made public knowledge.*
- *Information must be of substantial importance.*
- *Information must be released to parties that fall outside the whistle-blower's normal chain of command.*
- *Information must be released voluntarily in an effort to correct wrongdoing, rather than for revenge purposes.*

3 Name the two federal laws according to which it is illegal to fire an employee because the employee engaged in whistle-blowing.

Whistleblower Protection Act of 1989 and the False Claims Reform Act of 1986.

4 Think of some instances of whistle-blowing from your workplace or from other workplaces. Discuss the risks undertaken by the whistle-blowers.

Ask a few students to share the instances of whistle-blowing.

Topic B: The whistle-blowing process

Explanation

There are a number of guidelines that can help you decide whether or not to blow the whistle. There are also several steps you can follow to ensure that you blow the whistle legally, effectively, and with the least amount of harm to yourself and stakeholders.

When to blow the whistle

It's important to understand that sometimes blowing the whistle is not in your best interest. Before blowing the whistle, consider the following:

- Alternatives to whistle-blowing
- Significance of the dilemma
- Substance and clarity of facts

Alternatives to whistle-blowing

Before making the decision to blow the whistle, you should have exhausted all other avenues for reporting the information. In most companies, your first recourse would be to speak to your immediate supervisor.

Significance of the dilemma

To justify whistle-blowing, the consequences of not doing so should be severe. If the consequences would be seriously detrimental to stakeholders, including society in general, you are justified in blowing the whistle.

Substance and clarity of facts

It's crucial that you verify and substantiate the facts surrounding the dilemma. Obtaining documentation to support your findings is vital, as is documenting your own findings, especially if a lawsuit is filed.



Do it!

B-1: Recognizing when to blow the whistle

Exercises

1 What should you consider when deciding whether whistle-blowing is in your best interest?

- *Alternatives to whistle-blowing*
- *Significance of the dilemma*
- *Substance and clarity of facts*

2 You are working in Icon International's consumer products division. Due to a cost cutting maneuver, the department is understaffed. As a result, the department has been forced to approve products without sufficient testing. You have brought this problem to the attention of several supervisors, but they have ignored you.

Now, discuss the following:

Do you think it is appropriate to blow the whistle in this situation?

In the discussion, be sure to consider the alternatives, the significance of the dilemma, and the substance and clarity of the facts.

Use this scenario as a basis for discussion.

Guidelines for whistle-blowing

Explanation



Because blowing the whistle exposes an organization's wrongdoing, it can lead to very emotional responses. As a result, it is important that you approach the situation with caution and follow these guidelines:

- **Remain calm.** When you're dealing with sensitive issues, it's important to remain calm. If the person you're talking to becomes agitated, remaining calm will help you to listen more effectively, and might also calm the other person.
- **Be objective.** Focusing on facts will minimize the appearance of being biased or discriminatory.
- **Be specific.** When discussing the dilemma, be specific and provide as many details as possible. Avoid safe statements that are vague. This will help the listener understand the situation.
- **Avoid placing blame.** Placing blame makes people defensive, and defensive people have trouble listening.
- **Stay focused.** Focus on the dilemma and the facts surrounding it. Avoid discussing topics that are irrelevant.

Do it!

B-2: Identifying whistle-blowing guidelines

Exercises

Note students' ideas on the board. Facilitate their efforts to establish their own guidelines for whistle-blowing.

1 Think of an instance when whistle-blowing got you into trouble. Discuss your experience and identify some of the behavior that might have led to the trouble.

2 In the following scene, Robert, an employee at Icon International, is having a meeting with Kate, his supervisor.

Kate: So, why did you want to meet, Robert?

Robert: Well, I've noticed a problem lately with the manufacturing equipment in Area 4. Some of the machines are rusting, and I don't think it's very safe.

Kate: So, what are you saying? That we don't take employee safety seriously? I don't think you should be throwing out accusations like that around here.

Robert: I'm not making any accusations. I'm just bringing a potential problem to your attention, so that it can be properly fixed.

Kate: Oh. I'm sorry I jumped to that conclusion. I will definitely look into this further. Thanks for bringing it to my attention.

Comment on the approach taken by Robert. What was its impact on Kate?

Robert remained calm despite Kate's agitation, and communicated the issue to her effectively. Kate recognized her mistake and promised Robert that she would look into the matter.

3 Why is it important not to place blame when approaching an ethical issue?

Because blame makes people defensive, which gets in the way of good communication.

Have the entire class discuss the question.

Explanation

Blowing the whistle legally

Before blowing the whistle, you should be aware of—and adhere to—any state and federal laws or guidelines for whistle-blowing. Seek legal counsel if you feel uncomfortable at any time during the whistle-blowing process.

The WHISTLE acronym describes one process for blowing the whistle:

- 1 **W**rite reports.
- 2 **H**old a meeting with your immediate supervisor.
- 3 **I**nterim others.
- 4 **S**ee alternative internal authorities.
- 5 **T**alk to senior management.
- 6 **L**eave intervention options open.
- 7 **E**nter an option.

Writing reports

Throughout the entire whistle-blowing process, keep accurate documentation including memos, letters, faxes, general notes on the situation, and any other evidence that you think might ever be helpful. Providing documentation not only confirms that there is a dilemma, but also indicates that the whistle-blower is serious about the issue.

Holding a meeting with your immediate supervisor

When you are sure that the dilemma you've identified is real and objective, call a meeting with your immediate supervisor. If the dilemma directly involves your immediate supervisor, you should proceed directly to your supervisor's manager.

If the meeting with your immediate supervisor fails to achieve satisfactory results, request a second meeting. Prior to the meeting, review the correct procedure for reporting ethical dilemmas according to your organization.

If the second meeting doesn't provide resolution, request a meeting with your supervisor's manager. To ensure that your manager does not feel that you are going over his head, invite him to the meeting.

Informing others

If meeting with your management fails to resolve the dilemma, discuss it with trusted friends and family. As whistle-blowing can be extremely stressful, it's important to inform your family and friends early so they can provide you with support.

You can also use friends and family as sounding boards about the dilemma. Informing others is important because, before this, you've discussed the matter only with people whose opinions are likely to be biased (because they work for the organization). Getting an outside perspective on the dilemma might help you see it from a different angle.

Seeking alternative internal authorities

If meetings with your direct chain of command do not provide a satisfactory resolution, it's time to go to others within the organization. Prior to involving departments outside your chain of command, you should find out if your state has specific guidelines on whistle-blowing. If so, you should follow those guidelines.

If your company has an ethics department, you should approach one of its members with documentation and follow the general whistle-blowing guidelines. If your company does not have an ethics department, you should approach the department that is directly related to the dilemma.

For example, if the dilemma involves employee privacy, you should contact your human resources department. If it is a legal issue, contact your legal department, and if it relates to finance, contact your internal auditing department. Remember to follow the general whistle-blowing guidelines during this step of the process. Most whistle-blowing cases are resolved during or before this step.

Talking to senior management

If contacting and discussing the dilemma with other departments does not prove successful, it's time to take it to senior management. Try to meet with the manager who appears to be the most approachable and, as always, be sure to follow the general whistle-blowing guidelines.

Understand that if you take the dilemma to senior management, the managers you have previously talked to will be upset.

Leaving intervention options open

If, after discussing the dilemma with senior management, you have not received the desired resolution, you need to consider your remaining options. One option is to go to the police, if the dilemma involves illegalities. Another is to contact your local better business bureau or industry regulatory agency. You can also make the dilemma public by going to the press, or resign from your job. Always attempt to solve the dilemma before reaching this step. These options should be used only as a last resort.

Enacting an option

After considering your remaining options, you need to decide which one is best. Consider the disadvantages of each option carefully. For example, if you were to contact the police, you might become involved in a full-fledged investigation. If you've been keeping your involvement a secret, be aware that it will probably become apparent that you were the one who instigated the investigation. Contacting the press or an industry regulatory agency has the same disadvantages.

If you are still unsatisfied with the resolution provided by the option you have chosen, and the initial dilemma is still inhibiting your ability to perform your job, you need to consider resigning from your position.

Do it!

B-3: Blowing the whistle legally

Exercises

- 1 Identify and sequence the steps to be taken during the whistle-blowing process.

Write reports

Write reports

Think about consequences

Hold a meeting with your immediate supervisor

Inform others

Inform others

Enact an option

Seek alternative internal authorities

Leave intervention options open

Talk to senior manager

Seek alternative internal authorities

Leave intervention options open

Expand options

Enact an option

Talk to senior manager

Hold a meeting with your immediate supervisor

- 2 You are an employee at Icon International's electronic department, and it has come to your attention that the printing machines have faulty wiring that might cause fire.

You brought this problem to the notice of your immediate supervisor and informed him about the dangerous situation that the employees in the department are facing. However, your supervisor did not respond to it. Moreover, he blamed you for making false accusations against the company.

Would you blow the whistle in this situation? What would you consider before doing so? And if you did, how would you go about it? Discuss.

Work through the implementation of whistle-blowing in this situation on the white board with the students.

Unit summary: Whistle-blowing

Topic A

In this unit, you learned that **whistle-blowing** involves exposing illegal or unethical actions conducted by one or more members of an organization. You identified various **criteria** that must be met before blowing the whistle, as well as some of the **risks** associated with whistle-blowing.

Topic B

Then you learned **when to blow the whistle**. You also learned about the **guidelines** to follow when blowing the whistle, as well as how to **blow the whistle legally** by using the steps described by the **WHISTLE acronym**.

Review questions

- 1 When is blowing the whistle considered justifiable?

If the consequences of not doing so seriously threaten stakeholders, including society in general.

- 2 _____ helps to eliminate the possibility of appearing biased or discriminatory.

Being objective

- 3 How does remaining calm help when dealing with sensitive issues?

When dealing with sensitive issues, the people with whom you communicate are likely to be emotional and defensive. Remaining calm will help you to listen more effectively, and will also help to keep the other people as calm as possible.

- 4 Which of the following are risks to consider when you think about whistle-blowing?

- A Decreased profits due to bad publicity
- B Falling behind on normal work as a result of whistle-blowing
- C Decreased chance of promotion
- D Gaining ethical notoriety
- E Decreased organizational morale
- F Damaged relationship with managers

Unit 3

Managerial ethics

Unit time: 80 minutes

Complete this unit, and you'll know how to:

- A Identify the characteristics of ethical managers, different ethical styles, and the important ethical components of various human resource issues.
- B Ensure ethical behavior in the workplace and address the ethical dilemmas of subordinates.

Topic A: Ethical management

Explanation

Managers have to strike a sometimes difficult balance in order to be ethical. The primary objective in business is to maximize profits, but managers must ensure that the decisions they make to achieve that objective don't violate legal or ethical standards. It takes a certain kind of person, with specific characteristics, to achieve that balance. Not all managers are able to do this, and there are various ways of approaching the problem.

The need to be ethical

There are several reasons for managers to strive to be ethical. Most people feel better when they act ethically than they do when they act unethically. Also, subordinates look to their managers' behavior as a model for their own ethical behavior. As a result, an ethical manager is more likely to have ethical subordinates.

Managers should also strive to be ethical because over time, acting ethically helps to ensure the company's success. When an employee acts unethically, it reflects on the entire organization, which can erode customer confidence.

Another consequence of unethical behavior is that it forces government to enact laws to prevent unethical business practices. Punishment for such behavior can lead to fines and imprisonment. According to recent legislation, managers are responsible not only for their own unethical actions, but also for the actions of their subordinates.

Ethical behavior also contributes to the overall well being of society. Decisions made in business can and will affect the society in which we live.

Characteristics of ethical managers

The ETHICAL acronym describes seven key characteristics that ethical managers should possess:

- **E**mpathy
- **T**rustworthiness
- **H**onesty
- **I**ntegrity
- **C**onsistency
- **A**ccountability
- **L**oyalty

Empathy

Empathetic managers show a concern for the overall well being of all the people involved in a specific issue. Concern for others is a fundamental component of ethical behavior.

Trustworthiness

Trustworthiness is an important characteristic for managers because they have to deal with many issues that should remain confidential.

Honesty

Ethical managers are honest in all aspects of their job. By being honest with stakeholders, managers gain respect and credibility.

Integrity

Managers with integrity make decisions based on facts and personal ethics, rather than on pressure from others. The ethical path is not always easily taken, and personal integrity is a powerful motivator to do the right thing, even when it is difficult.

Consistency

Consistency helps managers to apply the same logic and standards to all situations—an important part of ethical behavior. Consistent managers tend to treat all subordinates fairly and equally.

Accountability

Accountability means that managers take responsibility for their decisions. Because of this, the manager is more likely to give those decisions the ethical consideration they deserve. Accountability also helps managers to recognize and learn from their mistakes.

Loyalty

Ethical managers should display loyalty to their organization, peers, and subordinates. Loyalty involves putting the well being of the organization first unless an issue arises that conflicts with other ethical concerns.

Do it!

A-1: Identifying the characteristics of ethical managers

Identify other reasons that can be added to the list.

Answers might vary. Encourage a discussion if they do.

Ask a few students to share their experiences.

Use this scenario as a basis for discussion.

Exercises

- 1 List some reasons why managers should strive to be ethical.
 - *Subordinates look to their managers' behavior as a model for their own.*
 - *An ethical manager is more likely to have ethical subordinates.*
 - *Managers who act ethically help to ensure the company's success.*
- 2 Which of the following ethical characteristics will help you most to make decisions that are not based on pressure from others?
 - A Honesty
 - B Empathy
 - C Trustworthiness
 - D Integrity
- 3 An ethical manager is most likely to have an ethical subordinate. Discuss.

Subordinates look to their managers' behavior as a model for their own.
- 4 For following behaviors, identify the characteristic that will most likely lead to each: loyalty, integrity, consistency, or accountability.

Treat all fairly and equally	<i>Consistency</i>
Recognize and learn from mistakes	<i>Accountability</i>
Place organization first	<i>Loyalty</i>
Make decisions based on facts	<i>Integrity</i>
- 5 Discuss an experience you've had as a manager in which being honest helped you to gain respect and credibility.
- 6 Sam is one of the best software developers at Icon International. He has received excellent feedback from the client. However, this time the client did not like Sam's work and rejected it.

Sam is very upset and discusses this with Catherine, his project manager. He tells Catherine that he followed all the instructions given by the client and put his best efforts into the project.

What characteristic of an ethical manager should Catherine display when discussing Sam's problem? Discuss.

Catherine needs to empathize with Sam. She needs to reassure him that she is ready to help him find a solution to the problem. As a result, Sam can relax and they can resolve the issue together.

Categories of managerial behavior

Explanation

These are the three broad categories of managerial behavior:

- Immoral
- Moral
- Amoral

Immoral management

Immoral management is a style in which all decisions are based on selfish motives and ethical principles are consciously circumvented. Managers who employ this style will deliberately attempt to find ways around laws and ethical standards that would prohibit them from accomplishing their goals.

The primary goals of immoral managers are profitability and company success, at any cost. They don't consider whether a specific decision is legal or illegal, ethical or unethical. They make decisions regardless of potential negative consequences to other stakeholders.

Moral management

Moral management is a style in which all decisions are based on ethical standards. For moral managers, following the law is the minimum ethical standard to be maintained. Managers practicing moral management try to consider the consequences for all stakeholders. Although such managers want to succeed, they will not make unethical decisions in order to succeed. For example, when faced with a decision between a course of action that will increase profits at the cost of harming society or one that will lose money but benefit society, the moral manager will probably choose the latter.

Amoral management

Amoral management can be divided into two categories: intentional and unintentional. Intentionally amoral managers don't incorporate ethics when making decisions. They believe that as business activities lie outside the realm of ethical and moral behavior, these factors should not be considered.

Unintentionally amoral managers also fail to factor ethics into their decisions. However, unlike intentional amoral managers, they believe that business decisions don't have an ethical impact on others. Unintentionally amoral managers are mostly selfish; they refuse or fail to recognize that their decisions might have a negative impact on others.

Maximizing profits ethically

Although the main objective in business is to maximize profits, businesses can't permit this goal to stand alone. Instead, the goal should be to maximize profits in the most ethical fashion possible. Each time you are asked to make a decision, ask yourself these three questions:

- Is the decision legal?
- Is the decision consistent with your company's code of ethics?
- Is the decision consistent with your personal beliefs and values?

If your decision violates one or more of these questions, reconsider it. Ask a trusted co-worker or your supervisor to review the decision with you.

Guidelines for maintaining ethical principles

When an ethical issue arise, it is important to consider obligations, ideals, and consequences. *Obligations* are enforced responsibilities, such as an implied verbal contract. *Ideals* are moral goals that individuals continually strive to uphold, such as an employee's right to privacy.

When all the solutions being considered are ethically problematic, follow these three guidelines:

- If obligations are conflicting, choose the solution that favors the stronger obligation.
- If ideals are conflicting, or if an obligation conflicts with an ideal, choose the solution with the strongest ideal or obligation.
- If there are negative consequences associated with all solutions, choose the solution that will do the least amount of harm.

For example, suppose that you have pledged to donate a specific amount to a local charity twice a year, for five years. You also regularly distribute profits to your employees in the form of year-end bonuses. Recently, your profit margin decreased. You don't have enough money to uphold both obligations, and must now decide which is more important. There isn't a right answer in such a situation, which is why it is so difficult.

A-2: Discussing ethical management

Exercises

1 What are the goals of immoral managers?

Profitability and company success at any cost.

2 List the three guidelines for making decisions when ethical decisions are problematic.

- *If obligations conflict, choose the solution that favors the stronger obligation.*
- *If ideals conflict or an obligation conflicts with an ideal, choose the solution with the strongest ideal or obligation.*
- *If there are negative consequences associated with all solutions, choose the solution that will do the least harm.*

- 3 In the following scenario, Shawna, Roger, and Pam, managers at Icon International, are having a discussion in the conference room.

Roger: So, do we all agree to hold off on reporting our inventory purchase until January 8th? If we report it this year, we'll have to take a loss on our income statement. Our shareholders won't like that at all.

Shawna: Wait a minute, Roger. If we wait to report it until next year, we'll be withholding important financial information from all of our stakeholders. Decisions are made based on that financial data.

Pam: We won't be caught. Besides, we've had a bad year, and next year is looking much better. That's just how businesses operate. We should make the decisions that will make the most amount of money to the company.

Roger: I think Shawna is right, Pam. If there were any way our shareholders could catch us, we would get into trouble. Although, if we could be assured that we wouldn't get caught, I don't see why we shouldn't hold off on reporting the purchase.

Identify the manager who exhibits a moral ethical approach in this situation.

Shawna

What is Roger's ethical approach?

Amoral ethical approach

Identify other questions that can be added to the list.

- 4 List the questions that need to be answered by the managers to make an ethical decision.

- *Is the decision legal?*
- *Is the decision consistent with your company's code of ethics?*
- *Is the decision consistent with your personal beliefs and values?*

- 5 Legally enforced responsibilities best fall under which of the following categories?

- A Ideals
- B Tasks
- C Obligations
- D Consequences

Human resource issues

Explanation



There are many types of human resource issues that you'll face as a manager. These include the following types of issues:

- Hiring
- Evaluation
- Disciplinary
- Termination

Hiring issues

When hiring employees, you should base your decision solely upon knowledge, skills, and ability. You should also be objective and consistent. Federal laws protect potential and current employees from discrimination based on age, race, color, national origin, religion, and gender, as well as pregnancy or handicapped status.

Evaluation issues

When evaluating subordinates, remain consistent and objective. For example, it would be wrong to criticize one employee for being late frequently while not saying anything to others who behave in a similar fashion. A good way to remain objective is to use your company's standardized evaluation forms.

Constant feedback and communication between you and your subordinates is necessary to facilitate a positive and productive working relationship. Don't wait until periodic performance evaluations to express your observations and suggestions. In fact, it is unethical to base salary adjustments upon performance problems that have not been brought to the employee's attention.

Use performance evaluations to determine objectives and goals for each employee. Then, meet with employees on a regular basis, perhaps monthly, to evaluate their progress towards those objectives and goals.

Disciplinary issues

Disciplining employees is one of the most difficult parts of a manager's job. Nevertheless, it is vital to the growth and overall success of the organization. Disciplining employees both ensures productivity and sets standards for the future. Discipline should occur immediately after a problem has occurred. It is imperative that the disciplinary actions remain consistent for all employees.

Termination issues

If verbal and written warnings don't solve a problem, you might need to terminate an employee. When making such a decision, remain objective and strive not to hurt the employee's dignity. Before employees leave, give them a chance to provide feedback on the overall state of the organization by conducting exit interviews.

Do it!

A-3: Discussing human resource issues

Encourage a discussion of hiring practices based upon this scenario.

Exercises

- 1 You manage the senior account executives at Icon International, and have to hire an employee for a senior account executive position. Although many candidates have applied, two are best suited for the job.

One candidate is currently employed with Icon's biggest competitor and has promised to bring a number of key accounts to Icon if hired. The second is a hard-working account executive with over fifteen years experience with Icon. Icon has a strong policy of promoting candidates from within. However, the first candidate has the potential to bring in substantial revenue.

As a manager, whom will you select and why?

- 2 Why is it important to discipline employees?

To ensure productivity and set standards for the future.

- 3 Effectively dealing with which of the following types of human resource issues is important in maintaining positive and productive working relationships?

- A Hiring
- B Evaluation
- C Disciplinary
- D Termination

Topic B: Subordinates' ethical issues

Explanation

A manager is responsible for ensuring ethical behavior in the workplace. There are various ways in which managers can do this. Subordinates might also bring forth ethical dilemmas that they are not able to solve, and managers need to be able to understand and help resolve such issues.

Ways to ensure ethicality

Here are four ways in which managers can ensure ethical behavior:

- Lead by example.
- Set ethical goals.
- Set ethical departmental standards.
- Be approachable.

Leading by example

Employees understand their company's culture is based largely upon the actions of their immediate supervisors. As a result, the best way a manager can ensure ethical behavior from subordinates is to act ethically at all times.

Setting ethical goals

Ethical goals provide a proactive approach to ensuring ethical behavior. These goals should be specific, objective, and measurable. An example of an ethical goal would be to have all subordinates attend a course on sexual harassment.

Setting ethical departmental standards

Ethical departmental standards reflect the ethical intentions of the department. An example of an ethical departmental standard would be the use of standardized forms when evaluating and disciplining employees. Such forms help ensure that managers do not use different criteria when evaluating subordinates.

Being approachable

Managers should be approachable. In an *open-door policy* managers allow their subordinates to approach them with any issue. For an open-door policy to be effective, you must be sure that you are both available and approachable.

Sometimes, managers claim to have an open-door policy, but their subordinates do not feel comfortable approaching them. This is often because subordinates feel that their managers either won't be receptive to what they have to say, or might not keep it confidential.

Do it!

B-1: Ensuring ethical behavior

Exercises

- 1 Identify the tactics that help facilitate ethical behavior in the workplace.
 - A Set ethical departmental standards.
 - B Be approachable.
 - C Arrive early to work.
 - D Lead by example.
 - E Hold meetings.
 - F Set ethical goals.
 - G List ethical problems.
- 2 Discuss how you believe it is important to act in order to help ensure ethical behavior.
- 3 Tom heads the production department at Icon International. Jim, one of his new subordinates, noticed that the printing machines in the department were not working properly. He tried to bring this to Tom's attention several times, but Tom always seemed busy. As a result, Jim wasn't able to present an invoice on the prescribed date.

Discuss this scenario from the standpoint of a manager ensuring ethical behavior.

Tom not being approachable has resulted in a problem for Jim. In the future, Tom should be more approachable. He should also not hold Jim accountable for the late invoice.

Ethical dilemmas of subordinates

Explanation

As a manager, one of your duties is to solve the ethical problems brought to you by your subordinates. Sometimes, these might be dilemmas for which you don't have the authority to initiate change. In such situations, you'll need to consider blowing the whistle. During the whistle-blowing process, you should remember to remain calm, objective, specific, and focused on the dilemma, as well as avoid placing blame on others.

Here is a process you can use to help solve ethical problems brought to your attention by subordinates:

- 1 Listen actively.
- 2 Obtain further information.
- 3 Explore possible solutions.
- 4 Select the best solution.
- 5 Implement the solution.
- 6 Evaluate the decision's effectiveness.

Listening actively

When employees approach you with an ethical problem, you should listen actively. *Active listening* means, among other things, asking questions to clarify your understanding of the issue. By asking questions, you show that you aren't taking the issue lightly.

Also, be sure to document the meeting. Documenting both the issue and the steps you decide to take to resolve it can serve as evidence if the issue eventually involves court testimony.

Obtaining further information

Investigation will help you determine whether the issue is limited to your department or involves the entire organization. If the issue involves the entire organization, you might need to bring it to the attention of other department heads, or even senior management.

Don't stop investigating after gathering preliminary information. Gather as much information as possible and be as thorough as you can. Remember that more information will help you to arrive at the best decision.

Exploring possible solutions

After obtaining information, explore your options. Decide whether the problem is one you can solve or whether you need to take it to a higher level. If the issue is one you can solve, list all possible solutions, and then list the consequences of each on the various stakeholders involved.

Selecting the best solution

The best solution is the one that makes the most sense financially and causes the least amount of harm to the stakeholders.

Implementing the solution

Before you implement a solution, discuss it with the stakeholders. Discuss both the positive and negative aspects of the solution in order to prepare stakeholders.

If the stakeholders disagree with your proposed solution, find out why and then take suitable action. Your solution should be the one that provides the most benefit and least harm to your stakeholders.

After agreeing with stakeholders on a solution, make a list of all tasks necessary in order to implement it. This list might consist of new equipment needed, new forms to be produced, or a rearrangement of staff priorities.

Evaluating the decision's effectiveness

To ensure that you solve the issue effectively, you must evaluate the success of the solution. Does the solution really solve the problem? Also, is there anything that needs to be done to make the solution work better? If there are any modifications that significantly change the scope of the decision, be sure to inform the stakeholders about them.

You should also revisit the issue periodically to be sure that the solution is working over time. Ask the stakeholders to tell you how they perceive the solution to be working.

Ethical dilemmas that don't warrant action

If an employee approaches you with an issue that you don't believe warrants action, explain to her why you feel that way. At this point, the employee is likely to get upset. Explain that your reasons for not taking action are not personal, and that you are willing to look into the matter further.

If after further investigation you still feel that the issue doesn't warrant action, explain that to the employee. Then, inform her that the next step would be to meet with your supervisor. It is a good idea to attend this meeting to show that you care about the well being of the organization as well as to explain why you did not take action.

Do it!

B-2: Handling ethical dilemmas brought by subordinates

Exercises

- 1 Select and sequence the steps in solving ethical dilemmas of subordinate employees.

Explore possible solutions

Listen actively

Implement the solution

Obtain further information

Listen actively

Explore possible solutions

Talk to senior manager

Select the best solution

Obtain further information

Implement the solution

Evaluate decision's effectiveness

Evaluate decision's effectiveness

Enact options

Select the best solution

- 2 Monica, a human resource manager, recently learned that one of her employees, Roger, would be laid off at the end of the quarter, along with a number of other employees. She has been given strict orders not to inform anyone until the proper time to avoid causing a disturbance within the company. However, Monica is concerned about Roger because he is in the process of buying an expensive house, and the layoff might ruin him financially. She also does not want to jeopardize her future within the department.

Discuss how you would help Monica solve this ethical dilemma.

- 3 Watch the movie and then discuss how the manager handled Shawna's issue.

The manager listened actively. She asked questions to clarify the issue. She also took notes indicating that she was taking the issue seriously. Finally, she told Shawna she would not use her name in discussions with John.

- 4 Narrate an experience you have had in which you evaluated the effectiveness of a solution to an ethical dilemma brought forth by a subordinate.



Click the picture on the slide to play the movie.

Ask for student volunteers to share their experiences.

Unit summary: Managerial ethics

Topic A

In this unit, you learned that managers should always try to be ethical because subordinates look to their behavior as a model. You learned about the **characteristics** that ethical managers should possess, which you can remember by using the **ETHICAL acronym**. Next, you learned about **immoral**, **moral**, and **amoral** management, and guidelines for **maximizing profits ethically**. Then you learned about the types of ethical **human resource issues** managers are likely to face.

Topic B

You learned how to **ensure ethical behavior** and how to solve the ethical dilemmas of subordinates. Then you learned how to handle ethical dilemmas that you believe **don't warrant action**.

Review questions

- 1 In terms of ethics, what are the three types of managers?

Immoral, moral, and amoral

- 2 Define immoral management.

A style of management in which all decisions are based on selfish motives and in which ethical principles are absent.

- 3 What are the two categories of amoral management?

Intentional and unintentional

- 4 What are ideals?

Moral goals that individuals continually strive to uphold.

- 5 What is an open-door policy?

One in which managers permit their subordinates to approach them with any and all issues.

- 6 Ethical goals should be _____, _____, and _____.

specific, objective, and measurable

PREVIEW

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Unit 4

Unethical behavior

Unit time: 60 minutes

Complete this unit, and you'll know how to:

- A Recognize the sources of unethical behavior, and take action to prevent it.
- B End unethical behavior by conducting an intervention meeting, and promote ethical behavior in the workplace.

Topic A: Recognizing unethical behavior

Explanation

As a manager, you can be held liable for your subordinates' unethical behavior. You can take a proactive approach to eliminating unethical behavior by recognizing its causes in the workplace.

Sources of unethical behavior

The barriers to decision-making described by the SPECIFIC acronym account for the sources of some unethical behavior in the workplace:

- Stress
- Pattern processing
- External influences
- Cost/benefit analysis
- Integrity
- Fact gathering
- Instinct
- Consequences

Other sources include the following:

- Ignorance
- Lack of recognition by the manager
- Personal financial burdens

Ignorance

Ignorance is a barrier to ethical behavior when you or your subordinates don't know all you should about a situation. As a result, you might not be able to recognize, diagnose, or fix a dilemma.

You should educate yourself about your company and its current activities, goals, vision, and values. Train your employees on these things as well.

Lack of recognition by manager

Recognition by management is an important form of reward for an employee. If a manager does not recognize an employee who needs recognition, the employee can become frustrated, and might behave unethically to gain the manager's attention. Although this attention could be negative, the employee would rather be recognized this way than not at all.

When an employee behaves unethically, regardless of intent, follow your organization's disciplinary procedures. To prevent employees from behaving poorly to get attention, praise your subordinates when they perform well.

Personal financial burdens

When an employee does not earn enough money to cover personal expenses, he might act unethically. This unethical behavior can have two objectives: to take revenge on the organization, or to obtain enough money to cover their personal expenses.

As a manager, you might have the authority to determine salary levels for your subordinates. It is unrealistic for managers to grant subordinates all the salary they might want. Yet it is realistic to pay employees a salary based on industry standards. If your organization's salary levels fall below such standards, you can expect to encounter unethical behavior.

Do it!

Answers might vary.
Encourage students to
share their thoughts.



Click the picture in
the slide to play the
movie.

Divide the class into three
groups, and assign each a
topic to discuss.

Ask a volunteer from each
group to summarize the
key points of the
discussion and share
them with the entire class.

A-1: Identifying sources of unethical behavior

Exercises

1 Which of the following are possible sources of unethical behavior?

- A Political influences
- B Personal financial burdens
- C Sleep deprivation
- D Ignorance

2 Watch the movie and then answer the questions that follow. In the movie, Shawna, Roger, and Pam are seated in the conference room, discussing a report on faulty disks.

In the movie, who exhibits unethical behavior? Substantiate your answer.

Pam, who did not consider any consequences of her decision other than those that were financial.

Identify the source of unethical behavior in this situation.

Pam's cost/benefit analysis.

3 Your instructor will divide the class into three groups. In your group, discuss the indicated source of unethical behavior in the workplace, providing examples from your experience.

Group A: Ignorance

Group B: Personal financial burdens

Group C: Lack of recognition by manager

Prevent unethical behavior

Explanation



Here are the four common methods for recognizing and preventing unethical behavior among your subordinates:

- Observation
- Noting secretive behavior
- Establishing internal controls
- Mandating vacation time

Observation

The easiest and most direct way to find out whether a subordinate is acting unethically is through observation. *Observation* means watching an employee carefully in order to catch her in an unethical act. When you find an employee acting unethically, tell her what you've observed, and insist that she stop immediately. Then, follow your company's discipline procedures.

Observation is not a simple task. Employees are not likely to engage in unethical behavior when they realize that you are watching. If you suspect unethical behavior, you will need to find ways to observe your employees without them knowing.

Noting secretive behavior

Signs of secrecy include closed office doors, an employee avoiding contact with you, and conversation ceasing when you enter the work area.

After having observed secretive behavior, you should call the employee into your office, and tell him what you've observed. Then ask the employee why his behavior has changed. Depending on the answer, you should discipline the employee appropriately, help resolve the issue, or stay out of the situation if it doesn't pose a threat to the organization.

Establishing internal controls

Most companies have established business processes within each department. If your department operates according to processes, establish internal controls. *Internal controls* allocate parts or sections of the process to different employees. By establishing internal controls, you make it difficult for employees to indulge in unethical behavior, such as embezzling and stealing supplies.

For example, suppose you manage the inventory department. Your department's responsibilities include filling out purchase orders and ordering, receiving, stocking, and rotating inventory. By establishing internal controls to specify that different employees monitor and double-check inventory, you can eliminate the possibility of unethical inventory management by one employee.

Mandating vacation time

Another way to protect your department from the unethical behavior is to mandate that all employees take a specified period of vacation. When an employee is on vacation, have a substitute perform her job responsibilities. This substitute will be in a position to identify any mistakes or irregularities.

Another reason for mandating vacation time is that employees periodically need time away from work. Stress is a major contributor to unethical behavior, and vacations are a good means to relieve some of that stress.

Do it!

A-2: Preventing unethical behavior

Exercises

- 1 Which of the following actions can help you to recognize and prevent unethical behavior?
 - A Establish internal controls
 - B Hire a private detective
 - C Note secretive behavior
 - D Use undercover surveillance
 - E Mandate vacation time
- 2 Which method of recognizing and preventing unethical behavior do you believe to be most effective? Discuss.
- 3 What are some of the advantages of establishing internal controls?
 - *By allocating parts or sections of the process to different employees, you establish clear accountability.*
 - *Internal controls prevent unethical behavior by having different people involved in the process.*

Encourage students to share their views.

Topic B: Ending unethical behavior

Explanation

When you know an employee has acted unethically, you must intervene and stop the unethical behavior immediately. Managers are also responsible for encouraging ethical behavior in the workplace.

Intervention meeting

An intervention meeting is often the right way to address unethical behavior. Here are eight steps that you can follow to have a successful intervention meeting:

- 1 Document the behavior.
- 2 Schedule a meeting.
- 3 Build rapport.
- 4 Explain the unethical behavior.
- 5 Convey consequences.
- 6 Exercise disciplinary action.
- 7 Share in the resolution responsibility.
- 8 Follow up and evaluate.

Documenting the behavior

When you first become aware of an employee's unethical behavior, you should document it. In the documentation, you should include the date and the time the unethical behavior occurred, as well as the nature of the behavior and any other relevant information.

Scheduling a meeting

When you notice an employee acting unethically, you should schedule a private meeting to discuss the behavior. If you address the employee in the presence of others, he is likely to be embarrassed and unreceptive to your feedback. Find an office or conference room that offers sufficient privacy. If you have to walk any distance to get to the location, try to talk casually with the employee along the way. This will help to put him at ease.

Building rapport

Before you speak to the employee about the unethical behavior, spend a few moments relating to her in casual conversation. For example, ask the employee how the day is going or whether she has any plans for the weekend. Building a rapport with the employee helps to put her at ease and fosters receptivity to your feedback. It's important not to seem disingenuous, however.

Explaining the unethical behavior

Next, explain that you called the meeting to discuss a specific issue involving the employee. Be clear what the issue is, why it is an issue, and when it started. You can also offer advice on how to handle such issues in the future.

Conveying consequences

Next, explain the consequences of the unethical behavior. Inform the employee of any major problems he has caused. If the employee understands the consequences of his actions, he might not engage in it in the future.

Although you should maintain a professional demeanor, you can also express your concern for the employee's well being. For example, you could tell the employee that you are worried about his reputation with co-workers, or that his failure to turn in reports on time could prevent others from completing their work.

Exercising disciplinary action

Review your company's policy regarding discipline for a specific unethical action, and then follow through with the disciplinary procedure. By being consistent and objective, you set an example of how unethical issues will be handled in the future.

Sharing in the resolution responsibility

Although it is imperative that the employee accept responsibility for his own behavior, you, as the manager, are responsible for facilitating the solution. Assure the employee that you want to work together to resolve the issue. Working together will make the employee more receptive to the solution.

Following up and evaluating

After deciding on a resolution, you should wait for an appropriate time before evaluating its effectiveness. During this period, you should observe the employee's behavior as inconspicuously as possible. Note any changes that he has made to correct his behavior, and be aware of any actions that are still having a negative effect on the employee and your department. When evaluating, you should meet with the employee to determine whether the problem has been resolved or whether further corrective action is needed.

Do it!

B-1: Conducting an intervention meeting

Exercises

- 1 Identify and sequence the steps to be followed in an intervention meeting.

Convey consequences

Document the behavior

Build rapport

Schedule a meeting

Document the behavior

Build rapport

Schedule a meeting

Explain the unethical behavior

Share in the resolution responsibility

Convey consequences

Explain the unethical behavior

Exercise disciplinary action

Inform others

Share in the resolution responsibility

Follow up and evaluate

Follow up and evaluate

Leave intervention options open

Exercise disciplinary action

- 2 As a district sales manager, you'll participate in an intervention meeting with Paul, an experienced account executive on your team. It has recently come to your attention that Paul is falsifying a sales call report to improve the perception of his productivity.

What steps would you take to end Paul's unethical behavior?

Use this scenario as a basis for discussing the steps that should be followed during an intervention meeting.

Encouraging ethical behavior

Explanation



Managers are also responsible for encouraging ethical behavior and discouraging unethical behavior. Here are three approaches you can use to do so:

- Reward employees.
- Discipline employees.
- Encourage the acceptance of responsibility.

Rewarding employees

Provide rewards to employees who perform well. Examples of rewards include raises, promotions, recognition, time off, and awards.

It's important to realize that some reward systems can actually encourage unethical behavior. To avoid this, ask yourself and your staff whether the goals outlined by the system can be attained ethically.

Disciplining employees

Although disciplining employees isn't fun, it is sometimes necessary to prevent unacceptable practices at work. The key to disciplining subordinates is to be consistent, objective, and fair.

For example, suppose a new employee was accused of sexual harassment and suspended six months ago. Now, an employee who has worked for the company for 15 years is accused of sexually harassing a co-worker. The disciplinary procedure used for this employee should be consistent with that used in the previous instance.

Encouraging the acceptance of responsibility

Often, when an employee approaches a manager with an ethical dilemma, the manager assumes the responsibility to resolve it. By not sharing that responsibility, the manager sends a message that the employee isn't necessarily in control of his own ethical situation. As a result, the employee might be more likely to engage in unethical behavior in the future.

To encourage ethical behavior, you should assign responsibility to employees and permit them to retain responsibility when ethical issues occur. When an employee approaches you with an ethical issue, encourage the employee to help you resolve it. By permitting subordinates to take responsibility for their actions, you encourage them to make ethical decisions and choices.

Do it!

B-2: Promoting ethical behavior

Exercises

- 1 Identify approaches you can take to encourage ethical behavior.
 - A Rewarding employees
 - B Being approachable
 - C Encouraging the acceptance of responsibility
 - D Evaluating employees
- 2 What are the keys to disciplining employees?
 - *Consistency*
 - *Objectivity*
 - *Fairness*
- 3 _____ can sometimes encourage unethical behavior.
Poorly designed reward systems
- 4 Why is it important to permit subordinates to take responsibility for their actions?
It encourages them to make ethical decisions and choices.

Unit summary: Unethical behavior

Topic A

In this unit, you learned about the **sources of unethical behavior**. You learned that they are **barriers in decision-making**. You also learned that **ignorance, lack of recognition by managers**, and **personal financial burdens** are additional sources of unethical behavior. Then, you learned about several methods for **recognizing and preventing** unethical behavior.

Topic B

You learned that when an employee has acted unethically, it's necessary to **intervene** and stop the unethical act immediately. You also learned how to conduct an **intervention meeting** to accomplish this. Finally, you learned several approaches for encouraging ethical behavior, including **rewarding employees, disciplining employees**, and **encouraging the acceptance of responsibility**.

Review questions

- 1 What are the two possible objectives of unethical behavior due to personal financial burden?

To take revenge on the organization and to obtain money to cover personal expenses.

- 2 What are some of the signs of secretive behavior in the workplace?

- *Closed office doors*
- *Employees avoiding contact with others*
- *Employees ceasing conversation when others enter*

- 3 Identify three approaches to promoting ethical behavior.

- *Reward employees*
- *Discipline employees*
- *Encourage the acceptance of responsibility*

- 4 Being _____, _____, and _____ when disciplining, benefits the entire department by setting an example for handling unethical behavior.

consistent, objective, fair

- 5 What is the final step in an intervention meeting?

- A Document the behavior.
- B Convey consequences.
- C Follow up and evaluate.
- D Exercise disciplinary action.

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Unit 5

Organizational ethics

Unit time: 90 minutes

Complete this unit, and you'll know how to:

- A Identify the need for organizational ethics and the types of ethical issues that arise in various functional areas.
- B Promote and maintain ethical principles in business.
- C Develop a corporate code of ethics and execute an internal audit.
- D Identify types of corporate social responsibilities and handle conflicts in responsibilities when they arise.

Topic A: Organizational ethics basics

Explanation

Problems arise when a business focuses on profit without consideration of other effects on the organization's stakeholders, including customers, employees, investors, suppliers, and society at large. The ideal goal for businesses should be to maximize profits without compromising the well being of stakeholders. One way to ensure this is to enforce ethical behavior within the organization's various functional areas.

Importance of ethics in organizations



Although businesses should act ethically for the sake of improving society, there are several other incentives to do so.

For example, businesses rely heavily on the perception that they are acting with goodwill when marketing products and services. If a corporation conducts business unethically, consumers will take notice, and profits might suffer. On the other hand, an ethical organization builds trust among the public.

Another incentive for acting ethically involves government interactions with businesses. When an organization that has protected the environment and acted in the best interest of the community, the government is likely to be more lenient with the organization.

In addition, employees and shareholders take notice of an organization's unethical activities. When an organization is highly ethical, it will hire and retain ethical employees. Shareholders also benefit from an ethical organization. In the long run, a socially responsible organization is likely to be more profitable. When a company is socially irresponsible, its investors might divest in the fear that stock prices will plummet due to a damaged public reputation.

Do it!

A-1: Discussing the need for organizational ethics

Exercises

1 What is the ideal goal of business?

Maximizing profits without compromising the well being of all stakeholders.

2 What are the positive effects when organizations act ethically?

- ***Increased profits***
- ***Decreased fines and legal expenses***
- ***Increased good will***

3 Why do investors divest when organizations act unethically?

Out of fear that stock prices will plummet.

Ask a few students to share their answers.

Answers might vary.

Functional area ethics

Explanation



Functional area ethics focus on specific ethical guidelines for various functions within a company. All functional areas within an organization should establish ethical standards. You can break down the functional areas into the following five categories:

- Human resources
- Accounting
- Finance
- Marketing
- Other

Human resources

Human resources issues result from employees working together, and are by far the largest category of ethical dilemmas. The categories of human resource issues include discrimination, performance appraisals, and sexual harassment.

Accounting

Accounting is vital to any company's success. It provides important financial information on which decisions are based. A company's financial statements also inform investors, the government, and tax collectors about the state of the organization. Examples of unethical behavior in accounting include falsified financial statements, bribery, and embezzlement. To help guide the accounting process, professional accounting firms have developed principles that all organizations should follow. These principles emphasize honesty, integrity, consistency, and accuracy.

Finance

The finance function of a company has several responsibilities. These include forecasting and planning, investing in financial markets, investing in assets, dealing with risks such as natural disasters and fluctuating securities prices, and ensuring that the company operates in the most efficient manner.

Common ethical issues in finance include insider trading, illegal stock transactions, inflated financial information, and embezzled company profits. To prevent unethical finance behavior, organizations must establish and uphold standards such as emphasizing honesty and not inflating financial information. Corporations should maintain strong disciplinary procedures for employees who engage in criminal behavior related to the organization's finances.

Marketing

The marketing function of a business involves product pricing, information, advertising, and research. It is the responsibility of the marketing department of an organization to guide its products to the consumers.

There are several ethical issues affecting corporations' marketing divisions. These include unfair product pricing, misleading product information, false advertising, skewed research results, kickbacks, and bribery.

To curb unethical marketing practices, the American Marketing Association has developed a code of ethics called, "Professional Codes of Conduct in Marketing and Information Systems." This code stresses honesty and fairness, accepting responsibility for consequences, and product safety.

Other functional areas

Other functional areas within an organization include information systems, production, maintenance, and purchasing. Employees in all of these areas must act ethically to ensure overall organization ethicality. For example, information systems departments must maintain confidentiality among all stakeholders. Maintenance departments must dispose of toxic waste in a manner that does not harm the environment. Production departments must take quality control measures to ensure that products are safe and of the highest quality.

*Do it!***A-2: Discussing functional area ethics****Exercises**

1 What are the responsibilities of the finance function of a company?

- *Forecasting and planning*
- *Investing in financial markets*
- *Investing in assets*
- *Dealing with risks such as natural disasters and fluctuating securities prices*
- *Ensuring that the company operates in the most efficient manner*

2 Match the categories of functional area ethics with the ethical issues most likely to affect each: human resources, accounting, finance, marketing, and maintenance.

Unfair product pricing and bribery

Marketing

Discrimination and performance appraisals

Human resources

Falsified financial statements and embezzling

Accounting

Insider trading and illegal stock transactions

Finance

Disposing of toxic wastes

Maintenance

3 How can you prevent unethical financial behavior?

Establish and uphold standards such as emphasizing honesty and not inflating financial information. It's also important to maintain strong disciplinary procedures.

Topic B: Ethical principles

Explanation

Ethical principles established in organizations help to promote ethical behavior. However, merely establishing the principles isn't sufficient. It's also necessary to continually work to uphold such principles.

Principles of highly ethical organizations

Highly ethical organizations establish clear ethical principles and guidelines. The ETHICS acronym describes a set of guidelines you can use to promote ethical behavior:

- Environmentally sound business practices
- Transmission of purpose
- Honesty and fairness
- Individual responsibility
- Commitment to a better society
- Supreme stakeholder involvement

Environmentally sound business practices

Businesses have an ethical responsibility to protect the environment. To ensure that businesses uphold this responsibility, the government has established several laws and regulations. These include the following:

- **Clean Air Acts of 1970 and 1990.** These acts promote clean air by limiting urban smog, acid rain, and gas emissions. They attempt to prevent respiratory problems and other negative consequences to society.
- **Water Pollution Control Act of 1972:** This act promotes clean waterways and discourages disposal of toxic waste into waterways.
- **Pesticide Control Act of 1972:** This act limits the use of dangerous pesticides that might contaminate groundwater.
- **Hazardous Materials Transport Act of 1974:** This act regulates the transportation and disposal of hazardous waste.

Transmission of purpose

A business should communicate its purpose clearly to all stakeholders. An organization's purpose establishes its goals and beliefs. By communicating its purpose to its stakeholders, the organization helps to ensure that the purpose is carried out in the most ethical manner possible. Your organization's purpose should be included in statements of your mission, vision, and core values.

Honesty and fairness

Ethical organizations should be honest and fair in all business activities, including employment, product pricing, financial reporting, and profit distribution. For example, if a situation arises in which a company has been made aware of a serious product safety issue, the company should inform consumers of the issue and attempt to correct it.

Individual responsibility

It takes individuals to operate a company. As a result, an organization must have ethical individual employees in order to be ethical as a whole.

For example, suppose you are aware that the chief financial officer is engaged in illegal investment strategies. The CFO is not likely to report this to the authorities. It would be your responsibility to report the behavior to the appropriate parties.

Commitment to a better society

Although contributing to charitable organizations and other causes decreases profit, such behavior will benefit the company by doing good for society as a whole. Such benefits include an improved reputation and, eventually, increased profits.

For example, assume you are an executive of an investment firm that is located near a business university. By making charitable contributions to the university's finance department, you'll help students to receive a better education. Such students might well eventually make excellent employees who contribute to the company's profitability.

Supreme stakeholder involvement

An organization's stakeholders consist of investors, customers, employees, suppliers, and society in general, whereas an organization's shareholders include only its investors. Businesses that weigh consequences among all stakeholders tend to act more responsibly than those that consider consequences only to shareholders. It's difficult to balance these consequences because some actions will benefit one stakeholder group while harming another.

Do it!

B-1: Discussing ethical principles of organizations

Exercises

- 1 Identify the guidelines for promoting ethical behavior in business activities.

Transmission of purpose

Honesty and fairness in business activities

Commitment to better employee benefits

Setting departmental standards

Environmentally sound business practices

Commitment to a better society

Individual responsibility

Supreme stakeholder involvement

Environmentally sound business practices

Transmission of purpose

Honesty and fairness in business activities

Individual responsibility

Commitment to a better society

Supreme stakeholder involvement

Encourage a discussion of this based on the guidelines for promoting ethical behavior in business activities.

- 2 You are the sales director of Icon International's hardware and software division. The company has been advertising an introductory special on the DT01, a personal computer scheduled to be available to consumers in time for the holiday sales rush. Due to recent delays in the overseas shipping of some components, various units will not be available by the promised time.

Discuss whether you should announce this to the public, thereby losing or deferring sales, or pre-sell the units and deal with potentially dissatisfied customers when the product cannot be delivered on time.

Identify other laws that can be added to the list.

- 3 List some laws and regulations established by the government to protect the environment.

Answers might include:

- *Clean Air Acts of 1970 and 1990*
- *Water Pollution Control Act of 1972*
- *Pesticide Control Act of 1972*
- *Hazardous Materials Transport of 1974*

Maintaining ethical principles

Explanation



Although ethical principles seem good in theory, the only way to benefit from having such principles is to continually uphold them. The methods described by the LEAD acronym can help you maintain ethical principles in the workplace:

- **Lead** by example.
- **E**xercise an open-door policy.
- **A**ctively listen.
- **D**ecipher feedback.

Lead by example

A new stakeholder will figure out the company's culture based largely upon the actions of other stakeholders. Therefore, it's important to be a living example of ethical behavior. As a high-level manager, you need to be aware that your actions have a large impact on your organization's corporate culture.

Exercise an open-door policy

When you manage an organization, it's important for you to be approachable and maintain an open-door policy. To have an effective open-door policy, you should be approachable as well as available.

Actively listen

When stakeholders approach you with an ethical problem, you should actively listen. Ask questions to clarify the issue and to convey that you don't take it lightly.

You should document all such meetings and their content. Documenting the issue and the steps taken to resolve it can serve as evidence in a court of law, should such evidence become necessary.

Decipher feedback

You must respond directly to the feedback you receive for it to be beneficial to your firm. By responding directly to those who give you -feedback, you convey that you take their input seriously and that ethical issues are important to you and your organization.

If your responses to feedback don't satisfy your stakeholders, you should explain why you responded that way, and tell them that you're willing to look into the manner further.

Another reason to respond appropriately is that the person might already have told others in the organizational chain of command about the issue. You might be her last resort before reporting the issue publicly. Consider discussing the issue with others to ensure that you make the best decision.

Do it!

B-2: Upholding ethical principles

Exercises

1 Which of the following is the method for maintaining the ethical principles represented by the “E” in the LEAD acronym?

- A Environmentally sound business practices
- B Exercise an open-door policy
- C Establish a code of ethics
- D Evaluate issues

2 Why is it important to maintain an open-door policy when managing an organization?

To make stakeholders feel comfortable when they approach you with their concerns.

3 The best way to ensure ethical behavior in the workplace is to be a living example of ethicality. Discuss.

Encourage students to share examples from their own experiences.

Topic C: Ethical safeguards

Explanation

A *corporate code of ethics* is a formal statement that defines a company's ethical standards for all activities. The code should consist of broad ideals, such as being honest, as well as specific guidelines, such as sexual harassment policies and consequences for specific ethical behavior.

Developing a code of ethics is important not only because it will promote ethical behavior throughout the organization, but also because it can also help reduce organizational liability in a court of law.

Another way to provide an ethical safeguard is to conduct an internal ethical audit to ensure that the code of ethics is being upheld throughout the organization. Such an ethical audit must be performed regularly to be effective.

Corporate codes of ethics

To develop and enact a corporate code of ethics, you can follow the steps represented by the DEVELOP acronym:

- 1 **D**etermine a purpose.
- 2 **E**stablish a committee.
- 3 **V**erify existing principles and codes.
- 4 **E**mphasize clarity.
- 5 **L**aunch the code.
- 6 **O**btain feedback.
- 7 **P**ursue resolution to negative feedback.

Determining a purpose

You might be establishing a code of ethics because your organization is expanding and formal codes are now needed. Or, you might be doing so because scandalous behavior has occurred within your organization's industry and you want to prevent such unethical behavior from occurring in your firm.

Whatever the reason, being clear about your purpose will help you to evaluate the effectiveness of the code.

Establishing a code of ethics committee

A code of ethics committee is a group of stakeholders whose job is to develop, maintain, and evaluate an organization's code of ethics. The committee should be diverse, including employees, managers, customers, suppliers, and any other affected parties. This diversity will help you to create a code that is relevant to the entire company, and not just to specific stakeholders.

After establishing members of the committee, you should schedule regular meetings and also meet whenever the need arises. The primary task of the committee is to create the code. Later, meetings will consist of discussing important ethical issues, violations of the code of ethics, and resolutions to ethical issues that arise.

Verifying existing principles and codes

The committee should begin by verifying and reviewing all existing principles and codes. Whether implied or explicit, existing principles and codes can serve as guidelines for new principles and codes.

For example, suppose that in the past, your organization used quality customer service as a way to boost market share. By acknowledging this principle, you'll be able to apply it to other departments, as well as to further develop the quality of customer service.

Emphasizing clarity in the code

Next, the committee should develop new codes. It's essential that these codes be written clearly in a format that all stakeholders can understand. Avoid the use of legal jargon and be as specific as possible.

Launching the code

After the code is written, develop a process to inform all employees about it. One method is to hold a company seminar with all employees and affected stakeholders. Such seminars emphasize top management's commitment to the code and the importance of all stakeholders' adherence. During the seminar, be sure to both review ethical standards and stress the disciplinary consequences of not following the code.

When you hire new employees, present them with a code of ethics prior to employment. It should be mandatory for new employees to read the code. This is how you can ensure that they know what is expected of them in terms of ethical behavior.

Obtaining feedback

After the code has been launched, you should ask for stakeholders' feedback on its effectiveness. Clearly, you should seek feedback from the code of ethics committee. But you should also solicit feedback from as many other stakeholders as possible.

When reviewing the feedback, look for overlooked negative consequences and suggested additions. You can gather the feedback through small group meetings, surveys, questionnaires, and day-to-day observation.

Pursuing resolution to negative feedback

You might need to consider adding regulations or modifying the existing code. You should also remain open to suggestions and continually update the code to keep it relevant and useful.

Do it!

C-1: Developing a corporate code of ethics

Exercises

1 Identify the final step in developing and enacting a corporate code of ethics.

- A Determine a purpose.
- B Pursue resolution to negative feedback.
- C Emphasize clarity when writing the codes.
- D Launch the code.

2 Read this scenario and then answer the question that follows. Valerie and Phyllis, managers at Icon International, are discussing the company's code of ethics.

Valerie: With the recent ethical issues our competition is facing, I'd like to look at our current code of ethics.

Phyllis: You're right, Valerie. We really need to make sure that our employees understand the importance of ethical behavior. Our competition is facing a lot of bad publicity that could have been prevented had they trained their employees correctly on consumer service issues from the beginning.

Valerie: Exactly. In future meetings, I'd like to see us develop more structured procedures on customer safety and customer service as well as evaluating guidelines for our employees on these issues.

What is the purpose behind this discussion?

Modify their company's code of ethics based on recent ethical issues encountered by their competition.

3 What is a code of ethics committee?

A group of stakeholders whose purpose is to develop, maintain, and evaluate an organization's code of ethics.

Explanation

Internal ethical audits

An *internal ethical audit* evaluates an organization's use of ethics in both formal and informal business systems. *Formal business systems* include your organization's specific structure, strategies, policies, and decision-making processes. *Informal business systems* include your company's language, routines, norms, and values.

To execute an internal ethical audit, you can follow the steps in the AUDIT acronym:

- 1 **A**nalyze your organizational purpose.
- 2 **U**nderscore weaknesses.
- 3 **D**etermine a plan.
- 4 **I**mplement the plan.
- 5 **T**rack your progress.

Analyzing your organizational purpose

Your organizational purpose should be found in your organization's statements of mission, vision, and core values, as well as in your code of ethics. Your analysis should include feedback from all stakeholders, including employees, customers, shareholders, suppliers, and the community. To get this feedback, you can conduct interviews and surveys, as well as observe interactions between stakeholders. There are several questions you should ask your stakeholders:

- Is integrity emphasized for all employees?
- Does the organization consider the consequences of all stakeholders when making decisions?
- Do all employees take responsibility for their actions?
- Do managers employ an open-door policy?
- Does the company have a corporate code of ethics that is consistently upheld?
- Is there a formal company process for whistle-blowing?
- Are disciplinary procedures fair, objective, and consistent?

Underscoring weaknesses

Determine where the organization's ethical weaknesses lie and consider ways in which they might be eliminated. Look for areas within your organization's mission statement, values, and core values that don't meet the ethical standards you want to uphold.

Determining a plan

Determine a plan to eliminate the weaknesses you discover. The first step is to consider your options, which you can do through brainstorming with stakeholders.

The second step is to consider the consequences of each option. Be sure to involve all stakeholders, because they might be aware of negative consequences you are not. Based upon this, you can then determine the best plan to follow.

Implementing the plan

Determine what needs to be accomplished for the plan to be a success. You might need to assign or reassign responsibilities, develop new forms, or purchase new equipment.

Tracking your progress

After implementing the plan, you need to develop a process to track its progress. Set landmarks at which you will objectively evaluate the progress. It's also a good idea to hold evaluation meetings on a regular basis.

Other ethical safeguards

In addition to a code of ethics and internal ethical auditing process, there are a number of other practices that organizations can institute to ensure ethical behavior. Some of these practices include the following:

- **Ethics officers.** These people are responsible for overseeing the code of ethics and ensuring that it is upheld.
- **Ethics hotlines.** An ethics hotline must guarantee employees confidentiality while alerting appropriate persons of ethical issues.
- **Ethics ombudspersons.** These are mediators between employees and their supervisors. They encourage the reporting of any unethical behavior in the workplace. This is useful when employees find it difficult to report ethical issues to their immediate supervisors.

Do it!

C-2: Performing an internal ethical audit

Exercises

- 1 _____ is an evaluation of an organization's use of ethics in both formal and informal business systems.

An internal ethical audit

- 2 List the steps of an internal ethical audit. (Remember the AUDIT acronym.)
- 1 *Analyze your organizational purpose.*
 - 2 *Underscore weaknesses.*
 - 3 *Determine a plan.*
 - 4 *Implement the plan.*
 - 5 *Track your progress.*

- 3 What are some of the questions you can ask stakeholders in order to analyze the organizational purpose?

Answers might include:

- *Is integrity emphasized for all employees of the organization?*
- *Does the organization consider the consequences of all stakeholders when making decisions?*
- *Do all employees take responsibility for their actions?*
- *Do managers employ an open-door policy?*
- *Does the company have a corporate code of ethics that is continually followed and upheld?*
- *Is there a formal company process for whistle-blowing?*
- *Are discipline procedures fair, objective, and consistent?*

- 4 Identify which of the following are formal and which are informal business systems.

Norms and values	<i>Informal</i>
Leadership and structure	<i>Formal</i>
Strategies and policies	<i>Formal</i>
Languages and routines	<i>Informal</i>

Identify other questions that can be added to the list.

Topic D: Corporate social responsibilities

Explanation

Social responsibility, in a corporate sense, means considering the impact of business activities on the entire society. Socially responsible organizations are accountable for their actions and are expected to correct any damage they do to society. Sometimes, there is a clash between the goal of maximization of profits and social responsibility. When such a clash occurs, management has to balance these costs to create the greatest benefits for all stakeholders.

Types of corporate social responsibilities

You can look at corporate social responsibility as falling into four categories:

- Legal
- Economic
- Ethical
- Charitable

Legal responsibilities

It's important that every member of your organization obeys the law. When an employee performs an illegal act while on the job, the entire organization might be liable. This situation is especially true for federal crimes, including fraud, improper disposal of environmental waste, and money laundering. In 1996, companies were fined as much as \$25 million for federal offenses by individual employees.

These fines were imposed, in part, because the companies didn't have formal legal compliance systems. To ensure that your corporation complies with the law and is protected from individual illegal activities, you must establish such a compliance system. This is the responsibility of senior management. To develop such a system, follow the six steps described by the LAWFUL acronym:

- 1 **Look at current standards.** The first step is to institute standards for compliance with existing laws. These standards should describe the law so as to define legal parameters.
- 2 **Assign responsibility.** Assign the responsibility of ensuring that the system is upheld to people from different departments and levels. These people need to be honest, respectable, trustworthy, and have high ethical standards. You should not assign responsibility to individuals who might engage in illegal behavior.
- 3 **Write and convey standards.** Determine if you need to establish new standards and then write and convey them. Be sure to write clearly and avoid using legal jargon. Convey the standards to your stakeholders both verbally and in writing. One way to do this is to hold a legal compliance seminar, which can help show stakeholders that you're serious about the system.

- 4 **Follow up on compliance.** To ensure that your legal compliance system is effective, follow up on stakeholders' ability to comply with the standards. One way to evaluate your standards is to survey the stakeholders. Ask if they have noticed anyone not following the standards. You should also ask if there are any issues that have not been addressed by the standards. Other ways to receive feedback include performing an internal ethical audit and observing stakeholder interactions.
- 5 **Underscore standards.** By underscoring, or emphasizing, the standards, you help ensure that people adhere to them. Bring up legal compliance standards continually in meetings and other correspondence. This will help convey that the standards are not just another business trend that will fade away.
- 6 **Legitimate discipline.** The final step in developing compliance standards is to discipline those who don't comply. Sometimes it's appropriate to discipline individuals who fail to inform supervisors of illegal behavior, even if they didn't engage in the behavior themselves. When you carry out disciplinary procedures, be objective when determining noncompliance, be consistent with company policy, and be fair in the action.

Economic responsibilities

An organization's economic responsibility is to maximize shareholder wealth without compromising the integrity of products or the well being of other stakeholders. An organization has a specific duty to keep direct labor costs as low as possible, without compromising the well being of the organization's employees. Organizations also have a responsibility to maintain low direct materials costs, without sacrificing product quality or employee safety.

Ethical responsibilities

Corporations often do the most harm to the environment and to society, so it's important for business organizations to act ethically. This does not mean that individuals are not responsible for harming the environment or society, or that they should not be held ethically responsible for their actions.

Charitable responsibilities


Corporations generally have more money and influence than individuals, and are therefore in a position to greatly benefit charitable organizations. Corporations have the ability to contribute more than just money. For example, a charitable organization might ask for workers to donate their time building houses for the less fortunate. Other non-profit firms need help to organize fundraising events and mailings.

One program that has greatly benefited the non-profit sector is the corporate matching-gift program implemented by several companies. In such programs, when an employee donates money to a charity, the company also contributes, sometimes even matching the employee's gift.

Do it!

D-1: Identifying types of social responsibilities

Remind students of the
LAWFUL acronym.

 Click the picture in
the slide to play the
movie.

Exercises

1 Identify and sequence the steps for developing a compliance system.

Look at current ethical problems

Look at current standards

Follow up on compliance

Assign responsibility

Assign responsibility

Write and convey standards

Ask questions

Follow up on compliance

Undermine shareholders

Underscore standards

Underscore standards

Legitimate discipline

Legitimate discipline

Write and convey standards

2 Watch the movie and then answer the following questions:

In the movie, the manager and Eric are having a meeting. How was Eric violating the company policy?

Eric stored the boxes in the stairwell, which, according to the company's legal compliance program, was against the fire code.

How did the manager perform her legal responsibility?

The manager legitimately disciplines Eric for not complying with company law. She disciplined Eric objectively and fairly by following her company's discipline policy.

3 Which of the following are types of corporate social responsibilities?

A Personal responsibilities

B Legal responsibilities

C Political responsibilities

D Charitable responsibilities

4 List the economic responsibilities of organizations.

Answers might include the following:

- *Maximize shareholder wealth without compromising the integrity of its products or the well being of stakeholders.*
- *Distribute profits in the form of dividends to shareholders.*
- *Keep labor costs as low as possible, without compromising the well being of the organization's employees.*
- *Maintain low direct materials costs, without sacrificing product quality or employee safety.*

5 When carrying out discipline procedures, be _____ when determining noncompliance, be _____ with company policy, and be _____ in the disciplinary action.

objective, consistent, fair

Balancing conflicting social responsibilities

Explanation

Because social responsibilities can sometimes clash, top management is constantly challenged by the task of balancing them. The key is to try to create the greatest benefit for all stakeholders. To balance your organization's corporate social responsibilities, you can follow the steps described by the CLASH acronym:

- 1 **C**ommunicate with others.
- 2 **L**ook at options.
- 3 **A**nalyze consequences.
- 4 **S**elect an option.
- 5 **H**ost feedback sessions.

Communicating with others

To ensure that you make the best decision, you should consult with other stakeholders. Getting a second opinion is helpful because you might overlook certain aspects of the situation. Doing so will also assist you to outline the facts further and make the best decision possible.

Looking at options

After communicating with others, you should make a list of all your options, whether they seem good or bad. You might later discover that what seemed like a "bad" option wasn't bad after all.

Analyzing consequences

Next, analyze the consequences of each option. For each option, be sure to list the consequences to each affected stakeholder. List as many possible consequence as you can think of, and solicit input from other stakeholders.

Selecting an option

Select the best option. The best option is the one that makes the most sense financially and causes the least harm to all affected stakeholders.

Hosting feedback sessions

To make sure you made the best decision, you must evaluate the effectiveness of the decision with regard to all stakeholders. One way to do this is to host feedback sessions. You could also survey shareholders and observe your decision's effects on stakeholders.

Be sure to inform stakeholders if you decide to change the decisions you've made.

Do it!

D-2: Handling conflicting social responsibilities

Exercises

- 1 Fill in the missing steps in the CLASH process.

Communicate with others.

Look at options.

A_____.

Analyze consequences.

Select an option.

H_____.

Hold feed back sessions.

Encourage a discussion of this scenario based on the steps for handling conflicting ethical responsibilities.

- 2 You're the vice president of Icon International's public relations division. It has come to your attention that one of your major vendors has been accused of polluting local water sources with byproducts from its manufacturing operations. Taking into consideration the financial and ethical ramifications, what decision will you make in maintaining a relationship with the vendor? Discuss.

Unit summary: Organizational ethics

- Topic A** In this unit, you learned that businesses should be ethical for the sake of improving society, as well as for the business benefits that ethical behavior creates. You also learned about the importance of having **functional area ethics**, which focus on specific ethical guidelines for the various functions within a company. Then, you learned about the **types of ethical issues** that arise in various functional areas.
- Topic B** Next, you learned that **highly ethical organizations** have established principles and guidelines to ensure ethical behavior, as well as what some of those guidelines are. You also learned about methods for **maintaining ethical principles**.
- Topic C** Then, you learned that a **corporate code of ethics** is a formal statement that defines a company's ethical business standards in all organizational activities. You learned how to develop and enact a corporate code of ethics by following the steps described by the **DEVELOP** acronym. You also learned how to execute an **internal ethical audit**, which is an evaluation of an organization's use of ethics in both formal and informal business systems.
- Topic D** Finally, you learned that the categories of **corporate social responsibilities** are **legal, economical, ethical, and charitable**. You learned how to handle conflicting corporate social responsibility by following the steps described by the **CLASH** acronym.

Review questions

- 1 What is functional area ethics?
Specific ethical guidelines for various functions within a company
- 2 What is the difference between an organization's stakeholders and its shareholders?
Stakeholders consist of investors, customer's employees, suppliers, the community, and society in general, whereas the term shareholders refers to investors only.
- 3 What is a corporate code of ethics?
A formal statement that defines a company's ethical standards for all activities.
- 4 Select the position that would be responsible for overseeing the code of ethics.
 - A Ethics spokesperson
 - B Ethics ombudspersons
 - C Ethics officers
 - D Ethics hotlines
- 5 _____ benefit many charities by increasing the power of employees' charitable giving.
Corporate matching-gift programs
- 6 What is the key to managing conflicting corporate social responsibilities?
Balance responsibilities in a way that creates the greatest benefits for all stakeholders.

Business Ethics

Course summary

This summary contains information to help you bring the course to a successful conclusion. By using this information, you will be able to:

- A Use the summary text to reinforce what students have learned in class.
- B Direct students to the next courses in this series (if any), and to any other resources that might help students continue to learn about business ethics.

Topic A: Course summary

At the end of the class, use the following summary text to reinforce what students have learned. It is not intended as a script, but rather as a starting point.

Business Ethics

Unit 1

In this unit, students learned that **business ethics** are a set of principles and norms that serve as a guide for good and bad conduct in business. They identified some of the **reasons** why **ethical dilemmas** exist in the business world, as well as how to strike a **balance** between **personal values** and **organizational ethics**. They also learned about some of the **categories of ethical dilemmas**. Then, they learned a **process** for **making ethical decisions**. Finally, they learned about some of the **barriers** to making good ethical decisions.

Unit 2

In this unit, students learned that **whistle blowing** involves exposing illegal or unethical actions conducted by one or more members of an organization. They identified various **criteria** that must be met before blowing the whistle, as well as some of the **risks** associated with whistle blowing. Then, they learned how to know **when to blow the whistle**. They also learned how to **blow the whistle legally** by using the steps described by the **WHISTLE acronym**.

Unit 3

In this unit, students learned about the **characteristics** that ethical managers should possess. Next, they learned about **immoral**, **moral**, and **amoral** management, and guidelines for **maximizing profits ethically**. They also learned about the types of ethical **human resource issues** managers are likely to face. Then, they learned how to solve the ethical dilemmas brought on by **subordinates**.

Unit 4

In this unit, students learned about the **sources of unethical behavior**. Then, they learned about several methods for **recognizing** and **preventing** unethical behavior. They also learned how to conduct an **intervention meeting** to stop unethical behavior. Finally, they learned several approaches for encouraging ethical behavior, including **rewarding employees**, **disciplining employees**, and **encouraging the acceptance of responsibility**.

Unit 5

In this unit, students learned about the importance of having **functional area ethics** and about the **types of ethical issues** that arise in various functional areas. Next, they learned how to develop and enact a **corporate code of ethics**, a formal statement of a company's ethical standards. They also learned how to execute an **internal ethical audit**, which is an evaluation of an organization's use of ethics in both formal and informal business systems. Finally, they learned about categories of **social responsibilities**, and how to handle such responsibilities when they conflict.

Topic B: Continued learning after class

Point out to your students that it is impossible to learn any subject effectively in a single day. To get the most out of this class, it is important that students begin applying their knowledge of business ethics to real-world problems as soon as possible.

Next courses in this series

This is the only course in this series.

Other resources

Course Technology's sister company, NETg, offers a full line of online and computer-based courses on business ethics and a variety of other subjects. For more information, visit www.netg.com. This course maps precisely to the following three NETg courses:

- *Business Ethics: Ethical Decision Making*
Course number: 41071
- *Business Ethics: Managerial Business Ethics*
Course number: 41072
- *Business Ethics: Organizational Ethics*
Course number: 41073

PREVIEW

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Glossary

Amoral management

Style in which ethical considerations are not part of the decision-making process.

Business ethics

Set of principles and norms that serve as a guide for good and bad conduct in business.

Code of ethics

A formal statement that defines a company's ethical standards for all activities.

Cost/benefit analysis

Process of adding up the dollar value of the benefits of a decision and subtracting the dollar value of its costs or disadvantages.

Discrimination

Unfair or preferential treatment of a person on the basis of one or more uncontrollable characteristics including race, gender, age, color, religion, or national origin, as well as handicapped and pregnancy status.

Ethical egoists

People who put their own interests above those of the business for which they work.

Ideals

Moral goals that individuals continually strive to uphold.

Immoral management

A style in which all decisions are based on selfish motives and ethical principles are consciously circumvented.

Implied ethical standard

Ethical standard that has been derived from your own ethical standards, or those of your family, friends, co-workers, and the society around you.

Internal ethical audit

An evaluation of an organization's use of ethics in both formal and informal business systems.

Moral management

Style in which all decisions are based on ethical standards.

Obligations

Commitments made, directly or indirectly, that influence the day-to-day decision-making process.

Open-door policy

Management practice in which subordinates can approach managers with any issue.

Pattern processing

Thought process used for making routine decisions.

Sexual harassment

Unwanted sexual behavior that creates an intimidating or hostile work environment.

Whistle-blowing

Process of exposing illegal or unethical actions conducted by members of an organization.

PREVIEW

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PREVIEW

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