Chapter 2
Ethical Foundations in Organizational Behavior

CHAPTER OVERVIEW
The issues, concepts, and processes related to making ethical decisions are the focus of this chapter. First, we discuss the stages of moral and ethical development. Second, we discuss core concepts and principles that are fundamental to ethical decision making and behavior. Next, we describe some ethics-based initiatives for nurturing diversity in organizations. Then, we conclude with a discussion of several ethics-based initiatives for fostering stakeholder responsibility.

LEARNING GOALS
Upon completion of this chapter, the students should be able to:

- Describe the stages of moral and ethical development.
- Explain and apply the core concepts for making ethical decisions by individuals and organizations.
- Describe some ethical-based initiatives for fostering diversity in organizations.
- Explain the nature of stakeholder responsibility and its ethical basis.

CHAPTER OUTLINE
I. Learning Content
   Learning from Experience: Anne Mulcahy’s, Chairman of Xerox, Commits to Business Ethics

II. Individual Differences and Ethics
    Ethics Competency—Anne Mulcahy, Chairman of Xerox, Ethical Leadership

III. Decision Making and Ethics
    Change Competency—James McNerney, CEO of Boeing
IV. Diversity and Ethics
   Diversity Competency—Verizon’s Workplace Diversity

V. Stakeholder Responsibility and Ethics
   Ethics Competency—Johnson & Johnson’s Stakeholder Ethics and Principles
   Managing Emotions at Work

VI. Chapter Summary
   A. Key Terms and Concepts
   B. Discussion Questions

VIII. Experiential Exercise and Case
   A. Experiential Exercise: Ethics Competency—What is Your Decision?
   B. Case: Diversity Competency—Consensual Relationship Agreements

KEY TERMS AND CONCEPTS

Thirty key terms and concepts are developed in Chapter 2. The key terms and concepts, along with definitions or appropriate descriptions, are as follows:

Concentration of effect: the inverse function of the number of people affected by a decision.

Disclosure principle: You act on the basis of how the general public would likely respond to the disclosure of the rationale and facts related to the decision.

Distributive justice principle: You act on the basis of treating an individual or group equitably rather than on arbitrarily defined characteristics (e.g., gender, race, age).

Employment at will: an employment relationship in which either party can terminate the employment relationship at will with no liability if there was not an express contract for a definite term governing the employment relationship.

Ethical intensity: the degree of moral importance given to an issue.

Generation: an identifiable group which shares years of birth and significant historical and social life events at critical stages of their development.

Golden rule principle: You act on the basis of placing yourself in the position of someone affected by the decision and try to determine how that person would feel.
Harassment: verbal or physical conduct that denigrates or shows hostility or aversion toward an individual because of that person’s race, skin color, religion, gender, national origin, age, or disability.

Hedonist principle: You do whatever is in your own self-interest.

Hostile work environment: occurs when an employee is subjected to comments of a sexual nature, offensive sexual materials, or unwelcome physical contact as a regular part of the work environment.

Interactional justice: the quality of interpersonal treatment individuals receive during the use of organizational procedures

Magnitude of consequences: the harm or benefits accruing to individuals affected by a decision or behavior.

Means-end principle: You act on the basis of whether some overall good justifies a moral transgression.

Might-equals-right principle: You do whatever you are powerful enough to impose on others without respect to socially acceptable behaviors.

Moral intelligence: the mental capacity to determine how universal human principles that cut across the globe should be applied to personal values, goals, and actions.

Organization interests principle: You act on the basis of what is good for the organization.

Organizational culture: the shared and learned values, beliefs, and attitudes of its members.

Probability of effect: the likelihood that if a decision is implemented it will lead to the harm or benefit predicted.


Professional standards principle: You act on the basis of whether the decision can be explained before a group of your peers.

Proximity: the sense of closeness (social, cultural, psychological, or physical) that the decision maker has for victims or beneficiaries of the decision.

Sexual harassment: unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature.
**Small numbers bias:** the tendency to view a few incidents, cases, or experiences with individuals as representative of a larger population.

**Social consensus:** the amount of public agreement that a proposed decision is bad or good.

**Stages of moral development:** stages through which individuals evolve, ranging from the lowest stage (obedience and punishment orientation) to the highest stage (universal ethical principles).

**Stakeholder responsibility:** leaders and other employees have obligations to identifiable groups that are affected by or can affect the achievement of an organization’s goals.

**Stakeholders:** individuals or groups that have interests, rights, or ownership in an organization and its activities.

**Sustainable development:** a pattern of resource use that strives to meet current human needs without compromising the ability of future generations to meet their own needs.

**Temporal immediacy:** the length of time that elapses between making a decision and the consequences of that decision are known.

**Utilitarian principle:** You act on the basis of whether the harm from the decision is outweighed by the good in it—that is, the greatest good for the greatest number.

### LECTURE NOTES

**Organizational Behavior**

**CHAPTER 2: POWER POINT 2.0**

**Individual and Organizational Ethics**

### I. LEARNING CONTENT
The issues, concepts, and processes related to making ethical decisions are the focus of this chapter. First, we discuss the stages of moral and ethical development. Second, we discuss core concepts and principles that are fundamental to ethical decision making and behavior. Next, we describe some ethics-based initiatives for nurturing diversity in organizations. Then, we conclude with a discussion of several ethics-based initiatives for fostering stakeholder responsibility. The chapter material is developed around the following learning goals (see Power Point 2.1).

A. Describe the stages of moral and ethical development.

B. Explain and apply the core concepts for making ethical decisions by individuals and organizations.

C. Describe some ethical-based initiatives for fostering diversity in organizations.

D. Explain the nature of stakeholder responsibility and its ethical basis.

E. Learning from Experience: Anne Mulcahy’s, CEO of Xerox, Commits to Business Ethics (see Power Point 2.2).

II. INDIVIDUAL DIFFERENCES AND ETHICS

INSTRUCTOR’S NOTES:

Learning Insights
- Proactively transformed an ethics scandal.
- Emphasizes importance of transparency.
- Advanced and ensured outstanding ethics and governance practices.
A. **Learning Goal:** Describe the stages of moral and ethical development.

B. The *ethics competency* involves the knowledge, skills, and abilities needed by individuals, teams, and organizations to incorporate values and principles that distinguish right from wrong when making decisions and choosing behaviors.

   1. *Ethics* are values and principles that help individuals distinguish right from wrong.

   2. *Ethics* refers to the study of moral values, principles, and rules, including the determination of standards of conduct and obligations for individuals and organizations.

C. Stages of Moral Development

   1. Kohlberg’s model of moral development is useful for exploring questions about how members of an organization regard ethical dilemmas, including how they determine what is right or wrong in a particular situation (see Power Points 2.3 and 2.4)

   2. **Stages of moral development** are stages through which individuals evolve, ranging from the lowest stage (obedience and punishment orientation) to the highest stage (universal ethical principles).

      a. An individual at the *obedience and punishment stage* does the right thing mainly to avoid punishment or to obtain approval.

      b. An individual at the *instrumental stage* becomes aware that others also have needs and begins to defer to them to get what the individual wants.

      c. An individual at the *interpersonal stage* considers appropriate behavior as that which pleases or is approved by friends or family.

      d. An individual at the *social contract stage* is aware that others hold a variety
of conflicting personal views that go beyond the letter of the law.

e. An individual at the universal principles stage views appropriate conduct as determined by a person’s conscience, based on universal ethical principles.

D. Moral Intelligence

1. Moral intelligence is the mental capacity to determine how universal human principles that cut across the globe should be applied to personal values, goals, and actions (see Power Point 2.5).

2. The moral principles in moral intelligence include integrity, responsibility, compassion, and forgiveness.

3. The following provides insights about Anne Mulcahy of Xerox as a person who reflects moral intelligence (see Power Point 2.6).

Learning Insights
- Results are important, equally important are the means to achieve results.
- Ethical issues are serious.
- Employees have ethical obligations.
Ethics Competency: Anne Mulcahy’s Ethical Leadership

Anne Mulcahy was CEO of Xerox from 2001 until July 2009, at which time she elected to serve only as chairman of the board. While CEO, she wrote a letter to all Xerox employees each year on business ethics. It reflects her personal commitment to ethical principles and the expectations she has for all employees. The following paragraphs are excerpts from Mulcahy’s letter.

In our highly competitive environment, where the pressure to perform is intense and relentless, we must constantly strive to do more and do better. Results are important—vital, in fact—and the pressure to improve results will always be with us. But, equally important is the means we use to achieve results. We must conduct ourselves and our business dealings with the highest degree of ethical conduct. This means not only complying with laws, regulations and company policies, but also doing so in a way that reflects our core values.

When it comes to business ethics, there is no choice and there can be no change in our position. Ethic issues are so serious that, in some instances, violations could result in serious legal penalties for Xerox Corporation and for the individual. Furthermore, violations of our ethics policy could damage the reputation of Xerox, as well as the individual. To make certain that we protect our reputation and ensure compliance with applicable laws, regulations, company policies and values, every violation of the ethics policy will be treated severely by the management of this Corporation. We must have zero tolerance in this regard.

To learn more about Xerox, go to www.xerox.com.

III. DECISION MAKING AND ETHICS

INSTRUCTOR’S NOTES:____________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

© 2011 Cengage Learning. All Rights Reserved. This edition is intended for use outside of the U.S. only, with content that may be different from the U.S. Edition. May not be scanned, copied, duplicated, or posted to a publicly accessible website, in whole or in part.
A. Learning goal: Explain and apply the core concepts used by individuals and organizations to make ethical decisions.

B. The Ethics Resource Center’s recent survey showed that more than half of the employees surveyed observed ethical misconduct in their workplace despite awareness of formal ethics programs.

1. Employees in organizations with a weak ethical culture reported a higher level of observing misconduct.

2. Culture had a stronger impact on the results than an organization’s formal ethics and compliance programs.

C. The five key components of ethical decision making include ethical intensity, ethics-based principles, concern for affected individuals, benefits and costs, and determination of rights.

1. Power Point 2.7 depicts Figure 2.2 shows that these basic components are interrelated and need to be considered as a whole in order to make ethical decisions and create an ethical culture.

D. Ethical Intensity

1. Ethical intensity is the degree of moral importance given to an issue. It is determined by the combined impact of six factors (see PowerPoint 2.8 which shows Figure 2.3).

   a. Magnitude of consequences is the harm or benefits accruing to individuals affected by a decision or behavior.

   b. Probability of effect is the likelihood that if a decision is implemented it will lead to the harm or benefit predicted.

   c. Social consensus is the amount of public agreement that a proposed decision
is bad or good.

d. **Temporal immediacy** is the length of time that elapses between making a decision and when the consequences of that decision are known.

e. **Proximity** is the sense of closeness (social, cultural, psychological, or physical) that the decision maker has for victims or beneficiaries of the decision.

f. **Concentration of effect** is the inverse function of the number of people affected by a decision.

### CHAPTER 2: POWER POINT 2.8

**Figure 2.3: Determinants of Ethical Intensity**

2. Ethical intensity rises with increases in one or more factors and declines with reductions in one or more factors, if other conditions remain constant (see Power Points 2.9 and 2.10).

### CHAPTER 2: POWER POINT 2.9

**Ethical Intensity Factors**

### CHAPTER 2: POWER POINT 2.10

**Ethical Intensity Factors**

(Continued)

3. Table 2.1, Ethical Intensity of Selected Behaviors, provides a short questionnaire that students can use in rating the ethical intensity of 10 different behaviors. Have the students complete it.

**E. Ethics Based Principles**

1. No universally accepted principles and rules exist for resolving all ethical issues.

   a. Principles and rules have been suggested to provide an *ethical justification* for a person’s decisions and behaviors.
b. They range from those that justify self-serving decisions to those that require careful consideration of others’ rights and costs.

2. Three ethical principles are used to justify self-serving decisions and behaviors (see PowerPoint 2.11):
   
   a. **Hedonist principle**: You do whatever is in your own self-interest.
   
   b. **Might-equals-right principle**: You do whatever you are powerful enough to impose on others without respect to socially acceptable behaviors.
   
   c. **Organization interests principle**: You act on the basis of what is good for the organization.

   **CHAPTER 2: POWER POINT 2.11**
   
   **Self-Serving Principles**

3. Three ethical principles are used to justify decisions intended to balance the interests of multiple individuals or groups (see Power Point 2.12):

   a. **Means–end principle**: You act on the basis of whether some overall good justifies a moral transgression.

   b. **Utilitarian principle**: You act on the basis of whether the harm from the decision is outweighed by the good in it—that is, the greatest good for the greatest number.

   c. **Professional standards principle**: You act on the basis of whether the decision can be explained before a group of your peers.

   **CHAPTER 2: POWER POINT 2.12**
   
   **Balancing Interests Principles**

4. These principles provide the ethical foundation for some decisions in organizations. They create the basis for helping to resolve ethical dilemmas.

5. The Internet, surveillance technologies, privacy issues, and legislation have created concerns in the attempt to balance the interests of individuals,
organizations, and the public.

6. Privacy issues in the workplace pose ethical dilemmas in terms of
   a. distribution and use of employee data from computer-based human resource information systems.
   b. increasing use of paper-and-pencil honesty tests, resulting from polygraph testing being declared illegal in most situations.
   c. procedures and bases for substance abuse and AIDS testing.
   d. genetic testing.

7. Most employers want to ensure employee privacy though they are not legally obligated to do so. This perspective is based on the balancing interests ethical principles.

8. Three ethical principles focus on the need to consider decisions and behaviors from the perspective of those affected and the public (see PowerPoint 2.13):
   a. Disclosure principle: You act on the basis of how the general public would likely respond to the disclosure of the rationale and facts related to the decision.
   b. Distributive justice principle: You act on the basis of treating an individual or group equitably rather than on arbitrarily defined characteristics (e.g., gender, race, age).
   c. Golden rule principle: You act on the basis of placing yourself in the position of someone affected by the decision and try to determine how that person would feel.

CHAPTER 2: POWER POINT 2.13
Concern for Others Principles

9. These three ethical principles are often imposed on certain categories of decisions and behaviors through laws, regulations, and court rulings (e.g., U.S. civil rights laws forbid organizations from considering personal characteristics—such as race, gender, religion, or national origin—in decisions to recruit, hire, promote, or fire employees).
10. The scenario in Table 2.2 lets students choose a course of action based on the nine ethical principles just described. Have students complete it.

**ENRICHMENT MODULE**

South Africa launches first Football for Hope center

South African authorities have started building a new Football for Hope center — the first of 20 planned around the continent as part of a 2010 World Cup campaign to combat AIDS, poverty and crime and to uplift local communities that live far away from flashy stadiums.

The center in the problem-plagued township of Khayelitsha will include a football pitch, community center and after-school facilities. It will focus on spreading sexual education and AIDS prevention messages in an area where teenage pregnancy is the norm and more than 30 percent of pregnant women are infected with the AIDS virus.

The project is part of FIFA’s (The Fédération Internationale de Football Association) "20 Centers for 2010" campaign to build facilities in South Africa, Mali, Ghana, Kenya, Rwanda, Namibia and other African nations. The world football body in alliance with streetfootballworld — a network of development groups — is backing the program to the tune of about $10 million as part of its corporate social responsibility program.

"This campaign emphasizes the power of football far beyond the boundaries of the pitch," FIFA President Joseph Blatter said in a statement Monday. "These Football for Hope centers will provide a platform for communities to address social issues such as children's rights, education, health, HIV/AIDS prevention, and will leave a legacy for Africa that will last long after the final whistle of the 2010 FIFA World Cup has been blown."

This enrichment module was adapted from: Clare Nullis, SAfrica launches first Football for Hope center. Retrieved on May 26, 2009 from [http://www.msnbc.msn.com/id/30928790/](http://www.msnbc.msn.com/id/30928790/)

**CHAPTER 2: POWER POINT 2.14**

Ethics Insight

Our system of capitalism is built on investor trust—trust that corporate leaders and boards of directors will be good stewards of their investments and provide investors with a fair return. There is no doubt that some leaders of corporations have violated that trust.
William George, Former Chairman and CEO, Medtronic, and Author, True North: Discover Your Authentic Leadership

11. Insights for Leaders (see Power Points 2.15 and 2.16):
   
a. Leaders must demonstrate their commitment to ethical behaviors and decisions made by other managers and employees.

b. A clear code of ethics should be promulgated and followed.

c. A whistle-blowing policy to forbid retaliation against those who report wrongdoing or other ethical procedures should be established and followed.

d. Managers and employees alike should be involved in the identification of ethical problems and efforts to solve them.

e. The performance appraisal process should include consideration of ethical issues.

f. The organizational priorities and efforts related to ethical issues should be widely publicized.

CHAPTER 2: POWER POINT 2.15
Ethics Insights for Leaders

CHAPTER 2: POWER POINT 2.16
Ethics Insights for Leaders (Continued)

F. Concern for Affected Individuals.

   1. The highest form of ethical decision making involves a careful determination of who will receive benefits or incur costs as the consequence of a decision.

   2. The UN Global Compact is the largest “corporate citizenship” initiative in the world.
a. This voluntary initiative includes more than 3,000 companies from 100 countries as well as 700 civil societies, labor organizations, and academic institutions.

b. The UN Global Compact works to advance 10 universal principles in the areas of human rights, labor standards, the environment, and anticorruption.

c. The UN Global Compact relies on accountability, transparency, and the enlightened self-interest of companies to pursue these principles.

3. **Employment at will** is an employment relationship in which either party can terminate the employment relationship at will with no liability if there was not an express contract for a definite term governing the employment relationship.

4. The employment-at-will doctrine has been challenged successfully in alleged wrongful termination cases in the courts. These challenges are based on the distributive justice principle and the golden rule principle.

5. The courts have recently ruled in favor of exceptions to the employment-at-will doctrine, especially if questionable termination procedures were followed.

G. Benefits and Costs.

1. Assessing the benefits and costs of a proposed decision requires a determination of the interests and values of those affected (see Power Point 2.17).

2. *Benefits* refer to whatever a party considers desirable. *Costs* refer to whatever a party considers undesirable.

3. One party’s benefits in a decision may create or be perceived to create costs for one or more other parties.

4. Conflicting assessments can lead to different interpretations of ethical responsibilities.

5. The utilitarian principle is a commonly used approach for assessing the benefits and costs of a decision. Utilitarianism emphasizes the provision of the greatest good for the greatest number in judging the ethics of a decision.

6. Critics suggest that utilitarianism has been misused by business leaders; too many people and institutions are acquiring wealth for personal consumption and power and that the end of acquiring wealth justifies any means of doing so.
Benefits and Costs in Ethical Decision Making

H. Determination of Rights.

1. Who has rights and who doesn’t and the nature of those rights are complex and continually changing (see Power Point 2.18).

2. An important dimension of rights focuses on who is entitled to benefits or participation in decisions to change the mix of benefits and costs.

3. Slavery, racism, gender, and age discrimination and invasion of privacy often have been challenged by appeals to values based on fundamental rights, especially in terms of the distributive justice and golden rule principles.

CHAPTER 2: POWER POINT 2.18
Determination of Rights in Ethical Decision Making

ENRICHMENT MODULE
With Jobs Scarce, Age Becomes an Issue

More young workers are at risk of layoffs as employers grow wary of letting older employees go. Age discrimination in the workplace has long been a concern for the 55-and-older set. In this downturn, however, younger workers may have as much to fear as their more-mature colleagues. Employees in their 20s and 30s are finding themselves more at risk of a layoff, according to labor lawyers, as employers look to avoid age-discrimination lawsuits by adopting a "last one in, first one out" policy and turn to tenure as a means of conducting layoffs. In some cases, young, childless professionals say they feel they're being targeted in layoffs, while employees who have families to support are given special consideration. While no age group is exempt from layoffs, younger workers seem to be shoudering a larger percentage of the burden, according to recent Labor Department figures. The unemployment rate for those between the ages of 25 and 34 was 9.6% in April 2009, up from 4.9% a year earlier. For those ages 55 and older, the unemployment rate was 6.2% in April 2009, compared with 3.3% a year earlier.

While younger workers tend to earn the lowest salaries, making them the least-expensive workers to retain, companies are becoming wary of laying off older, better-paid workers. Age-discrimination lawsuits brought by older workers can cost more than the salary of the worker who was laid off and can hurt the company's reputation, according to Andria Ryan, partner at Atlanta law firm Fisher & Phillips LLP.
4. Issues of responsibilities and rights in the workplace are numerous and vary greatly over time: unfair and reverse discrimination, sexual harassment, employee rights to continued employment, employer rights to terminate employment “at will,” employee and corporate free speech, due process, the rights to test for substance abuse and AIDS, and the right to privacy.

I. Procedural and Interactional Justice (see Power Point 2.19):

1. **Procedural justice** refers to the perceived fairness of the rules, guidelines, and processes for making decisions.

2. The expectation is that fair procedures, such as a formal and well-developed appeals process, will result in more just decisions (e.g., distributive justice).

3. **Interactional justice** refers to the quality of interpersonal treatment individuals receive during the use of organizational procedures.

4. Four criteria typify the presence or absence of interactional justice:
   
   a. respect (whether decision makers treat individuals politely)
   
   b. propriety (whether decision makers are free of bias)
   
   c. truthfulness (whether decision makers are engaged in deceptions)
   
   d. justification (whether decision makers adequately explain procedures to individuals).

### CHAPTER 2: POWER POINT 2.19

**Procedural and Interactional Justice**
ENRICHMENT MODULE

Supreme Court to Decide Validity of Fraud Law Passed after Enron Scandal

The Supreme Court will rule on the validity of a landmark ant-fraud law that served as Congress’ response to the wave of scandals starting with Enron. The justices said they will consider a constitutional challenge to the 2002 Sarbanes-Oxley law from pro-business conservatives, who complained that the board established to oversee the accounting industry violates the Constitution’s separation of powers. The law reshaped corporate governance after the accounting scandals of 2001-2002 at Enron Corp., WorldCom.Inc., Tyco International Ltd. and other major corporations exposed inadequate internal controls and auditors. The law was upheld in a 2-1 ruling by a panel of a federal appeals court in Washington.

The opponents first brought their case in 2006. They argued that the makeup of the accounting board violates the separation of powers doctrine because its members aren’t appointed by the president, cannot be removed by him, and Congress cannot control its budget.

This enrichment module was adapted from: Supreme Court to decide validity of fraud law after Enron scandal, Odessa American, Tuesday, May 19, 2009, 6B.

5. Leaders who use procedural and interactional justice believe that employees are going to be more motivated to perform at a high level when they perceive procedures as fair.

6. In pay and performance evaluation situations, the individual can’t control the decision but can react to the procedures used to make it (see Power Point 2.20).

CHAPTER 2: POWER POINT 2:20
Performance Reviews: Procedural and Interactional Justice

7. Procedural and interactional justice affect the attitudes of workers who survive a layoff.

8. The following Change Competency feature focuses on the leadership of W. James McNerney, CEO of Boeing (see Power Point 2.21).
CHAPTER 2: POWER POINT 2.21
Change Competency: James McNerney, CEO of Boeing

Learning Insights
• Critical to adhere to highest ethical standards from the top-down.
• Many changes made to advance ethics and compliance.
• Cultural change was vital to creating an ethical environment.

Change Competency: James McNerney, CEO of Boeing

The following are excerpts of comments by James McNerney.
A few years ago, Boeing was stunned to find itself among the companies that made headlines for some very high-profile ethical lapses. The reviews found that weaknesses within the corporation’s culture permitted some employees to look the other way. Too many people who thought something “didn’t feel right” failed to raise a red flag for a variety of reasons. They wanted to win a contract, they feared retaliation, they just didn’t want to rock the boat, or they lacked the courage to speak up in a command-and-control culture. To strengthen the ethics of our culture, we are changing in a number of ways:
• Every employee, each year, personally recommits to ethical and compliant behavior.
• Boeing established the Office of Internal Governance (OIG) which reports to me.
• We are creating a work environment that encourages people to talk about the tough issues and to make the right decisions.
• We are driving ethics and compliance through our core leadership development model.

To learn more about Boeing, go to www.boeing.com

IV. DIVERSITY AND ETHICS

INSTRUCTOR’S NOTES:____________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

© 2011 Cengage Learning. All Rights Reserved. This edition is intended for use outside of the U.S. only, with content that may be different from the U.S. Edition. May not be scanned, copied, duplicated, or posted to a publicly accessible website, in whole or in part.
A. *Learning goal: Describe some ethics-based initiatives for fostering diversity in organizations.*

Diversity Insight

We’re focused on maintaining a culture of diversity and inclusion, one that benefits our shareholders and customers. It also allows us to tap into the creativity and vitality of our workforce and suppliers.... We recognize that diversity is about everyone. So we’re creating an inclusive culture where the talents of every employee are maximized and everyone feels respected and valued.

*Magda N. Yrzarry, Vice President, Workplace Culture, Diversity and Compliance, Verizon Communications, Inc.*

B. There are varied and conflicting points of view on diversity.

C. Individual employees view diversity as a threat, an opportunity, a blow for justice, harmless fluff, a learning opportunity, a ploy of the disenfranchised, a source of discomfort, or a cultural learning experience.

D. Diversity and Ethical Cultures

1. Cultural diversity in an organization is embedded in its culture.

2. **Organizational culture** reflects the shared and learned values, beliefs, and attitudes of its members.

3. Organizational culture affects ethical behavior and diversity.
   a. The presence or absence of ethical behavior in leaders’ actions influences and reflects the culture.
   b. The culture may diffuse responsibility for the consequences of unethical behavior, thereby making such behavior more likely.
ENRICHMENT MODULE
Imperial Reckoning
The Untold Story of Britain’s Gulag in Kenya

“An extraordinary act of historical recovery, Elkins provides potent evidence of how a society warped by racism can descend into casual inhumanity.”
—The New Yorker

In this groundbreaking book, Harvard historian Caroline Elkins has recovered the lost history of the last days of British colonialism in Kenya. In the aftermath of World War II and the triumph of liberal democracy over fascism, the British detained and brutalized hundreds of thousands of Kikuyu—the colony’s largest ethnic group—who had demanded their independence. In a compelling narrative that draws upon nearly a decade of painstaking research—including hundreds of interviews with Kikuyu detention camp survivors and their captors—Elkins reveals for the first time the complete story of the bloodiest period in the struggle for Kenyan independence.

Winner of the Pulitzer Prize, Imperial Reckoning is history of the highest order: meticulously researched, brilliantly written, and powerfully dramatic. A remarkable act of historical re-creation, it is also a disturbing reminder of the brutal precedents that continue to inform Western nations in their drive to democratize the world. Elkins and her research were the subjects of a 2002 BBC documentary entitled Kenya: White Terror.


E. Increasing Diversity as Opportunity

1. Organizations have become increasingly diverse in terms of gender, race, ethnicity, and nationality.

2. Diversity in organizations reflects the organization interests principle, distributive justice principle, and golden rule principle.

3. Employee diversity does not automatically foster creativity, market share, or competitive advantage.

4. With a weak ethical culture, increased employee diversity may damage morale, increase turnover, and cause communication problems and interpersonal conflict.
5. Insights for Leaders (see Power Point 2.22)

   a. Leaders and employees understand that a diverse workforce has different perspectives and approaches, and they must value different opinions and insights.

   b. Leaders should recognize the learning opportunities and the challenges of a diverse workforce.

   c. The organizational culture should expect high standards of performance and ethics from everyone.

   d. The organizational culture should stimulate personal development and support openness to ideas.

   e. The organizational culture should make workers feel valued.

---

**CHAPTER 2: POWER POINT 2.22**

**Insights: Diversity and Ethical Cultures**

---

F. Generation Diversity and Ethics (see Power Points 2.23 and 2.24).

1. **Generation** refers to an identifiable group that shares years of birth and significant historical and social life events at critical stages of their development.

---

**CHAPTER 2: POWER POINT 2.23**

**Generation Diversity and Ethics**

---

**CHAPTER 2: POWER POINT 2.24**

**Ethics Related Commonalities Among Generations**

2. **Small numbers bias** refers to the tendency to view a few incidents, cases, or experiences with individuals as representative of a larger population.
3. A recent study of ethics of U.S. high school students (Gen Y) showed that majority of Gen Y respondents did not characterize their coworkers as a group to be ethical (see Power Point 2.25).

4. Only 28 percent of Gen X respondents and 16 percent of baby boomer respondents perceived their Gen Y coworkers as a group to be ethical.

---

**CHAPTER 2: POWER POINT 2.25**
Gen Y and 2008 World of Work Report – Do You Agree?

---

G. Sexual Harassment

1. **Harassment** refers to verbal or physical conduct that denigrates or shows hostility or aversion toward an individual because of that person’s race, skin color, religion, gender, national origin, age, or disability. (see Power Point 2.26).

2. Harassment:
   a. creates an intimidating, hostile, or offensive work environment.
   b. interferes with an individual’s work performance.
   c. adversely affects an individual’s employment opportunities.

---

**CHAPTER 2: POWER POINT 2.26**
Harassment

3. Sexual harassment reflects:
   a. the obedience and punishment stage of moral development.
   b. the absence of moral intelligence.
   c. the absence or lack of consideration of ethical intensity.
   d. the use of the self-serving hedonist and might-equals-right principles.
   e. violation of all balancing interests principles—means–end, utilitarian, and professional standards.
f. violation of all concern-for-others principles—disclosure, distributive justice, and golden rule.

4. Sexual harassment generally refers to unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature (see Power Point 2.27).

5. Sexual harassment consists of:

a. quid pro quo—in which submission to harassment is used as the basis for employment decisions.

b. hostile environment—in which harassment creates an offensive working environment.

c. A hostile work environment occurs when an employee is subjected to comments of a sexual nature, offensive sexual materials, or unwelcome physical contact as a regular part of the work environment.

CHAPTER 2: POWER POINT 2.27
Sexual Harassment

6. Sexual harassment continues to be a problem in the US and represents a serious form of workplace aggression.

7. Any harassment policy, including one on sexual harassment, should contain (see Power Points 2.28 and 2.29)

   (1) a definition of the harassment

   (2) a harassment prohibition statement

   (3) a description of the organization’s complaint procedure

   (4) a description of disciplinary measures for such harassment

   (5) a statement of protection against retaliation.
8. Insights for Leaders
   a. Diversity awareness training programs may backfire if they reinforce stereotypes or highlight differences that employees have tried to minimize to fit in.
   b. The biggest challenge to leaders is understanding that diversity initiatives often have organizational consequences.

9. Elements for achieving positive diversity (see Power Point 2.30):
   a. start with understanding and changing aspects of the organization’s culture.
   b. change some ethical dimensions, leadership that models ethical behaviors, and policies to ensure ethical decisions.
   c. conclude with diversity initiatives, policies, and practices.

10. The following Diversity Competency shows that diversity is integrated into Verizon’s culture (core values) and ethics (see Power Point 2.31).
Diversity Competency: Verizon’s Workplace Diversity

Learning Insights

- Top leaders must set tone and expectations for ethical conduct and diversity.
- Diversity means embracing it as part of company culture, viewing it as integral to the business, and rewarding it.
- Develop diversity strategy with measurable components and feedback indicators.

Diversity is viewed as an integral part of Verizon’s business. The extensive discussion of diversity on its website (www.verizon.com) states: “At Verizon, diversity means embracing differences and variety including age, ethnicity, education, sexual orientation, work style, race, gender and more. When diversity is a part of a company’s culture, everyone benefits—customers, suppliers and employees. Diversity isn’t just a concept at Verizon. It’s an integral part of the business. Diversity drives everything from workforce development and supplier relationships to economic development, marketing and philanthropy. Verizon’s Code of Business Conduct clearly spells out what is expected when it comes to valuing and respecting diversity. The commitment to diversity begins at the top, and progress is measured like any other business objective.

The components of the strategy include:

- The Inclusion Index—Measures employees’ sense of belonging
- Diversity Performance Incentive—A measure that tracks the workforce composition in each line of business
- Supplier Diversity—Measure derived from the procurement opportunities and developing and advocating a diversified supplier base.

To learn more about Verizon, go to www.verizon.com.

V. STAKEHOLDER RESPONSIBILITY AND ETHICS

INSTRUCTOR’S NOTES: ____________________________
A. **Learning goal:** Explain the nature of stakeholder responsibility and its ethical basis.

B. **Stakeholder responsibility** holds that leaders and other employees have obligations to identifiable groups that are affected by or can affect the achievement of an organization’s goals.

1. Various ethical principles are used to justify stakeholder responsibility (see Power Point 2.32)
   a. The organization interests principle suggests that leaders should consider the desires or demands of different stakeholders for the good of the organization.
   b. The utilitarian principle suggests that leaders should act on the basis of the relative harm or good from their decisions on each stakeholder group.
   c. The distributive justice and golden rule principles suggest that the leaders’ decisions should strive to be equitable and take into account how each stakeholder group might experience and feel about their decisions.

CHAPTER 2: POWER POINT 2.32
Stakeholder Responsibility and Ethics

2. **Stakeholders** are individuals or groups that have interests, rights, or ownership in an organization and its activities.

3. Some stakeholders are more important than others. The primary
stakeholders are those whose concerns ensure organizational survival.

a. At universities, stakeholders include faculty members, who are directly impacted by decisions of the top leaders.

b. Secondary stakeholders can take actions that can damage or assist the organization (e.g., the government).

C. Stakeholder Pressures

1. Leaders assess the importance of primary and secondary stakeholders, including assessment of the pressures that are considered in their decision making.

2. Table 2.3 provides examples of these general types of pressures (see Power Points 2.33 and 2.34).

3. Leaders differ on the importance they place on stakeholders, on the positive or negative consequences for different stakeholders, and on the likelihood that certain consequences will occur.

4. The following Ethics Competency feature reports on the importance of multiple stakeholders to Johnson & Johnson’s in striving to behave ethically as expressed through its credo (see Power Point 2.35).
CHAPTER 2: POWER POINT 2.35

Ethics Competency: Johnson & Johnson’s Stakeholder Ethics and Principles

Learning Insights
- First responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services.
- Responsible to employees and communities.
- Responsible to stockholders.

Ethics Competency: Johnson & Johnson’s Stakeholder Ethics and Principles

Selections from Our Credo:

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs, everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers’ orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit. We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. Compensation must be fair and adequate, and working conditions clean, orderly and safe. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens—support good works and charities and bear our fair share of taxes. Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. When we operate according to these principles, the stockholders should realize a fair return.

To learn more about Johnson & Johnson, go to www.jnj.com
ENRICHMENT MODULE
The Cassatt Quartet Assists Stakeholders Through Music

The Cassatt String Quartet performs throughout the United States and abroad. When touring for a concert, educational residency, or festival, the Cassatt enriches the lives of a community’s stakeholders through music. When performing on a chamber music series in Cleveland, Ohio, the organizer of the series, a doctor, asked the Cassatt to give a special concert for terminally-ill cancer patients and their families. Because the patients were too sick to leave their rooms, the Cassatt performed in the hall on the ward while the doors to the children’s rooms were open so they could enjoy the music. During their educational residency in Odessa, Texas, the Cassatts found time to perform for the patients at Medical Center Hospital. While performing with the Syracuse Children’s Choir (SCC) in Syracuse, NY, the Cassatt Quartet held a benefit concert to raise funds for the SCC. The group donated their time to perform a new work commissioned for the opening of a Planned Parenthood Center in Syracuse.

Cassatt members feel strongly about giving back to the communities in which they perform. They realize that all non-profit organizations have been hard hit by the recession and want to do all they can to assist them in raising funds for their very worthy causes. By being community volunteers, the Cassatt Quartet also serves as positive role models for their students, showing that music has the power to bring people together.

This enrichment module is adapted from conversations with the Cassatt Quartet in May, 2009.

D. Sustainable Development

1. The protection of the natural environment is an area of commitment and interest by organizations and stakeholders.

2. **Sustainable development** is a pattern of resource use that strives to meet current human needs without compromising the ability of future generations to meet their own needs (see Power Point 2.36).

3. The ethical rationales used for pursuing sustainability vary among business firms and their stakeholders.

4. Business firms are attracted to sustainability initiatives when top management recognizes their value to the organization (e.g., McDonalds has built green restaurants in Chicago).
   
   a. Organizations benefit through long-term profitability and shareholder interests.
b. They build reputations by being responsible with multiple stakeholders.

c. They develop valuable organizational capabilities.

E. Assessing Responsibility to Stakeholders

1. Many stakeholders are pressuring business leaders to abandon the practice of placing their sole emphasis on short-term shareholder profits and to contribute more actively to other stakeholders.

2. Characteristics of firms with a proactive commitment to assessing its stakeholder ethics and responsibility (see Power Point 2.37):

   a. The firm is transparent, providing comprehensive stakeholder environmental information to the public.

   b. The firm produces reports annually that review its stakeholder and environmental policies, goals, and achievements as well as financial performance.

   c. The firm often provides stakeholder and environmental information on its company website or in other published materials.

3. The firm communicates with various groups about its environmental performance.

4. The firm goes beyond minimum compliance and integrates stakeholder responsibility into governance, executive compensation, and management policies.

5. The organization views stakeholder responsibility as central to its long-term efforts to create shareholder value.
DISCUSSION QUESTIONS AND SUGGESTED ANSWERS

CHAPTER 2: POWER POINT 2.38
Discussion Questions

CHAPTER 2: POWER POINT 2.39
Discussion Questions (Continued)

CHAPTER 2: POWER POINT 2.40
Discussion Questions (Continued)

CHAPTER 2: POWER POINT 2.41
1. Go to www.xerox.com. In the search box, type in “corporate governance guidelines.” Open the document titled “Corporate Governance Guidelines at Xerox.” Identify at least two of the specific ethical principles that are reflected in this document. What is a specific provision that illustrates each of the principles identified?

**Ethical principles:** The organization interests principle suggests that leaders should consider the desires or demands of different stakeholders for the good of the organization. The utilitarian principle suggests that leaders should act on the basis of the relative harm or good from their decisions on each stakeholder group.

**Corporate Governance Provision:** The Xerox Board of Directors represents the owners’ interest in the operation of a successful business, including optimizing long-term financial returns.

**Ethical principle:** The distributive justice and golden rule principles suggest that the leaders’ decisions should strive to be equitable and take into account how each stakeholder group might experience and feel about their decisions.

**Corporate Governance Provision:** The Board is responsible for determining that the Company is managed in such a way to assure the company’s vitality for its customers, employees and the other individuals and organizations that depend on it. This is an active, not a passive, responsibility. The Board has the responsibility to ensure that in good times, as well as difficult ones, management is capably executing its responsibilities.

2. Review the Learning from Experience feature on Anne Mulcahy, chairman and former CEO of Xerox, and other discussions of her leadership in this chapter. How would you evaluate her in relation to each of the six attributes of the diversity competency presented in Chapter 1? For each attribute on which Mulcahy is evaluated, identify the specific statement(s) about her that serve as a basis of your assessment.

The attributes of the diversity competency:

- Fostering an environment of inclusion with people who possess characteristics different from themselves.

Anne Mulcahy comments on diversity as an opportunity: “Diversity is about more than race and gender. It’s about more than numbers. It’s about inclusion. Diversity means creating an environment where all employees can grow to their fullest potential.”
• Learning from individuals, teams, or organizations with different characteristics, experiences, perspectives, and backgrounds. Diversity of thought and behavior is vital to stimulating creativity and innovation.

Mulcahy notes, “Somehow, diversity breeds creativity. Maybe it’s because people with different backgrounds challenge each other’s underlying assumptions, freeing everybody from convention and orthodoxy.”

• Embracing and developing personal, team, or organizational tendencies—such as conscientiousness and attitudes that demonstrate respect for people of other cultures and races—that support diversity in the workplace and elsewhere.

Mulcahy says emphatically, “We provide a shining proof point that diversity in all its wonderful manifestations is good for business … good for our country … and good for people.”

• Communicating and personally practicing a commitment to work with individuals and team members because of their talents and contributions, regardless of their personal attributes.

Mulcahy feels that diversity is a good business strategy. “Experience tells us that the most diverse companies—companies ruled by a hierarchy of imagination and filled with people of all ages, races, and backgrounds—are the most successful over time.”

• Providing leadership—walk the talk—in confronting obvious bias, promoting inclusion, and seeking win–win or compromise solutions to power struggles and conflicts that appear to be based on diversity issues.

As a top leader, Mulcahy plays a key role in fostering ethical behavior by exhibiting the correct behavior. Xerox has a strong ethical culture. Mulcahy nurtures a culture that rewards ethical priorities and influences how employees behave.

• Applying governmental laws and regulations as well as organizational policies and regulations concerning diversity.

Mulcahy has ensured that Xerox’s ethics and governance practices and policies are among the best in business today. Business Ethics magazine, the Ethisphere Institute, and others consider Xerox among the world’s most ethical companies.

3. Think of an organization in which you have been employed (or are currently employed). What are your assessments of the stage of moral development and moral intelligence of the manager?
for whom you worked? What specific examples of this manager’s behaviors and decisions serve as the basis for your assessments?

Students can share their work experiences with one another.

William Feeler, the dean of my department at Midland College is an individual at the social contract stage. He is aware that others hold a variety of conflicting personal views that go beyond the letter of the law. He understands that, although rules and laws may be agreed on and for the most part must be followed, they can be changed if necessary. He is always standing up for the students who have many reasons ---due to work and family problems—for not carrying out the letter of the law at Midland College. Mr. Feeler always tries to find a way to accommodate the students’ needs if possible.

The moral principles in moral intelligence include: integrity, responsibility, compassion, and forgiveness. Dean Feeler embraces responsibility for serving others and shows compassion by actively caring for the students. One of my online students got enrolled in the wrong course and contacted Mr. Feeler instead of the registrar or me. She was frustrated and had enrolled late and was anxious about not getting her assignments done. Mr. Feeler was very reassuring and took steps to make sure that the student was, in fact, correctly enrolled on Blackboard, the online educational server. He also called me to be sure that the student was given every opportunity to make up missed work.

4. **What are the similarities and differences between the organization interests principle and the utilitarian principle?**

- **Organization interests principle:** You act on the basis of what is good for the organization.
- **Utilitarian principle:** You act on the basis of whether the harm from the decision is outweighed by the good in it—that is, the greatest good for the greatest number.

Both of these principles balance the interests of multiple individuals. Both principles weigh in for the greatest good for the greatest number of people. What is good for the organization as a whole is usually good for all the employees in an organization. For example, Wal-Mart’s strategy of everyday low prices has allowed the company to expand. The expansion has benefited Wal-Mart’s employees worldwide because of the benefits they receive and the job security they enjoy.

The difference between these principles is that the organization interests principle can be used to justify self-serving behavior. Automakers like GM are closing many dealerships and putting many people out of work because it is in the interest of GM to have fewer, more competitive dealerships. Many non-profits that rely on sponsorships from GM dealers will suffer. As a result non-profit services will be curtailed due to lack of funding. In the short run, the greatest good for greatest number of people will **not** be served.
5. What are the similarities and differences between the professional standards principle and the distributive justice principle?

- **Professional standards principle**: You act on the basis of whether the decision can be explained before a group of your peers.
- **Distributive justice principle**: You act on the basis of treating an individual or group equitably rather than on arbitrarily defined characteristics (e.g., gender, race, age).

The similarity of these principles is that both balance the interests of multiple individuals. For example, if a pharmaceutical company develops a new drug for AIDS, researchers will explain the decision to produce the drug by explaining its merits to other researchers and physicians and show how the drug can help AIDS patients regardless of gender, race, or age.

The difference is that the distributive justice principle focuses on the need to consider decisions and behaviors from the perspective of those affected. Company executives can justify monitoring an employee’s use of the Internet to a group of peers; however, employees often feel that their privacy is being violated.

6. From your personal perspective, what is your assessment of the ethical intensity of the grading system and practices used by an instructor in a course that you have completed? Your assessment should include an assessment of each of the six components of ethical intensity.

**Ethical intensity** is the degree of moral importance given to an issue. It is determined by the combined impact of six factors:

- **Magnitude of consequences** is the harm or benefits accruing to individuals affected by a decision or behavior. An action that affects the entire class has greater consequences than an action that affects one student in the class. If one student misses a test and receives a lower grade, there is no harm to the other students in the class.

- **Probability of effect** is the likelihood that if a decision is implemented it will lead to the harm or benefit predicted. If the final exam is weighted as 25% of a student’s final grade, then a student who receives an A on the final exam will have a good chance of receiving an A in the course.

- **Social consensus** is the amount of public agreement that a proposed decision is bad or good. Allowing students who are sick to make up assignments and tests is accepted by most students as a fair policy.

- **Temporal immediacy** is the length of time that elapses between making a decision and when the consequences of that decision are known. The grading policy of recording students’ scores for their online workbook exercises weekly has greater immediacy than recording all the scores at the end of the semester.
Proximity is the sense of closeness (social, cultural, psychological, or physical) that the decision maker has for victims or beneficiaries of the decision. Announcing that there is no extra credit in a course to improve a student’s grade has more proximity for students currently enrolled in this course than for students enrolled in other courses.

Concentration of effect is the inverse function of the number of people affected by a decision. If Blackboard, the educational server, is down, and all the online students in the class cannot submit their tests on time, there is a more concentrated effect than if one student experiences a computer problem and cannot submit a test on time.

7. What specific aspects of procedural justice are suggested in the Change Competency feature on James McNerney, CEO of Boeing?

Procedural justice refers to the perceived fairness of the rules, guidelines, and processes for making decisions. Interactional justice refers to the quality of interpersonal treatment individuals receive during the use of organizational procedures. An examples of procedural and interactional justice include disciplinary appeals procedures; procedures for reporting ethical misconduct, such as Boeing’s Ethics Line. Also, Boeing established a new organization—the Office of Internal Governance (OIG)—which reports directly to McNerney and has regular, and routine, visibility with the board of directors. OIG provides a strong check and balance for key functional disciplines. An example would be monitoring and tracking potential conflicts of interest throughout hiring, transfer and proposal processes. According to McNerney, “Ethics and compliance must be—and must be seen to be—a central part of the whole system of training and developing leaders, and of the whole process of evaluating, paying and promoting people.”

8. How would you assess Generation Y individuals as a group with respect to their general pattern of ethical behaviors and decision making within the work environment? Explain. If a generalization is possible, what is your overall assessment? Explain.

A significant gap exists between self-perception of being ethical and the perceptions of coworkers’ ethics. Generation Y respondents did not think highly of the ethics of their coworkers; only 22 percent of their Gen Y coworkers as a group were viewed as ethical, according to the research. However, 58 percent of Gen Y respondents perceived themselves as ethical. Since Gen Y workers have had little opportunity to demonstrate that they are ethical and their peers are unethical, they are subject to small numbers bias—the tendency to view a few experiences as representative of a larger population. Observations of unethical conduct by a few Gen Y coworkers may be applied to all of them and fit the stereotype of this generation as unethical.

9. How did (or does) an organization for which you have worked (or do work) compare with the policies, practices, and goals of Verizon’s workplace diversity as presented in the Diversity Competency feature? Give specific comparisons of similarities and/or differences.
Students can share their personal work experiences. As a faculty member at Midland College, I offer the following observations to compare with Verizon’s workplace diversity program.

The Inclusion Index—Measures employees’ sense of belonging through an index developed by our research team based on responses to our Employee Opinion survey. The survey also measures employee satisfaction. Midland College assesses the students’ level of satisfaction through course evaluations but does not assess the level of faculty satisfaction.

Diversity Performance Incentive—A measure that tracks the workforce composition in each line of business, as well as the number of hires and promotions of diverse candidates. Each line of business has a unique goal, depending upon their individual unit’s composition. Midland College hires employees on the basis of their qualifications for a specific job, not on the basis of diversity.

Supplier Diversity—Measure derived from the procurement opportunities and developing and advocating a diversified supplier base. Midland College assesses suppliers on the basis on the quality of the products, the pricing structure, and the level of service; however, it does not assess suppliers on the basis of diversity.

10. What specific ethical principles for guiding decisions and actions are illustrated in the Ethics Competency feature titled “Johnson & Johnson’s Stakeholder Ethics and Principles”? You should relate specific statements in the code to specific ethical concepts.

- **Organization interests principle**: You act on the basis of what is good for the organization. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times.

  The organization interests principle suggests that leaders consider the desires or demands of different stakeholders for the good of the organization.

  We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens—support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

- **Utilitarian principle**: You act on the basis of whether the harm from the decision is outweighed by the good in it—that is, the greatest good for the greatest number. We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs, everything we do must be of high quality.
• **Professional standards principle:** You act on the basis of whether the decision can be explained before a group of your peers.

We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers’ orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit.

• **Distributive justice principle:** You act on the basis of treating an individual or group equitably rather than on arbitrarily defined characteristics (e.g., gender, race, age).

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe.

• **Golden rule principle:** You act on the basis of placing yourself in the position of someone affected by the decision and try to determine how that person would feel.

We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified.

11. **Sustainable development is discussed as an application of stakeholder responsibility. Think of an organization for which you have worked (or currently work). In what ways did it implement or fail to implement sustainable development initiatives?**

Students can share their work experiences with the class. Sustainable development is a pattern of resource use that strives to meet current human needs without compromising the ability of future generations to meet their own needs. At Midland College, there is an excellent program of recycling. Paper is shredded. Large receptacles are visible on campus for cans, plastic, and paper. This shows the commitment to recycling and reducing the amount of waste that will end up in a landfill.

**EXPERIENTIAL EXERCISES**

| CHAPTER 2: POWER POINT 2.42 |
| Experiential Exercise: Ethics Competency--- What is Your Decision? |
CHAPTER 2: POWER POINT 2.43
Experiential Exercise: Ethics Competency--- What is Your Decision? (Continued)

Experiential Exercise: Ethics Competency; What Is Your Decision?

Students will mark the preferred decision for each of the four incidents and reply to the two questions that follow each incident. This exercise may also be undertaken in a small group. The group members should make their choices individually and then discuss them with each other. They should attempt to reach a consensus on the preferred decision for each incident and the responses to the questions.

1. B. Warn George of the risk and put the sale at risk before taking the order, if George still wants to place it.

What ethical principle or principles reflect your decisions?

The customer is a stakeholder. Stakeholder responsibility holds that leaders and other employees have obligations to identifiable groups that are affected by or can affect the achievement of an organization’s goals. Various ethical principles are used by different parties as a basis for justifying stakeholder responsibility. The organization interests principle suggests that leaders should consider the desires or demands of different stakeholders for the good of the organization. The utilitarian principle suggests that leaders should act on the basis of the relative harm or good from their decisions on each stakeholder group. The distributive justice and golden rule principles suggest that the leaders’ decisions should strive to be equitable and take into account how each stakeholder group might experience and feel about their decisions.

How would you assess the ethical intensity in this situation?

- **Magnitude of consequences** is the harm or benefits accruing to individuals affected by a decision or behavior. The magnitude is low because only a small number of people would buy the linen jackets. The jackets are only one product carried by George.
- **Probability of effect** is the likelihood that if a decision is implemented it will lead to the harm or benefit predicted. While there is a risk that the linen jackets will face production and delivery problems, there is also the possibility that they will arrive on time. The probability of harm is low.
- **Social consensus** is the amount of public agreement that a proposed decision is bad or good. As long as George is warned about the production and delivery risk in advance, social consensus to make the sale is high.
- **Temporal immediacy** is the length of time that elapses between making a decision and when the consequences of that decision are known. Temporal immediacy is high since there is a
short time between ordering and selling the linen jackets.

- **Proximity** is the sense of closeness (social, cultural, psychological, or physical) that the decision maker has for victims or beneficiaries of the decision. Proximity is high since Barbara realizes that George may not be able to satisfy his customers in a timely fashion.

- **Concentration of effect** is the inverse function of the number of people affected by a decision. Concentration is high since a small number of buyers is affected by buying the jackets.

2. A. Warn Juan of the upcoming layoffs.

*What ethical principle or principles reflect your decision?*

As an employee, Juan is a stakeholder. The distributive justice and golden rule principles suggest that decisions should strive to be equitable and take into account how each stakeholder group might experience and feel about their decisions. Procedural justice refers to the perceived fairness of the rules, guidelines, and processes for making decisions and needs to be accompanied by interactional justice, the quality of interpersonal treatment individuals receive during the use of organizational procedures. Jose did not think Juan was being treated fairly because he might lose his job and not be able to pay his mortgage.

*How would you evaluate the ethical intensity in this situation?*

- **Magnitude of consequences** is the harm or benefits accruing to individuals affected by a decision or behavior. The magnitude is low because only Juan was affected. Jose wasn’t going to tell any other employees about the layoffs.

- **Probability of effect** is the likelihood that if a decision is implemented it will lead to the harm or benefit predicted. The probability of the layoff was low. Jose did not know if Juan would lose his job.

- **Social consensus** is the amount of public agreement that a proposed decision is bad or good. Social consensus is high because there is a high level of public agreement that a company should warn employees of possible layoffs.

- **Temporal immediacy** is the length of time that elapses between making a decision and when the consequences of that decision are known. Immediacy is high because the layoffs and the purchase of the new home are imminent.

- **Proximity** is the sense of closeness (social, cultural, psychological, or physical) that the decision maker has for victims or beneficiaries of the decision. Proximity is high since Jose can empathize with Juan’s situation.

- **Concentration of effect** is the inverse function of the number of people affected by a decision. Concentration is high since Juan is the only one affected by Jose’s decision to tell him about the possible layoffs.

3. B. Offer to take Adam’s cards and give them to customers.

*What ethical principle or principles reflect your decision?*
The decision reflects self-serving ethical principles. Don is using the hedonist principle because he can earn extra money if Adam sells cars to Don’s clients. He is also using the organization interests principle because a moving company assisting newcomers with information about the community is networking and engaging in business development. Adam could refer clients to Don’s moving company. By giving Adams’s card to newcomers, Don is acting on the basis of what is good for his moving company. He is also applying the professional standards principle: Don could explain to a group of peers that referring customers to Adam is a service to newcomers to the community. However, receiving a finders fee could be viewed as unprofessional. By not giving the clients’ names to Adam, Don protected his clients’ privacy. The growing perception is that consumers have lost too much of their privacy to marketers.

**How would you assess the ethical intensity in this situation?**

- **Magnitude of consequences** is the harm or benefits accruing to individuals affected by a decision or behavior. The magnitude is low because Don will not be giving a large number of Don’s cards to his clients.
- **Probability of effect** is the likelihood that if a decision is implemented it will lead to the harm or benefit predicted. The probability of Adam selling cars based on having his cards distributed is low.
- **Social consensus** is the amount of public agreement that a proposed decision is bad or good. Social consensus is high. There is a high level of public agreement that companies recommend other companies for goods and services. Don is not violating his clients’ privacy by giving their names to Adam.
- **Temporal immediacy** is the length of time that elapses between making a decision and when the consequences of that decision are known. Immediacy is low high because there might be a significant lag time between handing out a card and a car purchase.
- **Proximity** is the sense of closeness (social, cultural, psychological, or physical) that the decision maker has for victims or beneficiaries of the decision. Proximity is high since Don knows the people to whom his is giving Adam’s card.
- **Concentration of effect** is the inverse function of the number of people affected by a decision. Concentration is high since Don has a small number of people to whom his is giving Adam’s card.

4. B. Talk to Steve.

*What ethical principle or principles reflect your decision?*

The ethical principle that reflects this decision is the concern for others and looking at a situation from the perspective of Kim, the person affected. The distributive justice principle is the ethical principle in this decision. You decide to talk to Steve because you feel that Kim has not been treated fairly. You risk offending Steve by questioning his promotion decision, but your feelings of injustice towards Kim make you take the risk and talk to Steve.
How would you assess the ethical intensity in this situation?

- **Magnitude of consequences** is the harm or benefits accruing to individuals affected by a decision or behavior. The magnitude is high because all the employees in the firm will see that Steve does not promote minorities.
- **Probability of effect** is the likelihood that if a decision is implemented it will lead to the harm or benefit predicted. The probability that Steve will change his mind and promote Kim is low. Managers do not like having their decisions questioned.
- **Social consensus** is the amount of public agreement that a proposed decision is bad or good. Social consensus is high. There is a high level of public agreement that diversity is good for an organization and that experience should count in promotion decisions.
- **Temporal immediacy** is the length of time that elapses between making a decision and when the consequences of that decision are known. Immediacy is high because the promotion recently took place and could be reversed although it is unlikely to be reversed.
- **Proximity** is the sense of closeness (social, cultural, psychological, or physical) that the decision maker has for victims or beneficiaries of the decision. Proximity is high since you know Kim and believe in her.
- **Concentration of effect** is the inverse function of the number of people affected by a decision. Concentration is low since everyone in the firm is affected by the diversity policies.

**Case: Diversity Competency—Consensual Relationship Agreements**

1. Critics of CRAs assert that they are too intrusive, ineffective, and unnecessary and that they can cause as many problems as they solve. Identify the specific reasons and examples that might justify these criticisms.

Critics are relying on the concern-for-others ethical principles that focus on the need to consider decisions and behaviors from the perspective of those affected—the employees who sign CRAs. While it is true that there are no legal prohibitions against an employer listening, watching, and reading workplace communications, this behavior violates the golden rule.
principle and the distributive justice principle. No employee wants to be excessively monitored. If an employee feels that the CRAs are too restrictive and that he/she is being treated unfairly, problems in morale, motivation, and productivity are likely to occur.

2. **How would you assess the ethical intensity of CRAs from the perspective of the employer? From the perspective of the employees in a consensual relationship?**

The overall ethical intensity of CRAs from the perspective of the employer is low because there is a high degree of social agreement that CRAs are acceptable for the good of the work environment in an organization. Most employees do not want to have their jobs affected by the personal interactions of co-workers who are dating. The concentration of effect is high because few employees would have a personal relationship with a manager or co-worker. Temporal immediacy is low because a person would sign the CRA when hired, and a personal relationship could arise long after employment has begun. Other factors such as the magnitude of consequences, proximity, and probability of effect are low because employee dating is the exception, not the norm.

The overall ethical intensity of CRAs from the perspective of the employee in a consensual relationship is high because of the probability of effect. An employee might fear workplace repercussions if any provision of the CRA was violated. The magnitude of consequences and proximity are high. Employees would fear that job advancement might be jeopardized.

3. **What specific ethical principles might be used to justify the use of CRAs? Explain.**

The ethical dilemma for CRAs revolves around the ethical principle of balancing the rights of the individual and the needs and rights of the employer. Most employers want to ensure a reasonable degree of employee privacy; however, there is wide consensus that employers must protect against the actions of employees who send harassing e-mails, disclose personal information, or spend too much time surfing the Internet for personal use.

4. **What ethical principles might be used by employees in consensual relationships to oppose signing such an agreement? Explain.**

Distributive, procedural, and interactional justice principles would foster feelings of injustice in employees in consensual relationships. They would feel that CRAs are excessive and intrusive and unfair. They would feel that dating has nothing to do with the quality of an employee’s work and that job security and advancement should be based on the work itself.

5. **Do you personally favor or oppose the use of CRAs in the workplace? Explain.**
I oppose CRAs in the workplace based on the professional standards principle: You act on the basis of whether the decision can be explained before a group of your peers. As long as an employee fulfills the job requirements, it doesn’t matter if he or she is in a consensual relationship with another employee. Many couples—married or unmarried—work side by side in mom-and-pop businesses or in corporations. Every employee has family disputes and problems and has the choice of bringing those problems to work or not. Workplace stories of mothers constantly texting their children abound. Targeting employees in consensual relationships is discriminatory.