### **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

o What is accepted as good and right in the context of the governing moral code.

## • Laws and values as influences on ethical behaviour:

- o Legal behaviour is not necessarily ethical behaviour.
- o Personal values help determine ind. ethical behaviour.
- Values = underlying beliefs and attitudes that help influence individual behaviour

- Terminal values = preferences about desired ends
- Instrumental values = preferences regarding the means to desired ends

## • Four Views of Ethical Behaviour

- o Individualism view: "Does a decision/behaviour promote one's long-term self-interests?"
- Utilitarian view: "Does a decision/behaviour do the greatest good for the most people?"
- o Justice view: "Does a decision/behaviour show fairness and impartiality?"
- o Moral rights view: "Does a decision/behaviour maintain the fundamental rights of all human beings?"

### • Four Alternate Views of Ethical Behaviour

- Utilitarian
  - Delivers the greatest good to the most people
- Individualism
  - Advances long-term self-interests
- Moral rights
  - Respects and protects the fundamental rights of all people
- Justice
  - Fair and impartial treatment of people according to legal rules and standards
    - Procedural justice policies and rules fairly applied
    - Distributive justice fair distribution of outcomes
    - Interactional justice people treated with dignity and respect
    - Commutative justice fairness to all involved
- Cultural issues in ethical behaviour:
  - o Cultural relativism
    - Ethical behaviour is always determined by cultural context.
  - Moral absolutism
    - Behaviour unacceptable in one's home environment should not be acceptable anywhere else.
  - o Ethical imperialism
    - Imposing one's ethical standards on others.
- The extremes of cultural relativism and ethical imperialism in international business ethics

Cultural relativism

No culture's ethics are superior.
The values and practices of the local setting determine what is right or wrong.

Certain absolute truths apply everywhere.
Universal values transcend cultures in determining what is right or wrong.

Don't do anything you wouldn't do at home.

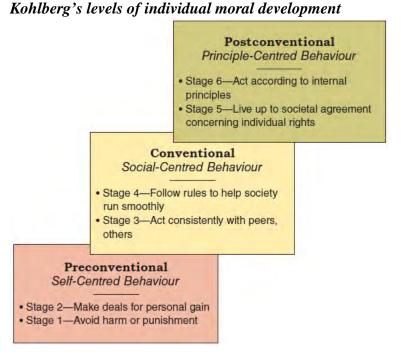
When in Rome, do as the Romans do.

## **Ethics in the Workplace**

- Ethical dilemmas
  - o Occur when choices, although having potential for personal and/or organizational benefit, may be considered unethical.
- Includes:
  - o Discrimination
  - o Sexual harassment
  - o Conflicts of interest
  - o Product safety
  - o Use of organizational resources
- Process:
  - o Step 1. Recognize the ethical dilemma.
  - o Step 2. Get the facts and identify your options.
  - o Step 3. Test each option:
    - Is it legal?
    - Is it right?
    - Whom does it affect?
    - Who benefits?
    - Who gets hurt?
  - o Step 4. Decide which option to follow.
  - o 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?"
  - o Step 6. Take action.
- Influences on Ethical Decision Making
  - o Ethical framework
  - o Provides personal rules or strategies for ethical decision making
- Includes personal values:
  - o Honesty
  - o Courage
  - o Fairness
  - o Integrity
  - o Self-respect
- Influences on ethical decision-making:
  - o Situation: Ethical intensity
  - o Organization: Ethics culture

Environment: Industry normsPerson: Moral developmentEthical: decision-making

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- Situational Context and Ethics Intensity
  - o Ethics intensity or issue intensity
    - the extent to which situations are perceived to pose important ethical challenges
- Organization Setting
  - o 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
  - o 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.
  - o Helps people incorporate high ethical standards into daily behaviour.
- Codes of Ethical Conduct
  - o Formal statement of an organization's values and ethical principles that set expectations for behaviour.
- Areas often covered by codes of ethics:
  - o Organizational citizenship
  - o Illegal or improper acts
  - o Customer/coworker relationships
  - Bribes and kickbacks
  - Political contributions
  - Honesty of books and records
  - o Confidentiality of corporate information
- Whistleblowers
  - o Expose misdeeds of others to:
    - Preserve ethical standards
    - Protect against wasteful, harmful, or illegal acts
  - o Laws protecting whistleblowers vary
- Barriers to whistleblowing include:
  - Strict chain of command
  - o Strong work group identities
  - o Ambiguous priorities

## **Social Responsibility**

• Stakeholder Management

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

## • The many stakeholders of organizations



- Corporate social responsibility and governance:
  - o 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
  - o evaluates organizational performance on economic, social, and environmental criteria
  - o 3 P's of organizational performance profit, people, and planet
- Perspectives on social responsibility:
  - o 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:
  - o Reduced business profits
  - o Higher business costs
  - o Dilution of business purpose
  - o Too much social power for business
  - Lack of public accountability
- Arguments *in favor* of social responsibility:
  - o Adds long-run profits
  - o Improved public image
  - o Avoids more government regulation
  - o Businesses have resources and ethical obligation
- Four strategies of corporate social responsibility—from obstructionist to proactive behaviour



Commitment to corporate social responsibilities

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

