

Chapter **Five**

Managerial Ethics & Corporate Social Responsibility

Ethics

*Not easy to define in a precise way, but in a general sense, **ethics** is :*

- **The code of moral principles and values that govern the behaviors of a person or group with respect to what is right or wrong.**

Ethics sets standards as to what is good or bad in conduct and decision making.

3 Domains of Human Action

*Obedience is must.
Lawmakers, laws,
rules, etc.*

*Obedience is to
unenforceable norms
and standards.*

*Obedience is strictly to
oneself. Both individual and
organization enjoy complete
freedom.*

Domain of Certified Law
(Legal Standard)

Domain of Ethics
(Social Standard)

Domain of Free Choice
(Personal Standard)

Amount of

Explicit Control

High

Low

*obtaining licences,
paying taxes, etc.*

*using codes of ethics,
bus. cond. pol., co.
culture, etc.*

*choice of religion, #
of dishwashers, etc.*

Ethical Dilemma

If ethical standards are not codified, disagreements and dilemmas about proper behaviour will occur.

- This is a situation that arises when all alternative choices or behaviors have been deemed undesirable
- Potentially negative ethical results, making it hard to separate right from wrong.

Ethical Dilemma

- The individual who must make an ethical choice in an organization is the *moral agent*.

Consider the dilemmas facing a moral agent in the following situations:

- 1. Your company has been asked to pay a gratuity in somewhere to speed the processing of an import permit. This is standard procedure and your company will suffer if you do not pay the gratuity. Is this different from tipping a maitre d'hotel in a nice restaurant?*
- 2. You're Acc. Mng. of a division that is 15.000 \$ below profit targets. Approximately 20.000 \$ of office supplies were delivered on December 21. The accounting rule is to pay expenses when incurred. The division general manager asks you not to record the invoice until February.*

Criteria For Ethical Decision Making

- Most ethical dilemmas involve
 - A conflict between needs of the part & whole
 - The individual versus the organization
 - The organization versus society as a whole



Four Considerations (Ethical Concepts) In Ethical Decision Making

Managers faced with these kinds of tough ethical choices often benefit from a normative approach (*based on norms and values*) to guide their decision making.

- Utilitarian Approach
- Individualism Approach
- Moral-Rights Approach
- Justice Approach

Utilitarian Approach

- *“Moral behavior produces the greatest good for the greatest number”*
- Under this approach, a decision maker is expected to consider the effect of each decision alternative on all parties and select the one that optimizes the satisfaction for the greatest number of people.

Individualism Approach

- ⇒ *“Acts are moral when they promote the individual's best long-term interests, which in the end leads to the greater good”*
- ⇒ *“Individual self-direction is paramount” (most important)*
- ⇒ Because individualism is easily misinterpreted to support immediate self-gain, it is not popular in the highly organized and group-oriented society of today. Individualism is closest to the domain of free choice which is described in slide #3.

Moral-Rights Approach

- *“Moral decisions are those that best maintain the rights of those people affected by them.”*
- Human beings have fundamental rights and liberties that cannot be taken away by an individual’s decision.
- To make ethical decisions, managers need to avoid interfering with the fundamental rights of others (*Ex: sexual harassment is unethical because it violates the right to freedom of conscience*).

“Moral Rights” *(could be considered during decision making)*

The right of free consent

The right to privacy

**The right of freedom of
conscience**

The right of free speech

The right to due process

The right to life & safety

Justice Approach

- *“Moral Decisions must be based on standards of equity, fairness, and impartiality”*
- 3 types of Justice Approaches:
 - ① Distributive Justice
 - ② Procedural Justice
 - ③ Compensatory Justice

Distributive Justice

- Treatment of people should not be based on arbitrary characteristics
- People should be treated differently in proportion to the differences among them

Men & women should not receive different salaries if they are performing the same job.

However, people who differ in a substantive way, such as job skills or job responsibility, can be treated differently in proportion to the differences in skills or responsibility among them.

Procedural Justice

- Rules should be clearly stated
- Rules should be consistently and impartially administered

Compensatory Justice

- Individuals should not be held responsible for matters they have no control over
- Individuals should be compensated for the cost of their injuries by the party responsible

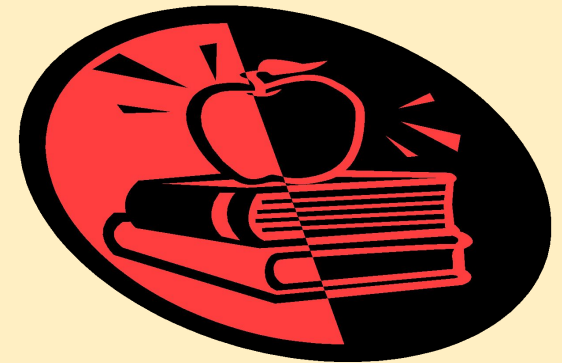
Questions such as how minority workers should be compensated for past discrimination are not easy.

However, this approach does justify as ethical behavior efforts to correct past wrongs, playing fair under the rules and insisting on job-relevant differences as the basis for different levels of pay.

- Most of the laws guiding HRM are based on the justice approach.

Challenge of applying these ethical approaches

- It is illustrated by decisions facing companies in the tobacco industry.*
- Let's check "U.S. TOBACCO COMPANY" story (Management, Daft, 4th edition, p.146).*
- And consider for a moment how you think the ethics approaches support and refute cigarette companies' actions !...*



Factors Affecting Ethical Choices



- The Manager
- Levels of moral development
 - 📁 Pre-conventional
 - 📁 Conventional
 - 📁 Post-conventional
- The Organization

The Manager

- Managers bring specific personality and behavioral traits to the job.
- *Personal needs, family influence and religious background all shape a manager's value system.*
- Specific personality characteristics, such as ego strength, self-confidence and a strong sense of independence may enable managers to make ethical decisions.

3 levels of Moral Development

Level 3: Postconventional

Follows self-chosen principles of justice and right. Aware that people hold different values & seeks creative solutions to ethical dilemmas. Balances concern for individual with concern for common good.

Level 2 : Conventional

Lives up to expectations of others. Fulfills duties & obligations of social system. Upholds laws.

Level 1: Preconventional

Follows rules to avoid punishment. Acts in own interest. Obedience for its own sake.

Leadership Style: Guiding / encouraging, Transforming, or Autocratic / coercive team oriented servant leadership Employee

Behavior: Empowered employees, Task accomplishment
Work group collaboration full participation

Social Responsibility

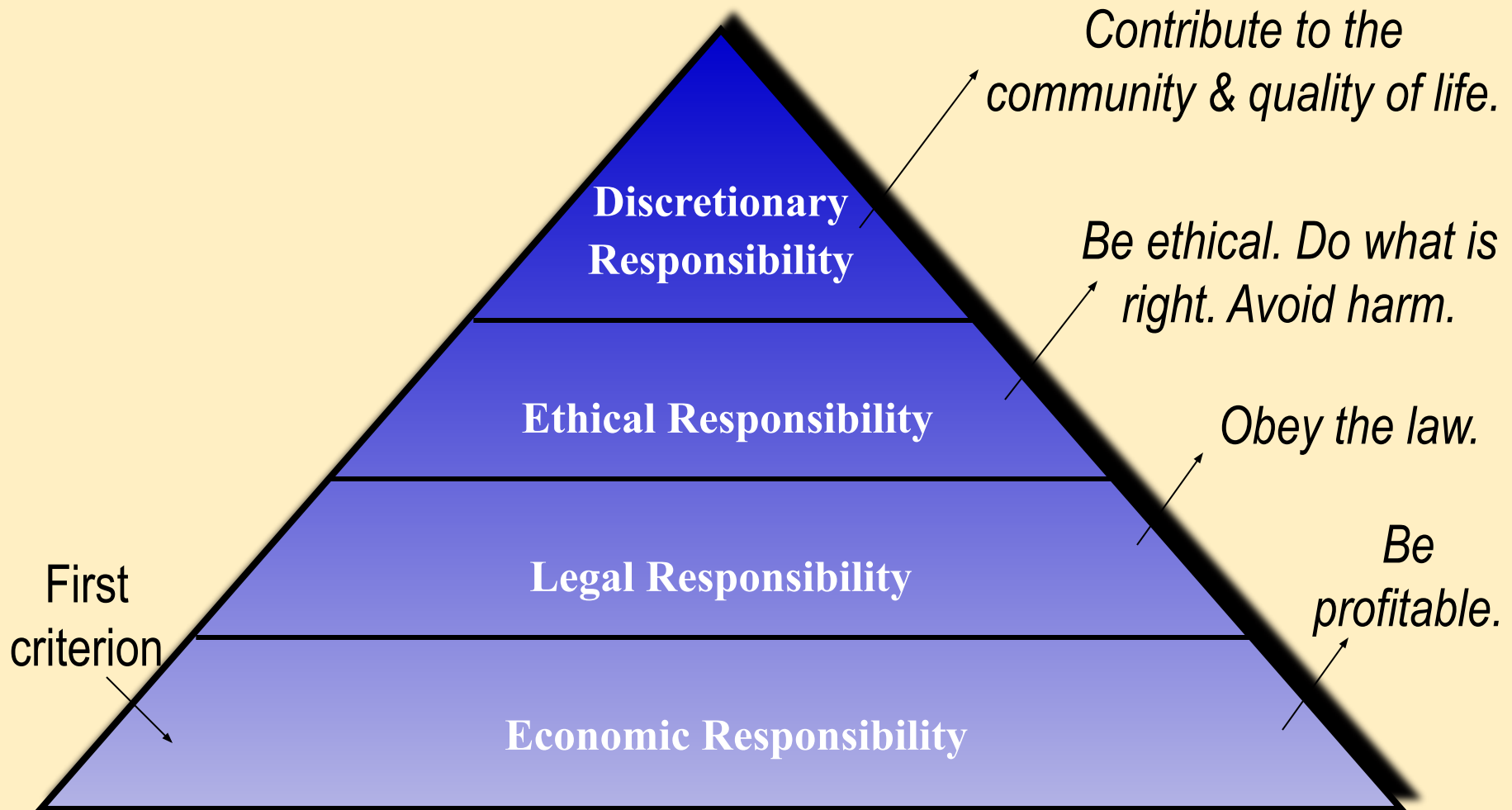
- *“The obligation of organization management to make decisions and take actions that will contribute to the welfare and interests of society and organization”*
- Separating right from wrong
- Being a good corporate citizen
- Many social responsibilities issues are open to dispute with respect to right and wrong

Organizational Stakeholders

- Any group within or outside the organization that has a stake in the organization's performance.
- Investors, shareholders, employees, customers, suppliers are considered primary stakeholders.
- Other important stakeholders are the government and the community.

Criteria of Corporate Social Performance

Total Corporate Responsibility



Corporate Responses (Actions) to Social Demands



Managing Company Ethics You Need

**WEB
ALERT**
Levi Strauss

