CRAIG E. JOHNSON : FIFTH EDITION

ORGANIZATIONAL ETHICS

A PRACTICAL APPROACH

Organizational Ethics

Fifth Edition

To my colleagues

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A Practical Approach

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INTRODUCTION

Making the Case for Studying Organizational Ethics

Evidence for the importance of organizational ethics is all around us. Scarcely a day goes by without revelations of a new organizational scandal. We read and hear about ethical failures in every sector of society—business, education, social service, environment, entertainment, military, medicine, religion, government. Here is just a small sample of the prominent organizations accused of immoral behavior:

- Wells Fargo: creating fake customer accounts, mortgage fraud
- Houston Astros: cheating during the World Series
- Purdue Pharma: triggering the opioid epidemic
- Fox News and NBC News: sexual harassment
- USC, Yale, Stanford, Georgetown, UCLA, University of Texas: admissions bribery scandal
- Facebook: failure to protect user data and to prevent election interference
- Russian Ministry of Sport: athlete doping
- Theranos: fabricating blood test results
- Uber: operating illegally, sexual harassment
- Venezuelan government: diverting food aid, drug trafficking
- United Nations Haitian peacekeeping force: child sexual abuse and rape
- U.S. Marine Corps: human smuggling
- Volkswagen: circumventing emissions tests

We all pay a high price for unethical organizational behavior. Offending organizations suffer damaged reputations; declining revenues, earnings, donations, and stock prices; downsizing and bankruptcy; increased regulation; and civil lawsuits and criminal charges. Their members may lose their jobs, see their retirement savings shrink, and end up doing jail time. Outsiders who have a stake or interest in the fallen organization also suffer. For example, patients taking drugs with undesirable side effects face a higher risk of death; neighbors near a polluting manufacturing plant have to live with environmental damage; investors victimized by fraud see their net worth decline; and needy citizens must do without

important services when taxpayer funds are wasted. In addition, society as a whole suffers because trust in many of our basic institutions is lost. According to the 2020 Edelman Trust Barometer, respondents don't trust government, media, nongovernmental organizations (NGOs), or business. No institution rates highly on both competence (delivering on promises) and ethical behavior (doing the right thing and working to improve society). Business ranks highest in competence but low on ethics. NGOs are considered ethical but not competent. Government and the media are seen as both incompetent and unethical.[1]

Preventing significant harm is one reason why organizational ethics is worthy of your time and attention. The fact that you can do significant good is another. Granted, your ability to make system-wide changes will be limited if you are a college graduate entering your first job. Nevertheless, you do have the power to manage your own behavior, and your coworkers will note how you react to ethical issues. You can practice sustainability and encourage others to do the same, foster group cooperation, reduce unhealthy conflict in your department, help create a meaningful work environment, and so forth. Your influence will likely grow over time, as those with undergraduate and graduate degrees generally end up in management positions.

If you question the ability of one person to make a difference, consider the humble origins of Barack Obama. He was the son of a white mother and an African father who abandoned his family. As a child, Obama spent time in both Indonesia and Hawaii, living either with his mother and sister or with his grandparents. He admits experimenting with drugs in high school as he struggled to find his identity. It wasn't until he enrolled in law school that Obama began to emerge as a leader, becoming the editor and then the first African American president of the *Harvard Law Review*. Later he moved to Chicago to become a community organizer and teach constitutional law. He was elected to the Illinois Senate and then to the U.S. Senate after first being defeated by a two-to-one margin in a race for a congressional seat. From there he went on to be elected and reelected as the first African American president of the United States. (In Chapter 11 you'll read about a Swedish teenager on the autism spectrum who became the leader of a worldwide movement.)

As a member of an organization, you will make ethical decisions on nearly a daily basis. Some are obvious, such as whether or not to clock in for a coworker or to lie to customers. Yet even routine decisions involving hiring, accounting, planning, manufacturing, and advertising have an ethical dimension. Take the case of a supermarket produce buyer deciding which fruits and vegetables to sell in her local stores, for instance. She must weigh several ethical considerations when making these determinations. For example, should she stock only organic products? Should she use suppliers who treat their workers poorly? Should local growers be given priority over distant producers even if the cost is higher? Is price or quality a more important consideration? Should she use her bargaining power to take advantage of growers or negotiate agreements that benefit all parties?

Not only will you continually make ethical choices, but those decisions can also determine your success or failure in your career. Technical skills alone are not enough to guarantee you a productive future. For instance, thousands of managers lost their jobs at Wells Fargo after creating fake accounts to meet sales quotas, as did thousands of lab assistants, quality control specialists, and others caught up in the fraud at Theranos. Business ethics professor Lynn Paine argues that moral thinking is "an essential capability for effective managers and organizational leaders."[2] She contrasts moral reasoning, which is concerned with ethical principles and the consequences of choices, with strategic or results-based thinking, which focuses on reaching objectives such as increasing revenue, finding new distributors, or manufacturing products. Though distinct, these two strands of reasoning

intertwine. As a manager making strategic choices, you ought to consider important moral principles and weigh potential ethical consequences or outcomes. If you don't, your organization (like Theranos) may lose the right to operate in a modern society. Conversely, you must be a good strategic thinker to make wise moral decisions. You have to understand marketing, production, and organizational design, for example, to implement your ethical choices.

The benefits of studying organizational ethics extend well beyond job and career. As we'll see in the chapters to come, the positive effects of engaging in ethical behavior at work spill over into your personal life, reducing stress, improving your health and relationships, providing a sense of meaning and fulfillment, and so on. The concepts and strategies you learn, while directed at the workplace, also apply to your family, friendships, volunteer positions, and other settings. For instance, ethical decision-making formats can be used to address personal ethical dilemmas. Ethical conflict management strategies apply to family disputes. Ethical negotiation tactics could get you a better price on that car or boat. Offering or accepting forgiveness might repair a romantic relationship.

There's one final reason that you should focus on understanding ethics in organizations—you have a duty to do so. I believe that when we enter organizations as managers, workers, or volunteers, we assume the ethical burden of making them better places. *Organizational Ethics: A Practical Approach* is designed to help us carry out that task. But as we take on that responsibility, we need to clear out some misunderstandings that serve as barriers to ethical change. I call the first of these myths "The news is all bad." While organizations all too often fall victim to scandal, as we noted to start, there are plenty of examples of individuals and organizations doing the right thing. We'll look at a variety of them, including prisoners (Chapter 3), courageous women attacking sexual harassment (Chapter 6), ethically transformed organizations (Chapter 9), and outstanding corporate citizens (Chapter 11). The fact that we are shocked by ethical scandals is a sign that moral behavior remains the norm, not the exception.

The second myth is "There's nothing to it." Those who fall victim to this misconception believe that changing ethical performance is easy or that making moral choices is just common sense. They are seriously mistaken. Acting morally can be a tough task, as you've probably discovered when you tried to do the right thing in the face of peer pressure or were punished for telling the truth. At times you will be called upon to put aside your self-interest to meet the needs of others, to stand alone, and to endure criticism. You could risk losing your job because you "aren't a team player" or because you have to bring organizational wrongdoing to the attention of outside authorities (see Chapter 7). Further, ethical decisions are complex and often without any clear answers. They may require choosing between what appear to be two "rights" or two "wrongs."

The third myth is "It won't do any good." This myth comes out of widespread cynicism about organizations and stands at the opposite end of the spectrum from the second misconception. According to this perspective, change is too hard, not too easy. The individual can have little impact on the ethical climate of an organization. Organizations are too complicated and have a life of their own. Even people with high personal moral standards leave their scruples at the door when they go to work. They end up following company dictates, no matter how immoral.

This misconception contains an element of truth. Situational pressures are important determinants of ethical versus unethical behavior. In recognition of that fact, a great deal of this text is devoted to how we can reshape the ethical climates of our groups and organizations. There is little doubt that many of us do act contrary to our personal convictions

due to outside pressures. However, this myth overlooks the fact that organizations are the products of choices. Organizations become embroiled in scandals because individuals and groups decide to lie, steal, abuse their positions and power, and cover up crimes. The same members that create and sustain unhealthy practices, values, and structures can develop more productive alternatives.

The fourth myth is "Too little, too late." Proponents of this view—including some university faculty—argue that our ethical values and standards are set in childhood. Studying ethics in college or on the job is a waste of time if that's the case. If we don't have strong values by the time we are adults, coursework will do little good.

Research doesn't support this argument. Neuroscientists report that brain structures are malleable, which means that we can improve our moral functioning throughout our life spans.[3] Psychologists have established that moral development, like physical and psychological development, continues beyond childhood.[4] Discussing ethical issues in the classroom does increase moral reasoning abilities all the way through graduate school. Most of us, whatever our stage in life, can point to ways that our views on moral issues like the death penalty, cloning, same-sex marriage, stem cell research, and recycling have changed over a period of years.

The fifth myth is "It all depends." This myth sometimes comes up at the beginning of ethics courses and workshops. One or more participants point out that ethical standards differ between cultures. They argue that what they will learn about ethics in the upcoming class or training session is of limited use in a global society where the right behavior depends on the cultural setting. They believe that there are no universal moral standards and that we should set aside our particular values to fit into the local culture. Those who adopt this stance are correct in noting that ethical standards vary between cultures. However, as we'll see in Chapter 12, there do appear to be universal moral standards. We shouldn't go along with some local practices, such as bride burning and female circumcision. Further, there are guidelines to help us determine when we should accept or reject local customs.

The sixth myth is labeled "Yes but." Proponents of this view acknowledge that while ethics is important, it is not as important as other topics. They argue that time devoted to studying organizational ethics would be better spent on other subjects (e.g., public administration, management, finance, accounting, entrepreneurship, marketing). They object to offering a stand-alone ethics course. As recent scandals indicate, however, more, not less, time should be spent on moral decision making. An Ethics and Compliance Initiative survey found that misconduct is common in the workplace. A third of business employees in 13 countries reported observing unethical conduct, and 22% felt pressure to compromise their ethical standards.[5] Ethics deserves the same attention as, say, topics focused on the bottom line.

The seventh and final myth I've titled "We can't afford it." The argument here is that adopting high ethical standards is too costly. Adherents believe that ethical organizations can't compete in the modern marketplace. Groups that do the right thing, like refusing to bribe foreign officials to gain contracts, lose out to less scrupulous competitors. Proponents of this view also point out that unethical behavior often goes undetected and that good intentions, by themselves, are no guarantee of organizational success.

There is no doubt that ethical behavior can be costly. Unethical behavior frequently does go unpunished, and careful planning and execution must back lofty goals. However, there is evidence that ignoring ethics is costlier than pursuing ethics. Business ethicists report that, more often than not, it pays to be ethical. High moral standards and outstanding performance often go hand in hand. Many ethical strategies and actions—empowering

employees, creating a sense of shared mission and values, demonstrating concern, truth telling, rewarding moral behavior—can improve employee commitment and productivity. The productivity of the entire organization improves as a result. In addition, there is evidence that organizations that strive to be good citizens are frequently (but not always) more successful. Winners of the prestigious Malcolm Baldrige National Quality Award, for instance, must demonstrate ethical and social responsibility. Companies adopting the Dow Jones Sustainability Index (DJSI) standards for social and environmental performance reported a higher gross profit margin and higher return on investment than similar non-DJSI firms.[6]

LOOKING AHEAD

This version of *Organizational Ethics: A Practical Approach* incorporates substantive changes from previous editions. The content of Chapter 3—Ethical Decision Making and Action—has been moved to Chapter 2 to make a closer connection to the ethical perspectives described in the first chapter as well as to introduce the five "I" format, which can serve as a template for resolving ethical dilemmas. Three-quarters of the previous case studies have been replaced, and some of those that remain have been updated to reflect the latest developments. New cases deal with facial recognition technology, the college admissions scandal, Ruth Bader Ginsburg, call centers, Rosalynn Carter, the #MeToo movement, tech worker resistance, Jeffrey Epstein, Navy SEALs, Tata Steel, Google, the opioid epidemic, plastic pollution, Dick's Sporting Goods, and other subjects. Over half of the self-assessments have been replaced with new instruments. Material on moral maturity and attentiveness, meaningful work, spiritual disciplines, immediacy behaviors, feedback, dysfunctional customer behaviors, ethical leadership theory, team defense mechanisms, organizational virtue, gamification, social intrapreneurs, social shareholder activism, cross-cultural ethical conflict, and other topics has been added.

Here is a detailed breakdown of new/revised/expanded coverage in this edition:

Chapter 1 Ethical Competencies and Perspectives

Moral maturity/moral conation

Altruism born of suffering

Humanistic management

Self-Assessment: Self-Report Altruism Scale

Cases: Facial recognition technology

Pets on planes

College admissions bribery scandal

Chapter 2 Ethical Decision Making and Action

Moral attentiveness

Aristotle's decision rules

Five "I" format

The fifth edition also retains several features found in earlier editions. First, as the title suggests, this is a book about the practice of ethics in all sorts of organizations (not just businesses). Second, there are plenty of opportunities for the application of concepts through practical suggestions, chapter-end projects, and case studies. Third, the text retains its interdisciplinary focus. In recent years, a significant number of social scientists have begun to examine ethics in the organizational setting. I cite findings from the fields of management, moral psychology, education, communication, neuroscience, marketing, human resources, organizational behavior, accounting, finance, and social psychology in addition to philosophy. This research is cited in the notes as well as in the comprehensive reference section at the end of the book.

Fourth, I emphasize self-examination and reflection. There are two self-assessments in each chapter. Fifth, my goal is to write in a reader-friendly style to make the discussion of ethics less intimidating. Sixth, I hope to provoke discussion and dialogue, which are essential to the learning process. There are no right or wrong answers to many of the questions and issues raised in the text. Instead, they should spark critical thinking and interaction.

Seventh, *Organizational Ethics: A Practical Approach* is organized around levels or concentric circles of organizational behavior as depicted in Figure 0.1, starting with the individual and then moving outward. However, in practice, these levels are permeable, as reflected by the dotted lines that separate them. Each level influences, and is influenced by, the other levels. A dishonest employee, for example, can undermine interpersonal communication, promote defective group decision making, and help create an unethical organizational culture. Conversely, a corrupt organization can corrupt otherwise honest groups and individuals. The organization and its members operate in a global society. Cultural values and practices shape the ethical behavior of organizations and the people who inhabit them. At the same time, organizations can help reshape the values of the larger society. Each level is covered separately in the pages to come, but don't lose sight of their interdependence.

Part I, "Practicing Personal Ethics in the Organization," examines the skills and knowledge we need to function as ethical organizational members. Many of the concepts introduced in this section play an important role in the later portions of the text. Chapter 1 describes ethical competencies and important ethical perspectives. Chapter 2 describes moral reasoning and intuition as well as decision-making processes and formats. Chapter 3 surveys personal moral development, including character development. Part II, "Practicing Interpersonal Ethics in the Organization," looks at the moral issues raised by our connections to other organizational members. Chapter 4 outlines an ethical framework for interpersonal communication. Chapter 5 addresses questions of power and influence in organizational settings. Chapter 6 examines the practice of ethical conflict management and negotiation, providing strategies for dealing with aggression and sexual harassment. Part III, "Practicing Leadership, Followership, and Group Ethics," focuses on the ethical dilemmas that are part and parcel of leadership and followership (Chapter 7) as well as organizational groups and teams (Chapter 8). Part IV, "Practicing Ethics in Organizational Systems," examines organizations as integrated units. Chapter 9 looks at the components of ethical organizational culture and cultural change efforts. Chapter 10 identifies ethical issues that arise when carrying out critical organizational functions—marketing, finance and accounting, and human resources. Chapter 11 discusses tactics for promoting corporate citizenship. Chapter 12 addresses the challenges of practicing ethics in an increasingly global society.

Organizational Systems

Group
Leadership-Followership

Interpersonal

Individual

Global Society
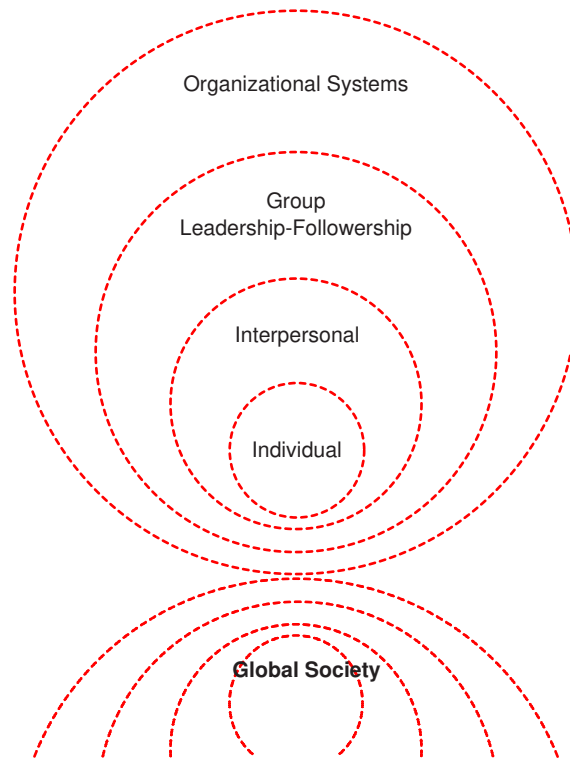
TEACHING RESOURCES

This text includes an array of instructor teaching materials designed to save you time and to help you keep students engaged. To learn more, visit sagepub.com or contact your SAGE representative at sagepub.com/findmyrep.

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Writing this text would have been impossible without assistance at every stage of the project. Rob Bohall and other reference librarians helped me gather information. Students enrolled in graduate business ethics classes were the first to try out cases, self-assessments, and other chapter material. Colleagues in business, psychology, and philosophy answered my questions on topics in their respective disciplines.

Several reviewers offered helpful critiques on the fifth edition of this text. I have incorporated their insights whenever possible into this revision. The editorial and production staff at SAGE skillfully guided me through the final publication stages.

I am grateful to all the individuals and groups named above. Thanks, too, to my wife, Mary, who is all too aware of the demands that writing makes on my time but supports my efforts nonetheless.

Finally, I want to acknowledge the ethics scholars whose research and analysis provide the foundation of this book. Their ongoing efforts make me optimistic about continued progress in the study and practice of organizational ethics.

REVIEWER ACKNOWLEDGMENTS

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PRACTICING PERSONAL ETHICS IN THE ORGANIZATION

Organizational Systems

Group
Leadership-Followership

Interpersonal

Individual

Global Society

1

ETHICAL COMPETENCIES AND PERSPECTIVES

LEARNING OBJECTIVES

- Define organizational ethics.
- Identify ethical competencies.
- Develop a plan for developing ethical competence.
- Summarize the major components of each ethical perspective.
- Name the similarities between the Confucian and Aristotelian ethical approaches.
- Explain the role that altruism plays in each of the major ethical perspectives.
- Assess the advantages and disadvantages of each ethical theory.
- Analyze an ethical dilemma using one or more of the six ethical theories.

CHAPTER PREVIEW

Before we can raise the ethical performance of ourselves and our organizations, we need to be equipped for the task. In this first section of the text we'll focus on the knowledge and tools we need to make better ethical decisions ourselves while encouraging others to do the same. This chapter provides an overview of organizational ethics and introduces ethical competencies and perspectives. Chapter 2 examines how to make and follow through on moral choices. Chapter 3 addresses the components of personal moral development.

DEVELOPING ETHICAL COMPETENCIES

For the study of organizational ethics to make a positive difference to us, to our organizations, and to society as a whole, we must put our knowledge to work. That calls for an applied or practical approach. A practical approach to organizational ethics is founded on the premise that we can develop our ethical expertise or competency just as we develop our abilities to manage, do cost accounting, and oversee operations.

University of Notre Dame psychologist Darcia Narvaez argues that we can master the knowledge and skills that can help us behave more like moral experts. She points out that ethical authorities, like experts in other fields, think differently than novices.[1] First, they know more about the ethical domain. Their networks of moral knowledge are more developed and connected than those of beginners. They note commonalities and differences, are more sensitive to moral cues, and understand the moral standards of the culture and group. Second, they see the world differently than novices. While beginners are often overwhelmed by new data, those with expertise can quickly identify and act on the relevant information. They are able to "think about their thinking" (demonstrate metacognitive ability), knowing what moral knowledge to apply in a particular situation. Moral experts also understand their personal moral standards and use their self-understanding to evaluate their options (e.g., "is this action consistent with my image of myself?"). Third, experts have different skill sets. They are better able to define the moral problem and then match the new dilemma with previous ethical problems they have encountered. As a result, they make better moral decisions faster, sometimes even automatically.

Experts become expert by learning in situations that reward the behaviors that lead to success in that domain, building on the knowledge of previous generations, and putting forth sustained effort. A professional violinist, for example, spends years taking lessons, completing classes in music theory, practicing hours daily, and performing in recitals and concerts. You must follow similar strategies if you want to become less of an ethical novice and more of an ethical expert. Learn in a well-structured environment where correct behaviors are rewarded and where you can interact with mentors and receive feedback and coaching. Master both moral theory and skills. Familiarize yourself with how previous experts have dealt with moral problems and why some choices are better than others. Gain experience so that you'll not only get better at solving ethical problems but be better able to explain your choices. Finally, practice, practice, practice. You will have to put in the necessary time and concentrated effort. Ethical progress takes hours of practice wrestling with moral dilemmas. To get started, complete Self-Assessment 1.1 to determine how you feel about ethical behavior in business and other organizational settings.

Organizational Ethics: A Practical Approach incorporates all of the developmental components just outlined. The book is designed for use in a college or university classroom where ethical knowledge and behaviors are encouraged and professors and classmates

provide feedback. You will be introduced to the insights of ethical experts both past and present and see how some behaviors are more effective than others. The text supplies you with plenty of opportunities to practice your problem-solving abilities and to defend your decisions. You'll be provided with lists of steps or actions you and your organization can take. Cases provide opportunities to apply what you've read, and the self-assessments in each chapter measure your (or your leader's or organization's) performance on an important behavior, skill, or concept. The Takeaways sections at the end of each chapter review important concepts and their implications. The Application Projects sections ask you to engage in further reflection, analysis, and implementation. You can complete some of these activities on your own; others require group participation.

Scholars describe a variety of competencies we need to develop if we hope to become more expert. Sean Hannah and his colleagues believe that, in order to think and act ethically, you must expand your capacities for moral maturation and moral conation.[2] You can use these competencies as a yardstick to measure your ethical progress. *Moral maturation* capacity drives ethical thinking and involves the ability "to elaborate and effectively attend to, store, retrieve, process, and make meaning of morally relevant information." The components of moral maturation are

1. moral complexity: knowledge of a specific domain of ethics (i.e., accounting ethics or medical ethics), which allows for in-depth processing; developing categories to discriminate among types of information; ability to see commonalities and connections in ethical situations; creating prototypes to use in processing ethical problems; knowing what *not* to do; sensitivity to moral cues; understanding of the morality of a culture or social group.

2. metacognitive ability: monitoring and regulating thinking; capacity to reason and solve problems; applying knowledge to specific moral dilemmas; assessing what information to use and its accuracy (i.e., considering all aspects of an ethical dilemma).

3. moral identity: knowledge of self as a moral actor; regulating behavior according to beliefs, values, goals, and social roles; applying the moral self to a variety of situations.

Moral conation capacity describes taking responsibility and then being motivated to do the right thing even when faced with adversity. Moral conation is made up of

1. moral ownership: feeling a sense of responsibility for one's own ethical actions, the ethical behavior of others, and the moral behavior of the organization, group, or society; seeking to do good while refusing to ignore unethical behavior.

2. moral efficacy: belief in one's ability to take ethical action and to persist when faced with challenges; confidence to perform in a given ethical situation; availability of outside support for moral behavior (i.e., whistle-blower protections, peer support).

3. moral courage: willingness to face danger; strength of will to overcome ethical challenges and barriers; maintaining personal principles in the face of outside pressure.

Wright State University business ethics professor emeritus Joseph Petrick outlines three types of competencies that can serve as another measure of your ethical development. *Cognitive decision-making competence* means demonstrating "abilities to recognize, understand, analyze, and make responsible judgments about moral matters" in business and other organizational contexts.[3] *Affective prebehavioral disposition competence* encompasses ethical emotions, attitudes, and motivations. Becoming more of an expert in organizational ethics should not only improve your problem-solving abilities but also prompt you to develop your character and increase your motivation to follow through on your choices. *Context management competence* involves the managerial skills needed to build ethical organizational environments. You need to help create ethical settings that encourage members to demonstrate their cognitive and affective competence. You should also be able to encourage your organizations to meet the needs of stakeholders, protect the environment, honor the rights of overseas workers, and so on.

SELF-ASSESSMENT 1.1
ATTITUDES TOWARD BUSINESS (AND ORGANIZATIONAL) ETHICS

Reflect on the following statements. Indicate your position regarding each by selecting your response to the right of each statement.

Statements	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
The only moral of business is making money.	1	2	3	4	5
Act according to the law, and you can't go wrong morally.	1	2	3	4	5
Moral values are irrelevant to the business world.	1	2	3	4	5
The lack of public confidence in the ethics of businesspeople is *not* justified.	1	2	3	4	5
As a consumer making an auto insurance claim, I try to get as much as possible regardless of the extent of the damage.	1	2	3	4	5

Statements	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
When shopping at the supermarket, it is appropriate to switch price tags on packages.	1	2	3	4	5
As an employee, I take office supplies home; it doesn't hurt anyone.	1	2	3	4	5
I view sick days as vacation days that I deserve.	1	2	3	4	5
In my grocery store every week, I raise the price of a certain product and mark it "on sale." There is nothing wrong with doing this.	1	2	3	4	5
The business world has its own rules.	1	2	3	4	5
True morality is first and foremost self-interested.	1	2	3	4	5
You should *not* consume more than you produce.	1	2	3	4	5

If possible, have a classmate, friend, or colleague take this questionnaire and compare your ratings on each item. Explain your responses. Take the assessment again after completing the text and course. Compare your before and after answers and determine how much they have changed and why.

Adapted from Preble, J. F., & Reichel, A. (1988). Attitudes towards business ethics of future managers in the U.S. and Israel. *Journal of Business Ethics*, 7, 947-948.

DEFINING ORGANIZATIONAL ETHICS

The first step toward expert mastery is defining the field of study. In the case of organizational ethics, that means identifying the unique characteristics of organizations and determining what sets ethical choices and actions apart from other forms of decision making and behavior. Organizations consist of three or more people engaged in coordinated action in pursuit of a common purpose or goal. They function as socially constructed, structured, interconnected systems.[4] Let's look at the elements of this definition in more detail.

Three or more people. The presence of three or more persons sets the stage for the formation of an organization, allowing for the development of structure, coalitions, shared meanings, and so forth. Organizational membership is generally voluntary, which sets organizations apart from families. We choose which organizations we want to join; we don't have a choice about which family we are born into. Organizations are generally more stable than small groups due to substitution of personnel. Members leave—retire, quit, pass away—but the organization continues as new people take their places.

Coordination of activities. Completion of any complex project, whether it be making a film, repairing a highway, or starting a health club, requires the coordination of people and units that carry out specialized tasks. Coordination, in turn, produces synergy. Synergy describes the way in which organizations are greater than the sum of their parts. The achievements of an organization as a whole are much greater than could be reached by a collection of individuals working on their own.

Goal directed. Organizations don't form by chance. Instead, they are intentionally formed to meet specific needs and to serve specific purposes like educating elementary school children, producing and selling automobiles, passing legislation, and combating crime. These objectives focus the collective energies of members.

Socially constructed. Organizations are human creations shaped through the collective decisions and actions of their members. These creations then shape the thoughts and behaviors of their makers. For example, those who make a policy, such as one forbidding romantic relationships between superiors and subordinates, are bound by this rule. The socially constructed nature of organizations is particularly apparent in their cultures. No two organizations are exactly alike. Every group has its unique way of seeing the world or culture developed through shared meaning and experiences. New employees often undergo a form of culture shock as they move into an organization with a different language, customs, and attitudes about work and people.

Structured interaction. The word *organization* frequently conjures up images of organizational charts, policy manuals, discipline policies, articles of incorporation, and other official documents. Bureaucratic organizations in particular do their best to leave nothing to chance, spelling out everything from how to apply for sick leave and retirement benefits to the size of office cubicles. They also carefully detail how tasks like processing auto insurance payments and registering students are to be managed. However, some of the most important elements of structure aren't formalized. Communication scholars, for instance, study communication networks, which are patterns of messages sent between individuals and organizational units. These networks may have little resemblance to the flow of information outlined in the official organizational chart.

Roles and hierarchy are two particularly important aspects of structure. *Roles* are sets of expectations, responsibilities, and duties associated with organizational positions. Failure to meet role expectations generates sanctions in the form of criticism, reprimands, lower wages, and termination. *Hierarchy* grants certain individuals and groups more power, status, and privileges, and there are one or more centers of power that review and direct organizational performance. Differences in status and power are part of every interaction between organizational members. The degree of structure helps

set organizations apart from groups. Groups also have three or more members, may be goal directed, and delegate various roles. Nonetheless, they lack many of the formal elements—written policies, job descriptions, job titles—common to organizations.

Interconnectedness (systems). Organizations function as interconnected systems. Consider all the departments involved in the introduction of a new product, for instance: research and development, design, purchasing, production, marketing, finance, human resources. The success of a product introduction depends on each division doing its part. Marketing can do an effective job of promoting the new item, but first purchasing must secure the necessary components at the right cost and production must meet manufacturing deadlines. Because organizations function as systems, a change in any one component will influence all the others. A new accounting system, for example, will change the way that every department records expenses, books revenue, and determines profits.

Ethics involves judgments about the rightness or wrongness of human behavior. To illustrate this point, I've collected definitions of the term from a variety of sources. Notice how each highlights the evaluative nature of ethical study and practice.

"Ethics is concerned with how we should live our lives. It focuses on questions about what is right or wrong, fair or unfair, caring or uncaring, good or bad, responsible or irresponsible, and the like."[5]

"Ethics deals with individual character and with the moral rules that govern and limit our conduct. It investigates questions of right and wrong, fairness and unfairness, good and bad, duty and obligation, and justice and injustice, as well as moral responsibility and the values that should guide our actions."[6]

"[Ethics comprises] the principles, norms, and standards of conduct governing an individual or group."[7]

"Ethical judgments focus . . . on degrees of rightness and wrongness, virtue and vice, and obligation in human behavior."[8]

"Ethics guide us in identifying right from wrong, good from bad, and just from unjust."[9]

"Ethics basically refers to issues of right, wrong, fairness, and justice."[10]

"[An ethical act or decision] is something judged as proper or acceptable based on some standard of right and wrong."[11]

There are some scholars who make a distinction between ethics and morals, drawing in part on the origins of each word.[12] *Ethics* comes from the Greek term *ethos*, which refers to "custom" or "usage" or "character." *Moral* is derived from the Latin *mos* or *moris*, which refers to "conduct" or "way of life." From this perspective, ethics has to do with the systematic study of general principles of right and wrong behavior. Morality and morals, on the other hand, describe specific, culturally transmitted standards of right and wrong ("Thou shalt not steal"; "Treat your elders with respect"). Maintaining this distinction is becoming more difficult, however. Both ethics and morality involve decisions about right and wrong. When we make such evaluations, we draw upon universal principles as well as upon our

cultural standards. Further, scholars from a number of fields appear to use the terms *ethics* and *morals* interchangeably. Philosophers interested in ethics study moral philosophy, for example, while psychologists examine moral reasoning and educators promote moral education. For these reasons, I will use the terms synonymously in the remainder of this text. You, of course, are free to disagree. You may want to engage in a class discussion about whether these two concepts should be integrated or treated separately.

Organizational ethics applies moral standards and principles to the organizational context. Organizations are well suited for ethical analysis because, as we've seen, they are the products of conscious, goal-directed behavior. Whatever form they take (small, family-owned restaurants; community-based nonprofits; large multinational corporations; international relief agencies), all employers share the common features described earlier. These shared elements mean that members in every type of organization face some common ethical temptations and dilemmas. Further, a common body of theory, principles, strategies, and skills can be used to address these moral challenges.

I am convinced there is much to be gained in looking at ethical problems and solutions across organizational boundaries. No matter what particular type of organization we belong to, we can learn from the experiences of others in different settings. Knowing how corporate managers communicate important values, for instance, can be useful to those of us working in the federal government. If we work in business, we can gain important insights into how to empower employees from watching how nonprofit executives recruit and motivate volunteers.

ETHICAL PERSPECTIVES

Ethical theories are critical to developing our ethical competence. Ethical perspectives are tools that help us identify and define problems, force us to think systematically, encourage us to view issues from many different vantage points, and provide us with decision-making guidelines. We'll return to them again and again throughout the rest of this text. In this section, I'll briefly summarize each perspective and then offer an evaluation based on the theory's advantages and disadvantages.

Resist the temptation to choose your favorite approach and ignore the rest. Use a variety of theories when possible. Applying all six approaches to the same problem (practicing ethical pluralism) is a good way to generate new insights about the issue. You can discover the value of ethical pluralism by using each theory to analyze the case studies at the end of the chapter (see Application Project 9). You may find that some perspectives are more suited to these problems than others. Combining insights from more than one theory might help you come up with a better solution. At the very least, drawing from several perspectives should give you more confidence in your choice and better prepare you to defend your conclusions.

Utilitarianism: Do the Greatest Good for the Greatest Number

Many people weigh the advantages and disadvantages of alternatives when making significant decisions. They create mental balance sheets listing the pluses and minuses of each course of action. When it's a particularly important choice, such as deciding which job offer to accept or where to earn a graduate degree, they may commit their lists to paper to make it easier to identify the relative merits of their options.

Utilitarianism is based on the premise that our ethical choices, like other types of decisions, should be based on their outcomes.[13] It is the best-known example of *consequentialism*, a branch of moral philosophy that argues that the rightness or wrongness of an action is dependent on its consequences. The goal is to maximize the good effects or outcomes of decisions. English philosophers and reformers Jeremy Bentham (1748–1832) and John Stuart Mill (1806–1873) believed that the best decisions (1) generate the most benefits relative to their disadvantages, and (2) benefit the largest number of people. In other words, utilitarianism is attempting to do the greatest good for the greatest number of people. *Utility* can be defined as what is best in a specific case (act utilitarianism) or as what is generally preferred in most contexts (rule utilitarianism). We can decide, for example, that telling a specific lie is justified in one situation (to protect a trade secret) but, as a general rule, believe that lying is wrong because it causes more harm than good.

Utilitarians consider both short- and long-term consequences when making ethical determinations. If the immediate benefits of a decision don't outweigh its possible future costs, this alternative is rejected. However, if the immediate good is sure and the future good is uncertain, decision makers generally select the option that produces the short-term benefit. Utilitarians are also more concerned about the ratio of harm to benefit than the absolute amount of happiness or unhappiness produced by a choice. In other words, a decision that produces a great amount of good but an equal amount of harm would be rejected in favor of an alternative that produces a moderate amount of good at very little cost. Further, utilitarian decision makers keep their own interests in mind but give them no more weight than anyone else's.

Making a choice according to utilitarian principles is a three-step process. First, identify all the possible courses of action. Second, estimate the direct as well as the indirect costs and benefits for each option. Finally, select the alternative that produces the greatest amount of good based on the cost-benefit ratios generated in step two. Government officials frequently follow this process when deciding whether to impose or loosen regulations. Take decisions about mandatory motorcycle helmet laws, for example. The benefits of requiring helmet use for all riders include a reduction in head and neck injuries and crash fatalities. (Taxpayers pick up the bill when underinsured or noninsured riders are injured.) The costs include infringement on personal freedom, an important value to motorcycle owners, and a false sense of security that encourages riders to drive more aggressively, putting them in more danger. After balancing the costs and benefits, 19 states require that all riders wear helmets while the rest do not.[14]

Evaluation

Few could argue with the ultimate goal of utilitarianism, which is to promote human welfare by maximizing benefits to as many people as possible. We're used to weighing the outcomes of all types of decisions, and the utilitarian decision-making rule covers every conceivable type of choice, which makes it a popular approach to moral reasoning. Utilitarian calculations typically drive public policy decisions, such as whether to legalize marijuana or to give tax breaks to attract business. In fact, Bentham and Mills introduced utilitarianism to provide a rational basis for making political, administrative, and judicial choices, which they felt previously had been based on feelings and irrational prejudices. They campaigned for legal and political reforms, including the creation of a more humane penal system and more rights for women. Utilitarian reasoning is also applied in emergency situations, such as in the wake of earthquakes and tsunamis. In the midst of such widespread devastation,

many medical personnel believe they ought to give top priority to those who are most likely to survive. They argue it does little good to spend time with a terminal patient while a person who would benefit from treatment dies.

Despite its popularity, utilitarianism suffers from serious deficiencies, starting with defining and measuring "the greatest good."[15] Economists define utility in monetary terms and use such measures as the gross national product to determine the greatest benefit. But the theory's originators, Bentham and Mills, define the greatest good as the total amount of pleasure or utility, abstract concepts that are hard to quantify. Sometimes identifying possible consequences can be difficult or impossible as well. Many different groups may be affected, unforeseen consequences may develop, and so on. Even when consequences are clear, evaluating their relative merits can be challenging. Being objective is difficult because we humans tend to downplay long-term risks in favor of immediate rewards and to favor ourselves when making decisions. Take efforts to reduce the use of fossil fuels, for example. Few seem willing to pay higher prices for energy now in order to reduce the effects of climate change in the future.

Due to the difficulty of identifying and evaluating potential costs and benefits, utilitarian decision makers may reach different conclusions when faced with the same dilemma, as in the case of motorcycle helmet laws or facial recognition technology (see Case Study 1.1). Ironically, one of the greatest strengths of utilitarian theory—its concern for collective human welfare—is also one of its greatest weaknesses. In focusing on what's best for the group as a whole, utilitarianism discounts the worth of the individual. The needs of the person are subjugated to the needs of the group or organization. This type of reasoning can justify all kinds of abuse. For example, in the past, many college and professional football players immediately returned to the field after suffering concussions. They did so, in part, for the good of the team or the school, but 40% of former National Football League players suffer from brain injuries as a result.[16] Then, too, by focusing solely on consequences, utilitarianism seems to say that the ends justify the means. Most of us are convinced that there are certain principles—justice, freedom, integrity—that should never be violated.

Kant's Categorical Imperative: Do What's Right Despite the Consequences

Like the utilitarians, German philosopher Immanuel Kant (1724–1804) developed a simple set of rules that could be applied to every type of ethical decision. However, he reached a very different conclusion about what those principles should be. Kant argued that moral duties or imperatives are *categorical*—they should be obeyed without exception. Individuals should do what is morally right no matter what the consequences are.[17] His approach to moral reasoning falls under the category of deontological ethics. Deontological ethicists argue that we ought to make choices based on our duty to follow universal truths, which we sense intuitively or identify through reason (*deon* is the Greek word for "duty"). Moral acts arise out of our will or intention to follow our duty, not in response to circumstances. Based on this criterion, an electric utility that is forced into reducing its rates is not acting morally; a utility that lowers its rates to help its customers is.

According to Kant, "what is right for one is right for all." We need to ask ourselves if the principle we are following is one that we could logically conclude should be made into a universal law. Based on this reasoning, certain behaviors, like honoring our commitments and being kind, are always right. Other acts, like cheating and murder, are always wrong. Kant

cited borrowing money that we never intend to repay as one behavior that violates what he called the *categorical imperative.* If enough people made such false promises, the banking industry would break down because lenders would refuse to provide funds.[18] That's what happened during the collapse of the U.S. housing market. A number of borrowers never intended to pay their home loans back, which helped generate a wave of foreclosures. Home loans then became much harder to get. Deliberate idleness is another violation of Kant's principles, because no one would exercise their talents in a culture where everyone sought to rest and enjoy themselves.

Kant also argued for the importance of "treating humanity as an end," or respect for persons, which has become one of the foundational principles of Western moral philosophy. Others can help us reach our objectives, but they should never be considered solely as a means to an end. We should, instead, encourage the capacity of others to choose for themselves. It is wrong, under this standard, for manufacturing companies to expose nearby residents to hazardous chemicals without their consent or knowledge. Managers shouldn't coerce or threaten employees, because such tactics violate freedom of choice. Coworkers who refuse to help one another are behaving unethically because ignoring the needs of others limits their options. Concern for persons extends across international borders. Multinational corporations have a duty to ensure that their subcontractors and suppliers follow local labor laws, refrain from coercion, follow minimum safety standards, and provide a living wage for workers.[19]

Respect for persons underlies the notion of moral rights. Fundamental moral or human rights are granted to individuals based solely on their status as equal persons. Such rights protect the inherent dignity of every individual regardless of culture or social or economic background. Rights violations are unethical because they are disrespectful and deny human value and potential. The rights to life, free speech, and religious affiliation are universal (always available to everyone everywhere), are equal (no one has a greater right to free speech than anyone else, for instance), and cannot be given up or taken away.[20] (I provide one list of universal human rights in Chapter 12.)

Evaluation

Kant's imperative is a simple yet powerful ethical tool. Not only is the principle easy to remember, but making sure that we conform to a universal standard should also prevent a number of ethical miscues. (Turn to Case Study 1.2 to see the damage that can come from violating Kant's categorical principle.) Emphasis on duty builds moral courage. Those driven by the conviction that certain behaviors are either right or wrong no matter the situation are more likely to blow the whistle on unethical behavior (see Chapter 8), to resist group pressure to compromise personal ethical standards, to follow through on their choices (see Chapter 2), and so on. Recognizing that people are intrinsically valuable is another significant ethical principle. This standard encourages us to protect the rights of employees, to act courteously, to demonstrate concern for others, and to share information. At the same time, it condemns deceptive and coercive tactics. (Respect for persons is a key component of the humanistic approach to business described in Contemporary Issues in Organizational Ethics 1.1.)

Critiques of Kant's system of reasoning often center on his assertion that there are universal principles that should be followed in every situation. In almost every case, we can think of exceptions. For instance, many of us agree that killing is wrong yet support

capital punishment for serial murderers. We value our privacy but routinely provide confidential information to secure car loans and to order products online. Then, too, how do we account for those who honestly believe they are doing the right thing even when they are engaged in evil? White supremacists, for instance, are convinced that Caucasians are superior to other racial groups. They believe that preserving racial purity is their duty.

Conflicting duties also pose a challenge to deontological thinking. Complex ethical dilemmas often involve competing obligations. For example, we should be loyal both to our bosses and to our coworkers. Yet being loyal to a supervisor may mean breaking loyalty with peers, such as when a supervisor asks us to reveal the source of a complaint when we've promised to keep the identity of that coworker secret. How do we determine which duty has priority? Kant's imperative offers little guidance in such situations.

CONTEMPORARY ISSUES IN ORGANIZATIONAL ETHICS 1.1

HUMANISTIC MANAGEMENT

Most scholars and practitioners think of business in economic terms. From this economic perspective, profits (maximizing shareholder value) are the ultimate goal of a company. Those who hold this view often proclaim "business is business," signaling that ethics and values should take a back seat to the bottom line. Employees are a means to an end—profitability.

Proponents of humanistic management take issue with the popular understanding of business. They argue that people, not economics, should be the focus of companies. They encourage leaders, first of all, to recognize the intrinsic worth or dignity of both organizational members and outsiders. Employees should be seen as ends, not means, and should have the freedom to make decisions and to direct their career paths. Leaders ought to dialogue with followers about important policies and decisions as well as with stakeholders who are impacted by the firm's actions. Ethics needs to be integrated into managerial decision making to ensure justice and to reflect important values.

Second, humanistic theorists encourage managers to focus on helping employees reach their full potential, including helping them develop their moral character. According to University of Navarra (Spain) business professor Domènec Melé, humanistic management is "a management that emphasizes the human condition and is oriented to the development of human virtue, in all its forms, to its fullest extent."

Strategies for helping employees to flourish include, for instance, job redesign and enrichment, ensuring that new hires fit with the organization's mission and values, fostering engagement, participative management, and promoting moral character and virtues. Leaders need to recognize that community plays a critical role in personal development and treat their businesses as communities of persons. They can foster community through communicating frequently with members; providing trustworthy, relevant information; empowering workers to participate in decisions that impact their lives; and pursuing common goals that benefit the entire organization. The firm, in turn, functions as a community embedded in larger communities—town, state, nation. Corporate decisions need to be made in light of their impact on these larger collectives.

Third, those advocating for humanistic management highlight the importance of benevolence and care. Recognizing the dignity and uniqueness of every person means caring for individuals based on their needs, cultural background, interests, organizational role, and so on. They encourage businesses to express caring through helping employees who have personal and family needs, paying generous salaries and offering generous benefits, addressing work-family issues, fostering inclusion, and building long-term relationships with their workers.

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Rawls's Justice as Fairness: Balancing Freedom and Equality

Limited organizational resources make conflicts inevitable. There are never enough jobs, raises, corner offices, travel funds, laptop computers, iPads, and other benefits to go around. As a result, disputes arise over how to distribute these goods. Departments battle over the relative size of their budgets, for example, and employees compete for performance bonuses, promotions, and job titles. Participants in these conflicts often complain that they have been the victims of discrimination or favoritism.

Over the last third of the 20th century, Harvard philosopher John Rawls developed a set of guidelines for justly resolving disputes like these that involve the distribution of resources.[21] His principles are designed to foster cooperation in democracies. In democratic societies, all citizens are free and equal before the law. However, at the same time, citizens are unequal because they vary in status, economic standing, talents, and abilities. Rawls's standards honor individual freedom—the foundation of democratic cultures—but also encourage more equitable distribution of societal benefits. Rawls offered a political theory focused on the underlying structure of society as a whole. Nevertheless, I hope to demonstrate that his principles also apply to organizations and institutions that function within this societal framework.

Rawls rejected the use of utilitarian principles to allocate resources. He believed that individuals have rights that should never be violated no matter the outcome. In addition, he asserted that seeking the greatest good for the greatest number can seriously disadvantage particular groups and individuals. This can be seen in decisions to outsource goods and services to independent contractors. Outsourcing reduces costs and helps firms stay competitive. Remaining employees enjoy greater job security, but some employees lose their jobs to outsiders.

As an alternative to basing decisions on cost-benefit ratios, Rawls argued that we should follow these two principles of justice[22]:

Principle 1: Each person has an equal right to the same basic liberties that are compatible with similar liberties for all.

Principle 2: Social and economic inequalities are to satisfy two conditions: (a) they are to be attached to offices and positions open to all under conditions of fair equality of opportunity, and (b) they are to be to the greatest benefit of the least advantaged members of society.

The first principle, the *principle of equal liberty*, has priority. It states that certain rights are protected and must be equally applied to all. These liberties include the right to vote, freedom of speech and thought, freedom to own personal property, and freedom from arbitrary arrest. Invading employee privacy and pressuring managers to contribute to particular political candidates would be unethical according to this standard. So would failing to honor contracts, since such behavior would reduce our freedom to enter into agreements for fear of being defrauded.

Principle 2a, the *equal opportunity principle*, asserts that everyone should have the same chance to qualify for offices and jobs. Job discrimination based on race, gender, or ethnic origin is forbidden. Further, all citizens ought to have access to the training and education needed to prepare for these positions. (Case Study 1.3 demonstrates how access to higher education is anything but equal.) Principle 2b, the *difference principle*, recognizes that inequalities exist but that priority should be given to meeting the needs of the disadvantaged.

Rawls introduced the concept of the *veil of ignorance* to support his claim that these principles should guide decision making in democratic societies like Great Britain, the United States, and Canada. Imagine, he said, a group of people who are asked to come up with a set of guidelines that will govern their interactions. Group members are ignorant of their own characteristics or societal position—they may be privileged or poor, employed or unemployed, healthy or sick, and so on. Faced with such uncertainty, these individuals will likely base their choices on the *maximin rule.* This rule states that the best option is the one whose worst outcome is better than the worst outcomes of all the other options. Or, to put it another way, the best choice is the one that guarantees everyone a minimum level of benefits.

Rawls argued that individuals standing behind the veil of ignorance would adopt his moral guidelines because they would ensure the best outcomes even in the worst of circumstances. Citizens would select (1) equal liberty, because they would be guaranteed freedom even if they occupied the lowest rungs of society; (2) equal opportunity, because if they turned out to be the most talented societal members, they would not be held back by low social standing or lack of opportunity; and (3) the difference principle, because they would want to be sure they were cared for if they ended up disadvantaged.

Evaluation

Rawls became one of the most influential philosophers of his time because he offered a way to reconcile the long-standing tension between individual freedom and social justice. His system for distributing resources and benefits encompasses personal liberty as well as the common good. Individual rights are protected. Moreover, talented, skilled, or fortunate people are free to pursue their goals, but the fruits of their labor must also benefit their less fortunate neighbors. Applying Rawls's principles would have a significant positive impact on the moral behavior of organizations. High achievers would continue to be rewarded for their efforts, but not, as is too often the case, at the expense of their coworkers. All of an organization's members (including those, for example, employed in low-income jobs in the fast-food industry) would be guaranteed a minimum level of benefits, such as a living wage

and health insurance. Everyone would have equal opportunity for training, promotion, and advancement. The growing gap in compensation between the top and bottom layers of the organization would shrink.

Rawls's theory addresses some of the weaknesses of utilitarianism outlined earlier. In his system, individuals have intrinsic value and are not to be treated as means to some greater end. Certain rights should always be protected. The interests of the organization as a whole do not justify extreme harm to particular groups and individuals.

Stepping behind a veil of ignorance does more than provide a justification for Rawls's model; it can also serve as a useful technique to use when making moral choices. Status and power differences are an integral part of organizational life. Nonetheless, if we can set these inequities aside temporarily, we are likely to make more just decisions. The least advantaged usually benefit when status differences are excluded from the decision-making process. We need to ask ourselves if we are treating everyone fairly or if we are being unduly influenced by someone's position or relationship to us. Classical orchestras provide one example of how factoring out differences can improve the lot of marginalized groups. Orchestras began to hire a much higher percentage of female musicians after they erected screens that prevented judges from seeing the gender of players during auditions.[23]

Rawls's influence has not spared his theory from intense criticism. Skeptics note that the theory's abstractness limits its usefulness. Rawls offered only broad guidelines, which can be interpreted in a number of different ways. Definitions of justice and fairness vary widely, a fact that undermines the usefulness of his principles. What seems fair to one group or individual often appears grossly unjust to others. Take, for instance, programs that reserve a certain percentage of federal contracts for minority contractors. Giving preferential treatment to minorities can be defended based on the equal opportunity and difference principles. Members of these groups claim that they should be favored in the bidding process to redress past discrimination and to achieve equal footing with whites. On the other hand, such policies can be seen as impinging upon the equal liberty principle because they limit the freedom of Caucasians to pursue their goals. White contractors feel that these requirements unfairly restrict their options. They are denied the opportunity to compete for work based on the criteria of quality and cost.

By trying to reconcile the tension between liberty and equality, Rawls left himself open to attack from advocates of both values. Some complain that he would distribute too much to the have-nots; others believe that his concern for liberty means that he wouldn't give enough. Further, philosophers point out that there is no guarantee that parties who step behind the veil of ignorance would come up with the same set of principles as Rawls. They might not use the maximin rule to guide their decisions. Rather than emphasizing fairness, these individuals might decide to emphasize certain rights, such as freedom from coercion. Or they might believe that benefits should be distributed based on the contributions each person makes to the group, arguing that helping out the less advantaged rewards laziness while discouraging productive people from doing their best. Because decision makers may reach different conclusions behind the veil, critics contend that Rawls's guidelines lack moral force and that other approaches to distributing resources are just as valid as the notion of fairness.

Aristotelian Ethics: Live Well

Aristotle (384–322 BCE) would appear on any list of the most influential thinkers in history. Here are just some of the topics he wrote about: logic, philosophy, ethics, zoology, biology, chemistry, astronomy, botany, language, rhetoric, psychology, the arts, and

politics. One biographer summed up his achievements this way: "He bestrode antiquity like an intellectual colossus. No man before him had contributed so much to learning. No man [or woman] could hope to rival his achievements."[24] A student of Plato, Aristotle founded a school for young scholars (the Lyceum) in Athens and served as an advisor to Alexander the Great. His surviving works are not in polished book form but consist of collections of lectures and teaching notes.

Bentham, Mills, Kant, Rawls, and most other moral philosophers argue that we make the right choices by following rules or principles. Not so Aristotle. He contends that we will make ethical decisions if we develop character traits or virtues.[25] These virtues are both intellectual (prudence and wisdom that give us insight) and moral (e.g., courage, generosity, justice, wisdom). To make ethical determinations, virtuous people find the mean or middle ground between the extremes of too little (deficit) and too much (excess) in a given context, which some refer to as the "Golden Mean." For instance, the entrepreneur who refuses to invest in any project, fearing loss, is cowardly. But the overoptimistic entrepreneur who ignores risks is foolish. The courageous entrepreneur recognizes the risks but invests when appropriate. Aristotle admits that finding this balance is difficult:

> Hence also it is no easy task to be good. For in everything it is no easy task to find the middle . . . anyone can get angry—that is easy—or give or spend money; but to do this to the right person, to the right extent, at the right time, with the right aim, and in the right way, *that* is not for everyone, nor is it easy; that is why goodness is both rare and laudable and noble.[26]

According to Aristotle, we cannot separate character from action: "Men [and women] become builders by building, and lyre-players by playing the lyre, so too we become just by doing just acts, temperate by doing temperate acts, brave by doing brave acts."[27] Good habits are voluntary routines or practices designed to foster virtuous behavior. Every time we engage in a habit—telling the truth, giving credit to others, giving to the less fortunate—it leaves a trace. Over time, these residual effects become part of our personality, and the habit becomes "second nature." In other words, by doing better, we become better. We also become more skilled in demonstrating the virtue. Practicing self-restraint, for instance, improves the ability to demonstrate self-restraint under pressure. (I'll have more to say about character-building habits in Chapter 3.) Conversely, practicing bad habits encourages the development of vices that stunt character development. Lying once makes it easier to lie again, helping to undermine our integrity.

For Aristotle, the exercise of virtues is designed to serve a higher purpose. To describe this purpose, he uses the term *eudemonia*, which has been variously translated as "happiness," "success," and "flourishing." Eudemonia is the ultimate goal in life for which we strive through our actions and choices. We are happiest when living well—effectively using our abilities to achieve our purpose. Aristotle rejects the notion that happiness comes from pleasure—food, wine, entertainment—and is critical of those who pursue wealth solely to purchase these items. In fact, fixating on pleasure puts us at the level of animals. It is our ability to reason and to apply reason to higher goals that sets us apart from other creatures. Aristotle urges us to focus more on goods of the soul that include the mind (knowledge, contemplation) as well as our relationships with others (love, friendship). Because people are social or political in nature, we flourish when working together in community. Good (high-character) individuals create a good society.

Evaluation

Aristotle's enduring popularity can be traced, in large part, to the fact that he addresses some of humankind's most important concerns: What is my purpose in life? What is success? What does it mean to be human? What kind of person do I want to become, and how can I become that person? How can I live my life in the most satisfying manner possible? Modern scholars are still wrestling with these timeless questions. Happiness remains an important topic of investigation, for example, and many researchers and organizations are dedicated to determining what makes people satisfied with their lives. Aristotle's emphasis on the goods of the soul is more relevant than ever in modern materialistic societies that equate wealth with success and are driven by consumer spending on clothing, automobiles, cars, cosmetics, fine dining, and other pleasures. Aristotle contends that flourishing or living well rests not on external goods (though he agreed that we need some of these) but on developing high character and working with others to create a healthy society. He seems to take direct aim at businesspeople who excuse immoral behavior by saying "business is business" and care only about generating profits. Business ethicist Robert Solomon summarized Aristotle's message to businesspeople this way:

> The bottom line of the Aristotelian approach to business ethics is that we have to get away from "bottom line" thinking and conceive of business as an essential part of the good life, living well, getting along with others, having a sense of self-respect, and being part of something one can be proud of.[28]

Virtue ethicists who follow Aristotle's lead recognize that ethical decisions are often made under time pressures in uncertain conditions.[29] Individuals in these situations don't have time to apply rules-based approaches by weighing possible consequences or selecting an abstract guideline to apply. Instead, they respond based on their character. Those with virtuous character will immediately react in ways that benefit themselves, others, and the greater good. They will quickly turn down bribes, reach out to help others, and so on. Character is shaped through repeated actions or habits. Patterns of behavior (good or bad) tend to continue over time and are hard to break.

Those looking for specific guidance from Aristotle will be disappointed. He offers only general thoughts about what it means to "live well," leaving us to define happiness for ourselves. Since Aristotle provides no rules to follow when making ethical choices, we must determine what is right based on our character. Further complicating matters is the fact that the exercise of virtue is determined by the specifics of the situation. Finding the middle ground or mean is difficult (as Aristotle himself points out) and varies between contexts. Individuals will likely disagree as to the correct course of action. What is courageous to one person may appear rash to another.

Aristotle privileges reason as humankind's highest achievement and treats emotion with suspicion. As we'll see in Chapter 2, modern researchers are discovering that feelings play an important role in making wise ethical choices. Finally, it should be noted that some people would never be able to live well according to Aristotle. Certain individuals lack reasoning ability, for example. Others (like many around the world who live on a dollar a day) must put all their efforts into acquiring external goods like food, shelter, and water. They have little time and energy to engage their minds in the reflection and contemplation Aristotle considered so essential to eudemonia.

Confucianism: Building Healthy Relationships

China's emergence as an economic superpower has focused the attention of Western scholars on Chinese culture and thought. Ethicists have been particularly interested in Confucianism. Confucius (551–479 BCE), the son of a low-level official, was born into a turbulent period of Chinese history. Wars, palace coups, and power struggles were common as the ruling Zhou dynasty collapsed into competing states. Confucius wanted to restore order and good government. He believed that the ideal society is based on a series of harmonious, hierarchical relationships (starting in the family and extending all the way up to the pinnacle of government) marked by trust and mutual concern. Ideal citizens are individuals of high character who engage in lifelong learning and always strive to improve their ethical performance. Ideal leaders govern by setting a moral example.[30]

Confucius apparently served a brief period as a government minister but spent most of his life working outside the political system, offering his ideas to various rulers. After his death, a number of his disciples, most notably Mencius, spread his ideas; Confucianism gained a foothold in Korea, Japan, and Vietnam. The philosophy's most important guidebook, *The Analects*, is a collection of the founder's (Master's) sayings. Confucianism was adopted as the official state doctrine of the Han dynasty, but throughout Chinese history Confucian thought has undergone periodic attack, most recently during Mao's Cultural Revolution of the 1970s. However, since that time Confucius has regained his popularity. Chinese universities host Confucian study centers, and Chinese children spend their weekends memorizing Confucian texts in private schools. Some 480 Confucius institutes have been established on six continents, including North America. Several highly successful businesses in mainland China, Taiwan, and Korea operate according to Confucian principles, including Sinyi Realty, financial services conglomerate Ping An Insurance, and electronics giant LG.

Several key components of Confucianism are particularly relevant for modern business and organizational ethics, starting with the philosophy's emphasis on relationships.[31] Confucius argued that humans don't exist in isolation but are social creatures connected to others through networks of relationships. Because organizations consist of webs of relationships, it is critical that these connections be based on trust and benefit all parties. Organizations must also establish relationships with other organizations, as in the case of a firm that moves into a new foreign market. This company must enter into agreements with shippers, suppliers, local distributors, banks, and other business partners in the new country. The firm's expansion plans will fail if its relational partners don't live up to their responsibilities.

Confucianism emphasizes that rituals, policies, norms, and procedures—referred to as etiquette, or *li*—maintain relationships within and between organizations. These practices also prevent ethical misbehavior. It is easier to trust others if we operate under the same guidelines, and we are less likely to cheat or steal if there are clearly stated rules against such activities. (We'll take a closer look at the formal and informal elements of ethical culture in Chapter 9.) However, Confucius was quick to point out that rules and codes are not enough, by themselves, to maintain good relationships and ethical behavior. Individuals have a moral duty to take their roles and duties seriously. They should follow the Golden Rule ("Do not do to others what you do not want them to do to you") in all of their dealings.

Confucius, like Aristotle, puts a high priority on personal virtues or character.[32] That's because virtuous behavior is essential to maintaining healthy relationships and fulfilling organizational duties. The most important Confucian virtue is that of humaneness or

benevolence. Benevolence goes beyond displaying compassion. It also means treating others with respect and promoting their development through education and other means. In addition to benevolence, the key virtues of Confucianism are honesty, trust, kindness, and tolerance. Virtuous people put the needs of others above their own. They seek the good of the organization as a whole and of the larger society. Consider profit making, for instance. While they do not condemn profit, Confucian thinkers argue that profit should never take precedence over moral behavior or concern for others. The ideal person strives first for virtue, then for profits. In instructing the king, Mencius emphasized that commercial activities should serve the needs of society:

> Your majesty . . . What is the point of mentioning the word "profit"? All that matters is that there should be benevolence and rightness . . . If the mulberry is planted in every homestead, then those who are fifty can wear silk; if chickens, pigs and dogs do not miss their breeding season, then those who are seventy can eat meat; if each field is not deprived of labor during the busy season then families with several mouths to feed will not go hungry . . . When those who are seventy wear silk and eat meat and the masses are neither cold nor hungry, it is impossible for the prince not to be a true king. (Mencius I, 3, I, A, 1, 1, A, 3)[33]

Finally, Confucians recognize the reality of status and power differences in society as well as in organizations. Individuals occupy various roles and levels in the organizational hierarchy, and humaneness demands that we treat every person, whatever their position, with love and concern. At the same time, Confucius recognized the important role played by those at the top of the hierarchy. Executive-level management plays a key role in establishing moral organizational climates by setting an ethical example and expecting ethical behavior from followers. For example,[34]

> The Master said, "When a prince's personal conduct is correct, his government is effective without issuing orders. If his personal conduct is not correct, he may issue orders, but they will not be followed." (*Analects*, XIII, vi)

> The Master said, "The superior man seeks to perfect the admirable qualities of men, and does not *seek to* perfect their bad qualities." (*Analects*, XII, xvi)

Evaluation

Confucianism highlights the fundamental truth that organizations, economies, and societies are built on relationships. As the global economy grows, fostering ethical relationships will become even more important. People who never meet each other in person now conduct much of the world's business. Confucius offers a blueprint for fostering trusting, healthy relationships that we can put into practice. We need to institute rules and procedures that create ethical organizational climates. However, codes and policies are not enough. We have to develop personal character to equip us to take our duties seriously and follow the Golden Rule. Every person, no matter their status, is worthy of our respect and should be treated as we would want to be treated. Putting the interests of others ahead of our own concerns can keep us from taking advantage of them or pursuing profit above people. Confucian thought also recognizes that the leader shapes the ethical climate of the organization by setting a moral example.

The strengths of Confucianism can become weaknesses if taken too far.[35] Consider the philosophy's emphasis on social connections, for example. Placing too much importance on relationships can undermine justice or fairness. Jobs and promotions in China often go to family members, friends, and associates instead of the most qualified individuals. In China, *guanxi*, which is the practice of favoring those with social connections, has led to corruption. Local and foreign firms try to establish *guanxi* through bribes to win public works contracts, commercial deals, and bank loans. Placing too much emphasis on hierarchy and submission to the collective good can foster authoritarian leadership where leaders impose their will and employees have little freedom but blindly submit to authority. Critics also point out that pursuing harmony at any cost can suppress individual rights and silence dissent. Many Confucian thinkers have been reluctant to endorse the existence of universal human rights like those described earlier.[36]

Altruism: Concern for Others

Altruism is based on the principle that we should help others regardless of whether or not we profit from doing so.[37] Assisting those in need may be rewarding—we may feel good about ourselves or receive public recognition, for example. Nevertheless, altruistic behavior seeks to benefit the other person, not the self. The most notable cases of altruism are those that involve significant self-sacrifice, as when a soldier jumps on a grenade to save the rest of the platoon or when an employee donates a kidney to another worker in need of a transplant. The word *altruism* comes from the Latin root *alter*, which means "other." Advocates of altruism argue that love of one's neighbor is the ultimate ethical standard.

Some philosophers argue that altruism doesn't deserve to be treated as a separate ethical perspective because altruistic behavior is promoted in other moral theories. Utilitarians seek the good of others, Kant urges us to treat others with respect, and Confucius identifies compassion as a key element in maintaining proper social relations. However, I believe that altruism deserves to be considered on its own merits and demerits. To begin with, altruism often calls for self-sacrificial behavior, whereas utilitarianism and the categorical imperative do not. Kant warns us never to treat people as a means to an end. Altruism goes a step further and urges us to treat people as if they *are* the ends. Then, too, there is significant debate over the existence of prosocial behavior. One group of evolutionary biologists believe that humans are conduits of "selfish genes."[38] For instance, they believe that anything we do on behalf of family members is motivated by the desire to transmit our genetic code. Some skeptical philosophers argue that people are egoists. Every act, no matter how altruistic on the surface, always serves our needs, such as helping others because we expect to get paid back at some later time.

In response to the skeptics, a growing body of research in sociology, neuroscience, political science, economics, social psychology, and other fields establishes that true altruism does exist and is an integral part of the human experience.[39] In fact, altruistic behavior is common in everyday life:

> We humans spend much of our time and energy helping others. We stay up all night to comfort a friend who has suffered a broken relationship. We send money to rescue famine victims halfway round the world, or to save whales, or to support public television. We spend millions of hours per week helping as volunteers in hospitals, nursing homes, hospices, fire departments, rescue squads, shelters, halfway houses, peer-counseling programs, and the like. We stop on a busy highway to help a stranded motorist change a flat tire, or spend an hour in the cold to push a friend's—even a stranger's—car out of a snowdrift.[40]

Care for others appears to be a universal value, one promoted by religions the world over. Representatives from a variety of religious groups agree that every person deserves humane treatment, no matter their ethnic background, language, skin color, political beliefs, or social standing.[41] Western thought has been greatly influenced by the altruistic emphasis of Judaism and Christianity. The command to love God and to love others as we love ourselves is the most important obligation in Judeo-Christian ethics. Since humans are made in the image of God, and God is love, we have an obligation to love others no matter who they are and no matter what their relationship is to us. Jesus drove home this point in the parable of the Good Samaritan. In this tale, a generous businessman stops,—at great risk to himself and his reputation,—to befriend a wounded Jewish traveler—a person he could have considered his enemy. (Complete Self-Assessment 1.2 to determine your level of altruism.)

Concern for others promotes healthy relationships like those described by Confucius. Society functions more effectively when individuals help one another in their daily interactions. This is particularly apparent in organizations. Many productive management practices, like empowerment, mentoring, and team building, have an altruistic component. Researchers use the term *organizational citizenship behavior* to describe routine altruistic acts that increase productivity and build trusting relationships.[42] Examples of organizational citizenship behavior include an experienced machine operator helping a newcomer master the equipment, a professor teaching a class for a colleague on jury duty, and an administrative assistant working over break to help a coworker meet a deadline. Such acts play an important if underrecognized role in organizational success. Much less work would get done if members refused to help out. Take the case of a new machine operator. Without guidance, this person may flounder for weeks, producing a number of defective parts and slowing the production process. Caring behaviors also break down barriers of antagonism between individuals and departments. Communication and coordination increase, leading to better overall results.

SELF-ASSESSMENT 1.2
THE SELF-REPORT ALTRUISM SCALE

Circle the number on the right that conforms to the frequency with which you have carried out the following acts. Scores range from 20 to 100. The higher the score, the more you believe you engage in altruistic behavior.

	Never	Once	More than once	Often	Very often
I have helped push a stranger's car out of the snow.	1	2	3	4	5
I have given directions to a stranger.	1	2	3	4	5
I have made change for a stranger.	1	2	3	4	5

(Continued)

(Continued)

	Never	Once	More than once	Often	Very often
I have given money to a charity.	1	2	3	4	5
I have given money to a stranger who needed it (or asked me for it).	1	2	3	4	5
I have donated goods or clothes to a charity.	1	2	3	4	5
I have done volunteer work for a charity.	1	2	3	4	5
I have donated blood.	1	2	3	4	5
I have helped carry a stranger's belongings (books, parcels, etc.).	1	2	3	4	5
I have delayed an elevator and held the door open for a stranger.	1	2	3	4	5
I have allowed someone to go ahead of me in a line (at photocopy machine, in the supermarket).	1	2	3	4	5
I have given a stranger a lift in my car.	1	2	3	4	5
I have pointed out a clerk's error (in a bank, at the supermarket) in undercharging me for an item.	1	2	3	4	5
I have let a neighbour whom I didn't know too well borrow an item of some value to me (e.g., a dish, tools, etc.).	1	2	3	4	5
I have bought "charity" Christmas cards deliberately because I knew it was a good cause.	1	2	3	4	5
I have helped a classmate who[m] I did not know that well with a homework assignment when my knowledge was greater than his or hers.	1	2	3	4	5
I have, before being asked, voluntarily looked after a neighbour's pets or children without being paid for it.	1	2	3	4	5
I have offered to help a handicapped or elderly stranger across a street.	1	2	3	4	5
I have offered my seat on a bus or train to a stranger who was standing.	1	2	3	4	5
I have helped an acquaintance to move households.	1	2	3	4	5

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