Management 301: Chapter 3 Ethics and Social Responsibility

Principles of Management and Organization- Lecture 5

[Nathan Neale]

Slide #: 1
Slide Title: WSU Online Title Slide
Title: Ethics and Social Responsibility
Speaker: Nathan Neale
Audio:
[music playing]

Slide #: 2
Slide Title: Chapter 3
Exploring Management
Chapter 3
Ethics and Social Responsibility
Audio:
Hello everyone, welcome to ethics and social responsibility, this is chapter three in our textbook. This will probably be one of the longer lectures just due to my research interest and how important I think ethics is within organizations.

Slide #: 3
Slide Title: Chapter 3
- How do ethics and ethical behavior play out in the workplace?
- How can we maintain high standards of ethical conduct?
- What should we know about the social responsibilities of organizations?
Audio:
We will try to answer a few questions: How do ethics and ethical behavior play out in the workplace? How can we maintain high standards of ethical conduct? And what should we know about the social responsibilities of organizations? And as we talk, there’s going to be some things you might agree with, and this would be a great lecture to do in a classroom because if there are discerning ideas it provides a good opportunity to discuss our view, especially when we start talking about corporate social responsibility or CSR.

Slide #: 4
Slide Title: Ethics in the workplace
- Ethical behavior is values driven.
- What is considered ethical varies among moral reasoning approaches.
- What is considered ethical can vary across cultures.
- Ethical dilemmas arise as tests of personal ethics and values.
- People have tendencies to rationalize unethical behaviors.
Audio:
We are going to learn that ethical behavior is value driven, what is considered ethical varies among moral reasoning approaches. We’ll talk about four types of moral reasoning approaches, we’ll talk about what is considering ethical can vary across cultures, and this is significant issue for those of us who work in business international management, and I think that most of you will work in a global business in one way or another in your careers. We’ll also talk about how
ethical dilemmas arise as tests of personal ethics and values, not just for managers but also for employees. And also, people have tendencies to rationalize unethical behaviors. And I know everybody has seen this in one way or another. We probably each have issues with that ourselves, but we can see how we can rationalize just about anything, and we’ll talk a few examples.

Audio:
To begin with, these are a couple definitions that you should know for the exam. The first one is ethics: a code of moral principles that sets standards of good or bad, or right or wrong, in our conduct. And then ethical behavior: that which is “right” or “good” in the context of governing moral code. And then ethical behavior is value driven, and what we mean by that is if I value dollars or I want to make a good living and I want to stand out as a manager, those are my values. Then a lot of my decisions will be driven by that but let’s say I care about the environment and social corporate responsibilities, I may work for an organization in a position where I may not make as much money as the person who seeks financial rewards, those extrinsic financial rewards, and so my desire for the environment will drive my ethical behavior and then also subsequently I may choose to make less money than somebody else who wants to make a high salary.

Audio:
I want you to know about values. Values are broad beliefs about what is appropriate behavior. So again, those last two definitions and this one. And then the next two you can pretty much figure out. Terminal values, these are preference about desired end states. And then instrumental values, preferences regarding the means to a desired end. And those I don’t believe are test questions, but the values and then ethics, and ethical behavior, ethical conduct.

Audio:
Moral rights view
• Does a decision or behavior maintain the fundamental rights of all human beings?
Individualism view
In regards to moral reasoning, there are reasons for various ethical practices. I mentioned that we would talk about four. The first one, we’ll start on the left and then we’ll go clockwise. Moral rights view: Does a decision or behavior maintain the fundamental rights of all human beings? So this is human beings that you don’t even know, you won’t ever meet been in a country that you don’t even know exists, but does the decision that we make as managers maintain fundamental rights of all human beings? So we’ll talk about some of what are believed to be fundamental rights by the United Nations or just generally. And then the second one is individualism view, this is all about me, myself, and I. So does a decision or behavior promote one’s long-term self-interests? That’s the key is long-term, and I will talk about that in a little bit more detail in the following slides. And then utilitarian view, this is a fun one. If we were face-to-face, we would probably discuss this one. We could discuss this for easily for twenty minutes or a half hour. In fact, if we had weekly discussions, we could easily just have it on utilitarian view. So this is does a decision or behavior do the greatest good for the most people? This, an example that I’d like to make is how the British or English empire basically conquered much of the known world. And then, since World War II even, the United States has colonies and has military bases all over. We strive to bring democracy to civilizations that may not even fathom what democracy means, what does that mean? So we believe that we are bringing democracy for the greatest good for the most people. But what about these people that live there, that they have long histories. I mean the United States, we have a history that is 200 something years old, we are a very country. But we are taking these to countries with histories much longer. How does that look to them, and are we really bringing the greatest good for the most people? Now I’m not saying that I believe in one way or the other, I’m just using that as an example to see that even though we try to make decisions that have the greatest good for the most people, there’s always two sides to every coin. And as managers we need to think about that. The fourth, we’ll talk about justice view: does a decision or behavior show fairness and impartiality? This is an area that I do quite a bit of research, but I won’t bore you with that too much, but it’s mostly about restorative justice. So if I offend you, how can I be brought back into the fold, or do I need to be fired, and then also how can your rights and your needs be brought and made whole. And we will talk about four types of justice, there are many others, but we will talk about four types of justice you need to know.
Which action is in our best interest in the long-term?
Can be quite different from the best choice for the short term

Audio:
Individualism view: which action is in our best interest in the long-term? It can be quite different from the best choice for the short term. Let’s say I am an instructor, and I don’t like teaching, I’m only an instructor because all I care about is research. You may have had instructors like this in the past, hopefully you haven’t. But if I had that and I did not care about your success and you were simply a number to me, I may not respond to you very quickly, I might just respond once a week, I’m not going to get fired. I might wait until the last day of the course to grade everything because I can do everything at once and it saves me a lot of time, and it allows me to complete research. But if I do, that would be a short term benefit, but long-term, pretty soon you will get on rate my professors or you would start telling your friends, and it would get back to the senior people at WSU, and it could hurt me. And so, even from a long-term perspective, I would at least check my email every couple few days, I would grade within two weeks, and things like that if I had this individualism view, which I think most of you have figured out by now I really don’t think that way. But that would be an example for individualism view.

Slide #: 10
Slide Title: ethics in the workplace: moral reasoning
- Justice View
  - Procedural Justice
    - Rules are applied fairly
  - Distributive Justice
    - People are treated the same regardless of personal characteristics
  - Interactional Justice
    - People are treated with dignity and respect
  - Commutative Justice
    - Transactions are fair and everyone has access to the same information

Audio:
The justice view, again, I spent a lot of time researching these issues. We will talk about procedural justice first, this is rules are applied fairly. This does not say that rules are applied fairly to all though, and I’m going to use a manufacturing context. Let’s say you have a manufacturing organization that that’s what they do is manufacture widgets and they have three shifts. And each shift is made of various groups of crews, and let’s say four of us are on a crew and we are going to come in and replace the previous shift because the line cannot stop. And I show up five minutes late, well the other three of my workers; you cannot start work because I’m not there. And not only that but the people who we’re relieving can’t stop working so they have to work longer. Therefore, this organization may say if you’re late more than twice in a month or something like that or twice in a quarter, first time you are put on notice, second time, some sort of punishment, and then after that you’re fired. But that would be across everybody within that part of the organization, those of us who work out on the floor that create the widgets. So, it’s gonna be applied fairly to all of us. However, an executive that works 8-6 or 9-6 or 9-5 or whatever it is, might come in 5 minutes late, nobody says anything, in fact they just say good morning to him or her and they don’t say anything because who knows, that person might have been golfing, doing business out there, they might have been a conference call out in their car, it might have been just whatever because they’re not expected because they may work till 10. The
person may have worked until 10 or midnight the night before and just decided to come in late. However, that person and his or her colleagues need to be held at the same standards. So if that person’s not punished for coming in five minutes late then neither should their colleagues. So that’s how procedural justice works. And then distributive justice, this is that people are treated the same regardless of personal characteristics. So this could be of course, the visual things: age, race, things like that. But, this is also let’s say there was a bunch of us, Wazzu grads and we are working with somebody that’s from UW, and we treat them different because they’re from UW and we basically don’t spend time with them, we talk to them in a different tone, we ignore them in meetings, things like that. That would be that we are violating distributive justice. And then, interactional justice, what’s interesting about interactional justice is that this is the one that you as a manager will have the most impact. This is concerned with people are treated with dignity and respect, and how I say that you as a manager will have the most impact. Let’s say you are my supervisor, and I like to come in late, you did the true colors exercise, I’m an orange, I’m a high energy person. I like to joke around; time frames really don’t mean a lot to me. So I come in late all the time, and one morning, you’re just sick of it. And as soon as I come through, and you start yelling at me, “Nathan, why are you always coming in late? Everybody has to do the work. Why are you special? Do you really think you’re special? And you belittle me. Well let’s say on that day, my wife was sick and I was going to have to call in sick as well just to take care of the kids, and I took the kids to school or I helped someone on the road or I saw a wreck and I had to stay or something like that you don’t know. Now, don’t get me wrong, I am in the wrong for being late and I have been late so much that needs to be addressed. But were you treating me with dignity and respect when you called me out in front of all my peers, all my colleagues. Verses, saying, “Nathan, please come into my office” and you shut the door and very sternly, you speak to me and you explain that I’m late all the time and that my colleagues notice and that I’m setting a bad example and that they have to do extra work and I am paid to be here at nine or eight or whatever time. And that if I cannot meet the requirements, I am going to be losing my job. Now, you said that with a very stern voice and you got the point across, however you are still treating me with dignity and respect. See the difference, that’s interactional justice. So this is why managers can have the largest impact on that. And then also, when you think about communication as companies, they have to downsize or they have to make decisions, it’s just proper communication. Again, managers can have an impact. And then commutative justice, this is transactions are fair and everyone has access to the same information. So if we go back to our Wazzu example, let’s say we’re a bunch of supervisors and we want another Coug to be able to have another supervisor job. So we provide that person with information that the person from UW doesn’t have. That is not being fair to that person because they don’t have access to the same information, and they will not have the same opportunity even though they may be a better employee to have that supervisory position.
Excerpt from Universal Declaration of Human Rights- United Nations

- Article 1-All human beings are born free and equal in dignity and right
- Article 18-Everyone has the right to freedom of thought, conscience, and religion
- Article 19-Everyone has the right to freedom of opinion and expression
- Article 23-Everyone has the right to work, to free choice of employment, to just and favorable conditions of work
- Article 26-Everyone has the right to education

Audio:
However, there’s also the excerpt from Universal Declaration of Human Rights from the United Nations. This goes back long before United Nations was even thought of, and anyone that’s taken philosophy courses may know the name John Stuart Mill and he wrote quite a bit on this, but let’s talk about a few of these. Article 1 from the UN is all human beings are born free and equal in dignity and right. Article 18- everyone has the right to freedom of thought, conscience, and religion. Everyone has the right to freedom of opinion and expression. 23- everyone has the right to work, to free choice of employment, to just and favorable conditions of work. And 26, everyone has the right to education. Now what does that really mean, all these different rights? And if you’re a member of the United Nations, let’s say you are a developing country, let’s say you are one of the bricks. Are you able to meet all these? And we think back when to here in the United States when we had a large influx of immigrants from Italy, and Ireland and Poland a hundred years ago. Did they have these same rights in the same thing as these countries that are a hundred years in development behind us. So what we think in the United States, the right of freedom of thought, conscience, and religion, the freedom of expression and fatal conditions at work, what does that mean in these other countries? And we’ll talk a little bit about a little further about that in a few minutes.

Slide #: 13
Slide Title: ethics in the workplace: ethics and culture

- Cultural Relativism
  ▪ Suggest that there is no one right way to behave; cultural context determines ethical behavior

Cultural Relativism (When in Rome, do as the Romans do.) ↔ (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.) → Moral Absolutism (Don’t do anything you wouldn’t do at home.)

Audio:
Actually we’ll talk about it right now. So cultural relativism suggests that there’s no one right way to behave, cultural context determines ethical behavior. Cultural relativism is the thought that when in Rome, do as the Romans do, maybe what happens in Vegas stays in Vegas. This is where no culture’s ethics are superior. The values and practices of the local setting determine what is right or wrong. So if I act in a certain way here in the United States with my peers, but let’s say then I go to China or Vietnam or if I go to Poland and I act the way that they would or I do the things that they would that might not agree with my own moral code, that’s okay because it’s cultural relativism, everything’s relative. Verses a moral absolutism that’s on the other end of the spectrum. This is where certain absolute truths apply everywhere. Universal values transcend cultures in determining what is right. So going back to that UN declaration, however I act here I’m gonna act the same way as if I’m in Holland. So some things are going to be legal to do there, and just because I don’t think they shouldn’t be or that I don’t normally partake in certain
things here in the US, I won’t there either. This is don’t do anything you wouldn’t do at home. In reality, most of us are going to be somewhere in between here with our ethical beliefs but these are things to think about as you work in global business. How do you want to run because if you really believe in culture relativism, how is that going to affect your organizational culture? Are you gonna have multiple cultures, you always have subcultures, but if you don’t treat the people the same in Vietnam as you do in your office in the US. Verses moral absolutism, you are going to treat people in Vietnam in your office there, your employees there’s not the same way as you would here. And I’m not picking on Vietnam, saying that they do anything wrong, it’s just that there are a lot of cultural differences between the way offices are run here in the US and the way that they’re run in Vietnam.

Slide #: 14
Slide Title: ethics in the workplace: ethical dilemma
- Ethical Dilemma
  - A situation that, although offering potential benefits, is unethical.
  - One of the most common ethical dilemmas occurs when a company’s culture conflicts with an employee’s personal ethics

Audio:
An ethical dilemma is a situation that, although offering potential benefits, is unethical. And one of the most common dilemmas occurs when a company’s culture conflicts with an employee’s personal ethics. This happens not just with managers, but also employees, especially early on when the employee is getting to know the culture and may not realize the way things are really done. They may come in because of the formal codes, but there’s always informal codes, and though this chapter doesn’t talk a lot about informal codes and you won’t be tested on it, I do want you to think about how there’s informal codes and how they really affect an organization’s culture within your organization.

Slide #: 15
Slide Title: ethics in the workplace: ethics and work
The Wall Street Journal reports:
- 36% of workers calling in sick are lying.
- 35% keep quiet about co-worker misconduct.
- 12% of job resumes contain falsehoods.
- Managers are more likely than other workers to report wrongdoing.
- Managers with 0-3 years experience feel most pressure to violate personal ethics.

Audio:
This is interesting from the Wall Street Journal. 36% of workers calling in sick are lying, that’s not a surprise to me, I don’t know if it is to you. 35% keep quiet about co-worker misconduct. And I conduct research on that showing that though you and I might work together, we may be very good friends, and I act unethically and you chose not to, I seek to understand why that is cause that’s much different than just simply the opposite of being the whistleblower, which we’ll talk about later. 12% of job resumes contain falsehoods, that’s research that’s also done here at WSU by professor [Christine Koon], she does a lot on that, it’s pretty amazing how many people basically fib on their resumes. And then managers are more likely than other workers to report wrongdoing. May or may not agree with that, but that’s what the research shows. And then managers with 0-3 years experience feel the most pressure to violate personal ethics, and that’s no surprise to me. I remember when I was 28 or 29 and I was a general manager for a company, and my regional manager really used to put pressure on me when at the end of the month when some
of my colleagues in other areas of the Northwest were not able to hit their numbers, and he
would call and ask me to basically borrow deals from the next month to help the region because I
was fortunate enough to be able to hit numbers pretty much each month. And he really liked me
and I was again, extremely young. I didn’t have a college degree at the time and most of my
colleagues did and it put a lot of pressure. And though the things he asked me were not illegal,
they were against the stated or formal company rules, but in reality, this stuff was done all the
time. So the informal culture really outweighed the formal in that situation.

Slide #: 16
Slide Title: ethics in the workplace: rationalizing unethical behavior
Four reasons:
1. “What I’m doing is not really illegal.”
2. “My behavior is in everyone’s best interests.”
3. “Nobody will ever know about it.”
4. “The organization will stand behind me.”

Audio:
There are four main reasons why people rationalize their unethical behavior. First, what I’m
doing is not really illegal. Second, my behavior is in everyone’s best interests. So again, this
utilitarian view. And nobody will ever know about it, and the organization will stand behind me.

Slide #: 17
Slide Title: maintaining high standards
- Personal factors moral development influence ethical conduct.
- Training in ethical decision making may improve ethical conduct.
- Protection of whistleblowers may encourage ethical conduct.
- Managers acting as positive role models can inspire ethical conduct.
- Formal codes of ethics set standards for ethical conduct

Audio:
As we continue in this lesson, we’ll talk about how personal factors such as moral development
influence ethical conduct, training in ethical decision making may improve ethical
can encourage ethical conduct and it really comes down
to the situational factors I believe. And then managers acting as positive role models can inspire
ethical conduct within organizations, and formal codes of ethics set standards for ethical conduct.
And I do believe that, but again I really want you as managers, I’m a little more pragmatic in my
views and more realistic, and know that there’s informal codes that every organization has and a
lot of the time these impact even more, even though it’s not on the exam, I really want you to
think about this. As you earn your degrees, I think it’s very, very important to earn degrees, but
also I want you to think about these things, and think about, well how does this really impact me as a
manager some day? And you can think about, okay we’re going to make these formal codes of
conduct, these formal codes of ethics. But you as a manager, you need to set the tone, you need
to walk the talk instead of just do as I say, not as I do. And I’ll talk a little bit more about that.

Slide #: 18
Slide Title: maintaining high standards: influence on moral development
- Ethical frameworks
  - Personal rules and strategies for making ethical decisions
- Lawrence Kohlberg
  - Three levels of moral development
Preconventional Level (Self-Centered Behavior)
• Stage 2 - Make deals for personal gain.
• Stage 1 - Avoid harm or punishment.

Conventional Level (Social-Centered Behavior)
• Stage 4 - Follow rules, meet obligations
• Stage 3 - Act consistently with peers, others.

Postconventional Level (Principle-Centered Behavior)
• Stage 6 - Act according to internal principles.
• Stage 5 - Live up to societal expectations.

Audio:
Ethical frameworks or personal rules and strategies for making ethical decisions. Very famous one is by Kohlberg. This involves three levels of moral development. These are, the first one, and each one has two stages. So the first one is preconventional level, so this is all about self-centered behavior. The first stage is avoid harm or punishment. Second is make deals for personal gain. The second one is conventional level, social-centered behavior. Act consistently with peers and others, and then follow rules to meet obligations. And then the postconventional level, so this is principle-centered behavior. And I think we all like to think that this is where we’re at, but in reality I think many of us are not. And then the fifth stage, live up to societal expectations, do we live up to these expectations? And then six, act according to internal principles. And this is, so you need to know these six, what they are. It’s, though I don’t know what your long-term thoughts on this, but one thing I argue about this, act according to internal principles, that’s stage six. And then we live up to societal expectations, which is stage five. But I like to think about well, what about these people that lead change? People that are orange, the orange personality. What about these people that really believe in in changing the societies in which they live? Examples may be Cesar Chavez or Martin Luther King Junior because they, to a point lived up to societal expectations, and you might say okay, well their society may be, in the case of Cesar Chavez, maybe well his colleagues, his peers that are fellow farm workers, but in reality the society is actually larger than that, one may argue. So, even though this is six different stages, I want you to think about don’t just take this cart launch and believe everything is what it is, I want you to think on your own and question. This is one time that I wish we were face to face, is like I said, with this lecture because we will all view this different. Those of us that like to follow rules, establish norms, and those of us that like to break out and sometimes cause trouble like many people believed, especially at the time, that Dr. Martin Luther King was causing trouble, many people thought that at the time. And there may be a select few that think that now even. But look at the change that he has been able to lead as a spokesperson for what he really believed in, the same thing as Cesar Chavez.

Slide #: 19
Slide Title: maintaining high standards: ethics training
• Ethics training
  ▪ Seeks to help people understand the ethical aspects of decision making and to incorporate high ethical standards into their daily behavior.

Audio:
Ethics training seeks to help people understand the ethical aspects of decision making and to incorporate high ethical standards into their daily behavior. This is important, I think that a lot of us has participated in ethical training. However, I look back on some of the training I have had and as soon as you get back, your manager says forget all about that, that’s not the way things are done, they just do that. That’s our form, without saying it but you’re saying, okay that’s the
formal code but in reality this is the way things are really done. So anytime that you don’t have a manager that supports it or if you have an informal culture that doesn’t support something, ethics training can basically be worthless. And so I really want you to think about that as you take a managerial roles, I know some of you are managers that you think about this as you go and you start incorporating ethics training. It is important to create those normative expectations for your employees, but what’s more important is your example as a manager, and I firmly believe that.

Slide #: 20
Slide Title: ethics in the workplace: ethical dilemma
- Checklist for dealing with ethical dilemmas
  Step 1- Recognize the ethical dilemma.
  Step 2- Get the facts.
  Step 3- Identify your options.
  Step 4- Test each option: Is it legal? Is it right? Is it beneficial?
  Step 5- Decide which option to follow.
  Step 6- Ask the “Spotlight Questions”: To double check your decision. “How would I feel if my family found out about my decision?” “How would I feel if the local newspaper printed my decision?”
  Step 7- Take action
Audio:
Now here at WSU and a lot of other places people like this checklist for dealing with ethical dilemmas. I think this is a great, I could never imagine myself using it, however some of you may be interested in this, so let’s go ahead and talk about this. Step 1 is recognize the ethical dilemma. Step 2 is to get the facts, and this is might require talking to people outside the organization as well to other stakeholders. The third one is identify your options, and these may not always be cut and dry and so obvious. And then test each option: Is it legal? Is it right? Is it beneficial? Can something be legal and wrong? Or can something be illegal and right? That’s a question I have for you, you may say no, if it’s not legal, it’s not right. If it’s not right, it’s not legal. So then there’s some of us that will say well sometimes legal and right is not the same. I think about the Boston Tea Party, for instance. It was clearly illegal to do what those [robberaslers] wanted to do and but however, we look back and look at those people as patriots even. And so that’s just an example, I’m not saying that it’s right or wrong, it’s just something to think about. And then step five is to decide which option to follow. And the next one is this is the one we want to focus on, step six. And if you don’t learn anything else from this slide, I really want you to think about the spotlight questions: How would I feel if my family found out about my decision? How would I feel if the local newspaper printed my decision? We talk about the New York Times test, how would you feel if your photo and what you said was printed in the New York Times? Would you feel okay with that? If so, then that’s probably a good decision. If not, you need to step back. And then step seven is take action, and I want to talk a little bit more on spotlight questions.

Slide #: 21
Slide Title: maintaining high standards: ethics training
Spotlight questions highlight the risk of public exposure of one’s actions:
- How would if feel if my family found out about my decision?
- How would I feel if my decision was in the local newspaper or posted on the internet?
- What would the person I know who has the strongest character and best ethical judgment say about my decision?
So these spotlight questions, we talked a little bit about. But let’s talk about the third bullet point: what would the person I know who has the strongest character and best ethical judgment say about my decision? Some of you may be religious, have a religious leader, might have parents that raised you correctly to be a good upstanding citizen, that may be good. Others may have a mentor, I really believe in mentorship. I’ve had the opportunity to be a mentor and a mentee here at WSU. I’ve had the opportunity to have an example with Dr. Kenneth Butterfield as my advisor. He has been here for about 15 years, very good professor, good researcher, and he focuses on ethics. And hopefully none of you have ever had the opportunity to meet him in this capacity, but he is the chair of the academic committee that reviews plagiarism and other academic dishonesty cases. If you were turned in for plagiarism and you decide to dispute the professor’s decision, and hopefully that doesn’t happen in our class, hopefully, as I’ve mentioned before, plagiarism is my biggest pet peeve so hopefully we never have to cross that bridge. But he is over that committee, and it’s interesting for me to think about, well what would Ken do in this situation dealing with students? And one thing, an example may be from me as an instructor is a lot of times, students at the end of the semester, I’ve always been surprised on this, will ask professors to bump their grade because they’re so close. Can you round my grade, can you do this? The problem with that, that poses an ethical quandary. A lot of the time you don’t realize this but if I do that for you because I like you or because you ask, well what about all the students that didn’t ask? Is that ethical to them because I remember when I did my degree, I only ever fought one grade ever and that was very unusual situation where I did exactly what the instructor, I changed this business plan to exactly what he wanted, matched the numbers he wanted, and then he gave me a lower grade because my numbers were wrong and I should have never changed the numbers because I even have the emails to show this. And but I didn’t fight it for very long, but anyways I digress but how students will come to me, you know I offer extra credit opportunities and things, and they’ll come and sometimes students are disappointed that I won’t round their grades and it’s because I feel that it’s an ethical situation that I didn’t do it for students last semester and I’m not doing it for others in the class, then why is it fair for me to do it for them to bump them from an A- to an A because they want to go to grad school. Believe me, I get that, I get that they wanted to go to grad school and it kills me that that one grade may be the difference between getting into an Ivy league school or not. But still, it’s an ethical dilemma, and I’m not saying that to scare anybody at the end of the semester because if you feel that my grading policy wasn’t fair, I want you to come to me. But I’m just saying, that is an example of an ethical decision that I have to make as an instructor in my role here.

Slide #: 22
Slide Title: maintaining high standards: whistleblowing
- Whistleblowers
  - Persons who expose organizational misdeed in order to preserve ethical standards and protect against wasteful, harmful, or illegal acts.
  - Many whistleblowers were/are fired for their actions
  - State and federal laws now offer some protection.

Audio:
Whistleblowers, we all know about whistleblowers, maybe some of you have seen whistleblowing in organizational context. A whistleblowers is a person or persons who expose organizational misdeeds in order to preserve ethical standards and protect against wasteful,
harmful, or illegal acts. This is great when you see people like this, and then we learn that many whistleblowers are fired for their actions, and that there are state and federal laws that now offer some protection. However, this is not the same thing as somebody that’s acting unethically in an organization and we are all fudging numbers or we’re stealing from the company or we’re coming in late and stealing time, resources, something. And then all of a sudden, I am doing something else, I am not hitting my numbers so then they’re gonna let me go. And then I become a whistleblower. And fundamentally I have a problem with that in this type of person. And as a manager, you need to be able to separate this and think about this, is that how do all of a sudden these people that were participating in things and they were perpetuating the informal organizational culture that allows that and even encourages that. And all of a sudden comes forth, and now they’re protected by state and federal laws. And the reason why I bring that up because I’ve actually seen that in organizations, how people will now of a sudden start bringing out these skeletons of others when they themselves were participating as well. And that can really really significantly hurt the culture of an organization or even the subculture when that type of thing happens. However, true whistleblowers should be protected because there’s stakeholder interest, and we’ll talk about that later and many of you know about stakeholder interest. But stakeholders, customers, and society members, they deserve to be protected from the wrongdoings of bad managers.

Slide #: 23
Slide Title: maintaining high standards: whistleblowing
- Organizational barriers to whistleblowing
  - Strict chain of command
  - Strong work group identities
  - Ambiguous priorities

Audio:
Not surprising, there are some significant organizational barriers to whistleblowing. One might be a strict chain of command, strong work group identities, and ambiguous priorities. So in regards to the chain of command, the military is great. But however, there has been some reports of different types of abuse in the military where company commanders or officers may just sweep things under the rug and make it very difficult for people to bring things forward. And then there’s a strong work group identity, and again, this is where something I research is where we have such a culture, that I would never turn on you because we’re more important to one another than the boss or the people in the glass tower. And then also ambiguous priorities, and this is one where you will see quite a bit, if you see this type of thing is that we may have priority to hit our numbers, exceed Wall Street expectations, and to perform financially. And though that’s done by the senior management team, you as a mid-level manager, will receive the pressure from that. But at the same time, they want to take care of customers, and let’s say they have a priority of customer satisfaction but we’re selling a product that we know is inferior and going to have problems, what’s the right thing to do? Well if we recall those products or if we don’t sell them, we won’t hit our numbers. So which is more important? Is it the customer satisfaction or is it hitting the Wall Street numbers? This is so ambiguous, and even conflicting priorities.

Slide #: 24
Slide Title: maintaining high standards: management influence
- Management behavior
  - In order to have a positive impact on ethical conduct throughout an organization,
those at the top must walk the talk.
An immoral manager chooses to behave unethically.
An amoral manager fails to consider the ethics of her or his behavior.
A moral manager makes ethical behavior a personal goal.

Audio:
So as a manager, do you want to be the manager that is a good example, or do you want to be the one that says do as I say, not as I do? In order to have a positive impact on ethical conduct throughout an organization, those at the top must walk the talk. An immoral manager chooses to behave unethically, they make a conscious choice. I think back on though smoking may not be immoral, I want to use that as an example, hopefully I don’t offend anyone that’s a smoker. But my grandmother was a smoker, she bought my mother cigarettes when my mom was just 14 or 15. This was a common practice and their area. So they both smoked since they were early teens. And my mom always said, “Nathan, don’t smoke. It’s terrible.” I thought it was terrible too. But I remember before I was 18 that I had a lot of friends that smoked and used tobacco products, and the next thing I know I am. Peer pressure, what, you can call me weak, whatever the reason was. But those that had parents that were smokers, it has been shown that there are more likely to be smokers. And so even though my mom said don’t be a smoker, it’s bad for you, I ended up smoking. Now luckily, about 16 years ago, I was able to stop and it was one of the best decisions of my life. But I want you to think about that because a lot of times managers are like parents to their employees and if you tell someone okay, here I am smoking, but you’re not supposed to smoke, what kind of an example are doing? And from an ethical thing, if I’m stealing from the company and I say you need to come on time and not steal from the company but then I come in ten minutes late, I take a two hour lunch, and I make up for it by leaving early, what does that do? Oh, it’s my right because I’m a manager? How would I look if my regional, or my district, or my senior manager was around? Would I pull that? I doubt it. So you want to think about that as an immoral manager, and that’s not the person we want to be. And then there’s the amoral manager, this is one that fails to consider the ethics of her or his behavior. I think about Michael Scott on The Office. We always laugh at that show, that’s a very well-written show in my opinion, but we see the way that he acted and then now Andy Bernard, and some of the crazy things that they don’t think about the ethics of their behavior. Those of you who watch it recently remember that Andy Bernard, the newer manager, he just decides to take off two months to the Caribbean with his sailboat because his family sold the sailboat and he didn’t tell his manager and he was continuing to get paid. That would be an example of an amoral manager, so he knew it was wrong but he never really considered the ethics, what that would do to the team. Though he knew it was wrong, he didn’t know why and never really thought about what would happen because of that. And then also there’s the moral manager, this is the one that makes ethical behavior a personal goal. This is the person who will come in ten minutes early and leave late, that will work through lunch and set a good example. Not that that may be to the best work like balance, or this person who in sales may walk away from a deal that they know is bad for the customer or bad for the organization, even though that they would make money, where an immoral manager would be okay, I’m going to make this money, and I’m going to take this deal.

Slide #: 25
Slide Title: maintaining high standards: codes of ethics
- Formal codes of ethics set standards for ethical conduct.
  - Explain ethical principles
  - Describe expected behavior
Audio:
Codes of ethics are formal codes of ethics that set standards for ethical conduct. They explain ethical principles and describe expected behavior. But again, though it’s not in the textbook, I want you to think about the informal codes of ethics as well that are done a lot of times they have a larger impact. For instance, I worked for a company that had mission statements in every office, and I think they even had them in the restrooms. And the mission statement was focused towards customers, it was really all about the customer. Really impressive, and it helped this company grow dramatically from 1977 to the early 2000s, grew into a billion dollar company. But, then very president company eventually they continued to talk the talk, but they quit taking care of customers, and it got so bad that they found out they wouldn’t have to do anything until a customer reported them to an attorney general’s office or sued them through an attorney, and then they take care of the customer. That was cheaper, actually dealing with those customers because most customers just went away. However, their word of mouth started suffering really bad and they were heading towards bankruptcy and then when the housing bubble hit, they ended up in bankruptcy. This company really suffered and I firmly believe it was all about because they didn’t care about customers and in fact, I was a manager for them. And because of this, though I made a very good living, I felt that I could not support them and that I needed to move on. Not saying that I’m the most ethical person, but I faced an ethical dilemma where I could no longer do that and I couldn’t look at myself in the mirror and I couldn’t look at these customers that I would see throughout that I would occasionally see them at restaurants or if I see them in a grocery store or I see them wherever because they associated me with that. And they didn’t know that behind the scenes, I was doing everything I could and I would actually basically get in trouble for the organization for not just following in line and treating customers the way that the corporation now didn’t care.

Slide #: 26
Slide Title: Social responsibility
- Social responsibly is an organization’s obligation to best serve society
- Scholars argue cases for and against corporate social responsibility
- Social responsibility audits measure the social performance of organizations
- Sustainability is an important social responsibility goal
- Social business and social entrepreneurs point the way in social responsibility

Audio:
Social responsibility is an organization’s obligation to best serve society. Please now that for the exam. Scholars argue cases for and against corporate social responsibility, that’s even done here at Washington State University, there’s some of us that believe that corporate social responsibility is altruistic based, and then there’s some people that think well it’s just basically insurance or it’s just marketing schemes. And then we’re also going to talk about social responsibility audits measure the social performance of organizations. Sustainability is an important social responsibility goal, and I think many of us will agree with that. And social business and social entrepreneurs point the way in social responsibility.

Slide #: 27
Slide Title: Social responsibility: Social responsibly is serving society
- Stakeholders are the groups that have a direct interest in the success or failure of an organization

Future generations, competitors, federal, state, local governments, employees, educational institutions, suppliers, legal institutions, customers, financial institutions, stockholders, public-
Earlier I talked a little bit about stakeholders. I’d like to talk about them in detail now. Please know that stakeholders are groups that have a direct interest in the success or failure of an organization versus shareholders. As we look at this diagram, we see that there are stockholders. Stockholders theory argue that stockholders have the right for the income or the rent generated by firms. However, employees have a stake as well because they are giving their careers, they are giving their time. Not just for income, but a lot of times for intrinsic or other rewards. And then we look outside of that, we can image how suppliers and customers are important stakeholders as well because you think about Wal-Mart, how much buyer power they have for those of you who have taken marketing courses, they have so much buyer power that they are able to control these smaller firms. Same thing with the big three auto makers and some of their suppliers. And then customers, of course, repeat customers. We have labor unions and competitors. You may ask well how are competitors stakeholders because they want the other company to fail. Well in reality, a lot of time they share resources or they compete resources so it’s a multiple, I think about like car lots in Burlington, Washington, a small town up in Skagit County. You go there, people will drive clear from Seattle and from Everett to go by cars up there because sales tax is a little lower, but not only that but you take this exit, and all you see is car lots, their all there right by each other. Well it kind of creates that draw and so the resources, these customers, it attracts these customers. And then it’s also that way in any business, and then also, you think about the Enron scandal and Bernie Madoff. How these people, their unethical behaviors affect others so that now there’s other government regulations, now big brother is involved. Think about Sarbane Oxley Act of 2001, those of you who are in accounting will know about that. But because of these scandals, now all of a sudden big brother is out there and has all these extra requirements for these publically traded companies that are now having to spend all kinds of extra money for reporting because of what these other ones. So this just shows that competitors are stakeholders as well. And so if you and I run a company that is ethical sound, and our competitor isn’t, we have a stake in them because we want them to also act ethically because we want our industry to be successful. And then I mentioned government, so big brother, federal, state, and local governments obviously have a stake in our success. Think about the bailouts, the two big fail argument that may be. And also that governments have the responsibility to protect investors, hence the Sarbane Oxley Act. And then educational institutions, legal institutions, financial institutions, public-interest groups, and future generations all have a stake in the success in the operating of ethical behaviors the way companies operate.
- Is the decision economically sound?
- Is the decision socially responsible?
- Is the decision environmentally sound?
- Three Ps
  - Profit, people, planet

Audio:
The triple bottom line, again, those of you who are accounting majors know about the triple bottom line, but this is how well an organization performs when measured not only by the financial criteria, but also on societal and environmental ones. Those of you who are in finance will may hear your professors talk one way or another in regards to CSR. If there’s a payoff because they may consider long-term payoffs as their investment, marketing as well. So we’re going to want to know is the decision economically sound, is it socially responsible, and is it environmentally sound? And can it be one, two, or three? We really want all three. And then the three P’s: profit, people, and planet. Eventually if you make lots and lots of profit until you destroy the environment around you, you will no longer have profit and not only that, you’ll alienate people and destroy the planet.

Slide #: 30
Slide Title: Social responsibility: corporate social responsibility
Socioeconomic View
- Responsibly increases long-run profits
- Improves public image
- Helps avoid government regulation
- Businesses has resources and ethical obligations to act responsibly
Classical View
- Reduces business profits
- Creates higher business costs
- Dilutes business purpose
- Gives too much social power to business

Audio:
There’s two views on corporate social responsibility. One is the socioeconomic view, the second is the classical view. I’d like to talk about the classical view first. This argument suggests that CSR reduces business profits, creates higher business costs, dilute business purpose, and gives too much social power to business. It also takes away the money, or rents, or revenue from the shareholders. However, the socioeconomic view suggests that responsibility increases long-run profits, it improves public image, helps avoid government regulation, and it suggests that businesses have resources and ethical obligations to act responsibly.

Slide #: 31
Slide Title: Social responsibility: Social responsibility
- Virtuous Circle
  - Socially responsible actions lead to improved financial performance.
  - Organization is more likely to engage in socially responsible acts in the future.
    - example: car manufacturers who produce fuel-efficient and hybrid cars may see improved financial performance and introduce more fuel efficient models

Audio:
CSR is a virtuous circle, basically good actions lead to improved financial performance. And then an organization is more likely to engage in socially responsible acts in the future. An
example would be car manufacturers who produce fuel-efficient and hybrid cars that may see improved financial performance and introduce more fuel efficient models. On the other hand, I don’t know if anyone remembers in the news in Brazil, there’s a lot of car dust that all the large automobile manufacturers are in Brazil. They now manufacture in Brazil because it’s obviously one of the bricks, but they are taking short cuts there to keep cars within a lower price for the emerging middle class. And the welds are cheaper, and where in the US we are now seeing a reduced traffic fatalities, where they are seeing many many more in Brazil and they’re blaming it on the way that auto manufacturers manufacture. So if you’re interested in that thing, just do a Google search in regards to that, it’s fairly interesting to see how here we’re talking about CSR, but basically the exact opposite situation seems to be occurring in Brazil.

Slide #: 32
Slide Title: Social responsibility: Measuring Social Responsibility
- Social responsibility audit
  - Determines the organization’s performance in various areas of social responsibility
  - Ranges from compliance to conviction

Zone of Compliance- Economic Responsibility: Be profitable ; Legal Responsibility: Obey the Law
Zone of Conviction-Ethical Responsibility: Do what is right; Discretionary Responsibility: contribute to community

Audio:
I don’t know how practical this slide is for you. This is social responsibility audit determines an organization’s performance in various areas of social responsibility or CSR. It’s about compliance to conviction. Zone of compliance is economically responsible, we want to be profitable. And then there’s the legal responsibility, we want to obey the law. Those are compliance, and then we have the zone of conviction. Ethical responsibility: do what is right, and then there’ the highest which is discretionary responsibility: contribute to community around us.

Slide #: 33
Slide Title: Social responsibility: Sustainability
- Sustainability
  - Concerns doing business in such a way that respects future generations and their right to the world’s natural resources

Audio:
Here’s another definition I’d like you to know. Sustainability this is concerns for doing business in a way that respects future generations and their right to the world’s natural resources.

Slide #: 34
Slide Title: Social responsibility: Sustainability
- Sustainable business
  - Organization operates in a way that meets the needs of the customer and protects natural environment
- Sustainable development
  - Uses natural resources in such a way that today’s needs are met, yet they are preserved for future generations

Audio:
Sustainable business is an organization operates in a way that meet the needs of customers and protects natural environment. And then there’s sustainable development, this uses natural
resources in such a way that today’s needs are met, yet they are preserved for future generations. Some people disagree that there’s even such a thing. However here in the Northwest we have trees, we have forests and just recently I was driving out on the Olympic peninsula and I’d see areas that were recently clear-cut and then I could see areas that were clear-cut within the last ten years, twenty years, well not quite twenty years. And these management companies, from my, of course I wouldn’t even be novice at best, but from my opinion, seem to be managing these well. But there’s going to be naysayers out there that say well there’s just only replanting these because they plan to harvest them in twenty years. Well that may be true, but these companies would probably make more money now by just clear-cutting, especially on the private land, and just letting the owners do whatever and then go find more. There’s always going to be more trees, right? And then eventually just change your business model. However, sustainable development is about preserving things for future generations.

Slide #: 35
Slide Title: Social responsibility: Sustainability
- Environmental capital
  - Land
  - Water
  - Minerals
  - Atmosphere

Audio:
Each country, each area, everybody has environmental capital. You see how in Africa, there’s so many minerals and there’s foreign interests are going into Africa now, building new roads and to access these resources. Here in the US, we were fairly lucky to have a lot of natural resources. We have land, water, minerals, and atmosphere. And we want to protect those but we are also somewhat capitalists, we want to be able to make money and we all want to live too. So we have to find the right balance between these issues.

Slide #: 36
Slide Title: Social responsibility: Sustainability
- Social business
  - Business model that addresses social problems such as hunger, illiteracy, poverty
- Social entrepreneurs
  - Create businesses that help to solve social problems
  - Examples: Grameen Bank, Tom’s Shoes

Audio:
A social business is a business model that addresses social problems such as hunger, illiteracy, and poverty. And then social entrepreneurs, they create businesses that help to solve social problems. The best example I could possibly think of is the Grameen Bank. This was started by a gentleman named Professor Yunus in Bangladesh 1976. It actually started with a research project that he was working and he wanted to see about loaning money to people in these poor, rural areas, and the average loan was only in the twenty something dollar range at the time. Again, this was in the 70’s but Bangladesh was basically an emerging third-world country at the time. Even now, we think about that recent collapse of that eight-story building, it was only supposed to be five, and how managers assisted employees go back in there and soon the place collapsed. I mean terrible and terrible in the news. But not that Bangladesh is always like that, there’s a lot of good things that are done there. But anyway, he started this Grameen Bank and loaned this money, and what he found that these women and then just generally, these poor people were able
to start adventures and be able to better their lives, but they also paid this money back at such a high rate. It’s very impressive, so basically he could be a multi-billionaire by now. Still, I’m sure he’s very wealthy. This Grameen Bank continues to take the profits that they make and expand into other countries and then definitely into where they started. It’s fascinating, and I’d encourage any of you who are interested in these things to look for opportunities to work for non-profit NGO’s, those are non-government organizations and then also these beneficent corporations because you want to work for some company and do things that you really believe in. And I’m not saying that you shouldn’t want to make a lot of money, and you shouldn’t with your business degree, you know our country, our great country was built on a lot of principles, we have expanded because of capitalism. I’m not saying that that’s bad, I’m just saying that those of you who are interested in these types of things, please explore them because with a business degree you really can, you can do a lot. And you may find that you fit better within there because even non-profits, they need accountants, they still need managers and they still need to consider financial issues. So please do research and figure out what kind of career you want to have. Some of you may not know, and I applaud those that do. So hopefully everybody has enjoyed this discussion or lecture as much as I have. Again, this is probably one of the longest ones we’ll have because it is on a topic that I feel so strongly about.