

## **GCM 370: Management Studies Exam Review**

### **Chapter 3**

#### **1. Ethics**

- Laws and values as influences on ethical behaviour
- Alternative views of ethics
- Cultural issues and ethical behaviour

#### **2. Ethics in the Workplace**

- Ethical dilemmas
- Influences on ethical decision making
- Rationalizations for unethical behaviour

#### **3. Maintaining High Ethical Standards**

- Moral management
- Ethics training
- Codes of ethical conduct
- Whistleblower protection

#### **4. Social Responsibility**

- Social responsibility, sustainability, and the triple bottom line
- Perspectives on corporate social responsibility
- Evaluating corporate social performance
- Corporate governance

### **Ethics**

- Moral code of principles
- Set standards of “good” or “bad” or “right” or “wrong” in one’s conduct
- ***Ethical behaviour***
  - What is accepted as good and right in the context of the governing moral code.
- ***Laws and values as influences on ethical behaviour:***
  - Legal behaviour is not necessarily ethical behaviour.
  - Personal values help determine ind. ethical behaviour.
  - **Values = underlying beliefs and attitudes that help influence individual behaviour**

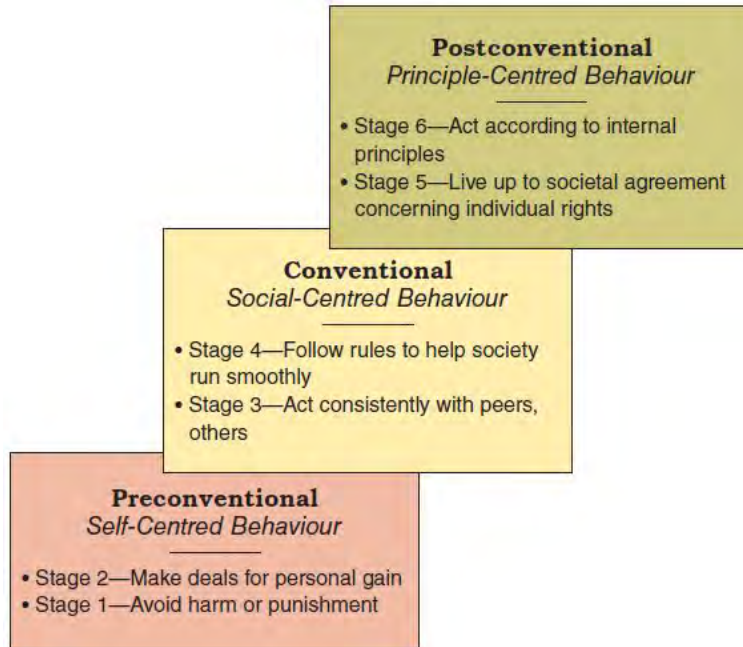


## Ethics in the Workplace

- Ethical dilemmas
  - Occur when choices, although having potential for personal and/or organizational benefit, may be considered unethical.
- Includes:
  - Discrimination
  - Sexual harassment
  - Conflicts of interest
  - Product safety
  - Use of organizational resources
- Process:
  - Step 1. Recognize the ethical dilemma.
  - Step 2. Get the facts and identify your options.
  - Step 3. Test each option:
    - Is it legal?
    - Is it right?
    - Whom does it affect?
    - Who benefits?
    - Who gets hurt?
  - Step 4. Decide which option to follow.
  - Step 5. Double-check your ethics by asking these spotlight questions:
    - *“How will I feel if my family finds out about my decision?”*
    - *“How will I feel about this if my decision is reported in the local newspaper or posted on the Internet?”*
    - *“What would the person I admire most for their character and ethical judgement say about my decision?”*
  - Step 6. Take action.
- Influences on Ethical Decision Making
  - Ethical framework
  - Provides personal rules or strategies for ethical decision making
- Includes personal values:
  - Honesty
  - Courage
  - Fairness
  - Integrity
  - Self-respect
- Influences on ethical decision-making:
  - **Situation:** Ethical intensity
  - **Organization:** Ethics culture

- **Environment:** Industry norms
- **Person:** Moral development
- **Ethical:** decision-making

- ***Kohlberg's levels of individual moral development***



- **Situational Context and Ethics Intensity**
  - Ethics intensity or issue intensity
    - the extent to which situations are perceived to pose important ethical challenges
- **Organization Setting**
  - The work and social settings of organizations have a strong influence on the ethics of members
- **External Environment, Government Regulation, and Industry Norms**
  - Laws reflect social values and define appropriate behaviour; regulations help governments monitor these behaviours and keep them within acceptable limits
- **Rationalizations for unethical behaviour**
  - People often rationalize ethical transgressions with after-the-fact justifications:
    - Behaviour is not really illegal.
    - Behaviour is really in everyone's best interest.
    - Nobody will ever find out.

- The organization will “protect” you.

## Maintaining High Ethical Standards

- Moral Mgmt
  - Managers behave in 3 ways (3 approaches to moral mgmt):
    - **Immoral Manager** = Chooses to behave unethically
    - **Amoral Manager** = Fails to consider ethics
    - **Moral Manager** = Make ethical behaviour a personal goal
- Ethics training
  - Structured programs that help participants to understand ethical aspects of decision making.
  - Helps people incorporate high ethical standards into daily behaviour.
- Codes of Ethical Conduct
  - Formal statement of an organization’s values and ethical principles that set expectations for behaviour.
- Areas often covered by codes of ethics:
  - Organizational citizenship
  - Illegal or improper acts
  - Customer/coworker relationships
  - Bribes and kickbacks
  - Political contributions
  - Honesty of books and records
  - Confidentiality of corporate information
- Whistleblowers
  - Expose misdeeds of others to:
    - Preserve ethical standards
    - Protect against wasteful, harmful, or illegal acts
  - Laws protecting whistleblowers vary
- Barriers to whistleblowing include:
  - Strict chain of command
  - Strong work group identities
  - Ambiguous priorities

## Social Responsibility

- Stakeholder Management

- Stakeholders: persons, groups, and other organizations directly affected by the behaviour of the organization and holding a stake in its performance.
- Stakeholder power: the capacity of the stakeholder to positively or negatively affect the operations of the organization.
- Demand legitimacy: the validity and legitimacy of a stakeholder's interest in the organization.
- Issue urgency: the extent to which a stakeholder's concerns need immediate attention.

- **The many stakeholders of organizations**



- Corporate social responsibility and governance:
  - Looks at the way organizations behave in relation to their stakeholders.
  - Obligates organizations to act in ways that serve the interests of multiple stakeholders, including society at large.
- Stewardship
  - Taking personal responsibility to always respect and protect the interests of all stakeholders
- Sustainability
  - Acting in ways that support a high quality of life for present and future generations
    - Clean energy
    - Recycling
    - Water conservation
    - Waste avoidance

- Triple bottom line
  - evaluates organizational performance on economic, social, and environmental criteria
  - 3 P's of organizational performance – *profit, people, and planet*
- Perspectives on social responsibility:
  - Classical view
    - Management's only responsibility is to maximize profits.
  - Socioeconomic view
    - Management must be concerned for the broader social welfare, not just profits.
  - Shared value view
    - Approaches business decisions with the understanding that economic and social progress are interconnected
    - Virtuous circle-socially responsible behaviour improves financial performance which leads to more responsible behaviour
- Arguments *against* social responsibility:
  - Reduced business profits
  - Higher business costs
  - Dilution of business purpose
  - Too much social power for business
  - Lack of public accountability
- Arguments *in favor* of social responsibility:
  - Adds long-run profits
  - Improved public image
  - Avoids more government regulation
  - Businesses have resources and ethical obligation
- **Four strategies of corporate social responsibility—from obstructionist to proactive behaviour**



- Corporate governance:
  - The oversight of the top management of an organization by a board of directors.
- Corporate governance involves:
  - Hiring, firing, and compensating the top executives.
  - Assessing strategy.
  - Verifying financial records.
- How government influences organizations:
  - Businesses required by law to have boards of directors that are elected by stockholders
- **Ethics Self-governance in Leadership and the Managerial Role:**

