2: Organizational Justice, Ethics, and Corporate Social Responsibility

Learning Objectives:

1. Identify four different forms of organizational justice and the organizational impact of each.
2. Describe strategies that can be used to promote organizational justice.
3. Explain what is meant by ethical behavior and describe its relation to the law.
4. Describe the individual and situational factors responsible for unethical behavior in organizations and methods for minimizing such behavior.
5. Explain ways of behaving ethically when conducting business internationally.
6. Explain what is meant by corporate social responsibility, describe the forms it takes, and characterize the relationship between responsible behavior and financial profitability.

Chapter Overview

This chapter explores organizational justice and ethics. These two concepts are still problematic in the workplace and are rarely straightforwardly addressed. The chapter also seeks to understand why unethical behavior occurs, and will offer suggestions on how to curtail such behavior. The chapter ends with discussion of corporate social responsibility and the ways in which it can be encouraged.

Chapter Outline

I. PREVIEW CASE: *A Huge Day's Pay for a Seriously Bad Day's Work*

    A. **Suggested In-Class Discussion Questions:**

        1. *What does "a fair day's work for a fair day's wages" mean to you?*

        2. *What are your thoughts about unknowing investors purchasing "mortgage backed securities"? Do you consider that the risk of investing?*

        3. *In your experience, how have ethical obstacles in the workplace affected organizations?*

II. ORGANIZATIONAL JUSTICE: FAIRNESS MATTERS

A. **Organizational Justice.** The study of people's perceptions of fairness in organizations. There are three key concerns regarding organizational justice: the major forms of organizational justice, the relationships among these forms, and suggestions for promoting just organizations.

B. **Forms of Organizational Justice and Their Effects.** There are four interrelated forms of organizational justice.

> Figure 2.1

1. *Distributive justice.* This form of organizational justice focuses on people's beliefs that they have received fair amounts of valued work-related outcomes such as pay, recognition, and advancement. Distributive justice focuses on the employees' perceptions of getting a fair allocation of an organization's resources based on their performance.

    a. Effects of Injustice. People experiencing injustice feel high levels of stress, are dissatisfied with their jobs and company, and may have lower motivation. All of which result in lower productivity.

2. *Procedural Justice.* This type of justice deals with people's perceptions of the fairness of the procedures used to determine the outcomes they receive. It is processes-focused rather than outcome-based.

    a. Effects of Injustice. People who feel that a process is unfair will tend to reject or ignore the rules associated with that process.

    b. Procedural Justice Criteria. The five major criteria for determining the fairness or unfairness of a procedure are:

    > Table 2.1

    1) Whether or not workers have been given a voice in the decision-making process

    2) The consistency of applying rules

    3) The accuracy of the information

    4) The opportunity to be heard in cases of redress

    5) The safeguards in place to guard against bias

3. *Interpersonal Justice.* Interpersonal justice deals with people's perceptions of the fairness of the manner in which they have been treated by others (especially by authority figures). This form of justice is focused on sensitivity and respect.

    a. <u>Effects of Injustice</u>. People who feel that they have been treated disrespectfully or with a lack of sensitivity are likely to take legal action as a means of redress.

4. *Informational Justice.* The final form of justice revolves around people's perceptions of the fairness of the information used as the basis for making a decision. The basis of this type of justice is that the sharing of information prompts feelings of being valued by others in an organization. This is known as the *group-value explanation* of organizational justice.

    a. <u>Effects of Injustice</u>. When people are affected by a decision but are not given the rationale behind it, they tend to reject that decision.

C. **A Neurological Basis for Responses to Injustice.** Typically, OB scientists focus only on people's perceptions and their behaviors, especially when it comes to organizational justice. Interestingly, however, a recent study found that people's reactions to distributive injustice and procedural injustice manifest themselves as different reactions inside people's brains.

                                              `Figure 2.3`

    a. The brains of people experiencing distributive injustice would show signs of activation in regions known to be associated with emotion. As summarized in Figure 2.3, this is precisely what they found.

III. STRATEGIES FOR PROMOTING ORGANIZATIONAL JUSTICE

A. **Organizational Justice Is Its Own Reward.** By being perceived as a "fair dealer," firms can reduce the negative effects of unfairness (inefficiency, theft, poor quality, legal actions) while reaping the positive benefits of a fair workplace.

B. **Justice Promoting Methods.**

1. *Pay Workers What They Deserve.* Paying prevailing wage rates and sharing this information with employees is a good way to promote justice and increase the likelihood of hiring and retaining the best candidates.

   Table 2.1

2. *Offer Workers a Voice.* Conducting regular meetings with employees to hear what they have to say regarding a decision can not only can provide a better-quality decision, but increase overall feelings of fairness.

   a. This method uses the <u>fair process effect</u> (the tendency for people to better accept outcomes into which they have had some input than those in which they have had no such involvement in the decision-making process) to increase perceived distributive and procedural justice.

   Figure 2.4

   b. <u>Other Possible Methods</u>:

      1) Meet regularly and invite input

      2) Conduct employee surveys

      3) Keep an "open door policy" (meaning a manager is always willing to speak to employees about issues that concern them)

      4) Use formal suggestion systems and provide rewards for helpful suggestions

3. *Explain Decisions Thoroughly in a Manner Demonstrating Dignity and Respect.* Fairness demands giving the employees lots of information about how decisions were made and explaining those decisions in a manner that demonstrates dignity and respect for them. This is the embodiment of the additive relationship between interpersonal justice and informational justice discussed earlier. *Train Workers to Be Fair.* While the title of this method is to train the *workers* to be fair, it is important to first train managers to exhibit fair behaviors. Managers trained in organizational justice tend to be more effective and have workers that are more productive.

   Figure 2.5

4. *The Additive Relationship between Interpersonal Justice and Informational Justice.* When people are treated respectfully (interpersonal justice) and have the rationales behind decisions explained to them

(informational justice), the positive effect on perceived fairness is additive. That is, both forms of justice used together will increase the perceived fairness more than either one would when used by itself.

    a. <u>A Practical Example</u>. This additive relationship was demonstrated through research by one of the authors. Nurses, who were under stress, had less instances of insomnia when treated with interpersonal and informational justice than those who did not.

    b. <u>Managerial Implications</u>. While managers may not have control over distributive injustices, the negative reactions and stress levels of employees can be significantly reduced by treating employees with sensitivity and concern (interpersonal justice) and by explaining the rationale behind the decision (informational justice).

IV. ETHICAL BEHAVIOR IN ORGANIZATIONS: ITS FUNDAMENTAL NATURE

A. **What Do We Mean by Ethics?**

1. *Business Ethics* is the study of people's tendencies to behave in morally appropriate ways in organizations.

2. *Morals (or moral values)* are people's fundamental beliefs regarding what is right or wrong, good or bad. These values are often derived from religious backgrounds, beliefs, and training. While there are some generally accepted moral standards, people's moral values often differ.

3. *Ethics* refer to standards of conduct that guide people's decisions and behavior. If morals determine what an individual generally should or should not do, ethics provides specific guidance on what behaviors are acceptable or not. Where morals are based in religious precepts, ethics are based in socially accepted standards of conduct.

4. *Organizational Responsibility*. Organizations should not attempt to teach morals (in fact, that may cause legal action), but they do have the responsibility to set and maintain proper and clear standards of behavior.

Figure 2.6

Figure 2.7

B. **The Epidemic of Ethical Scandals.** While recent newspaper articles and headlines might indicate a dramatic upsurge of ethical problems in business, this is not the case. There have always been instances of ethical misbehavior in business. It is simply that the public has become more aware of, and less accepting of, unethical behavior in business. This has made businesses more sensitive of ethical issues and has caused them to raise ethical standards.

Figure 2.8

Table 2.3

V. WHY DOES ETHICAL BEHAVIOR MATTER IN ORGANIZATIONS?

A. **Ethics and the Bottom Line.**

1. *Profitability*. While ethics may not directly lead to profitability, lack of ethics may lead to failure. Should unethical practices or behaviors be made public, consumers are highly likely to abandon the organization.

Figure 2.10

Figure 2.11

Figure 2.12

2. *See sidebar on page 57 to start an in-class discussion of ethics.*

Sidebar: Using Ethics Audits to Monitor the Bottom Line

B. **Ethics and the Law.** Obeying the law is not the same as following ethical standards. The law may be considered the minimum acceptable standard to which companies and workers must adhere. Actions may be legal, but unethical.

1. *Federal Prosecution of Business Organizations (Federal Sentencing Guidelines).* This law, with its focus of holding corporate boards accountable for the actions of organizations they oversee, has led organizations to be more proactive in clearly outlining ethical standards of behavior. Some steps taken to promote ethics include:

a. Dissemination. Organizations create widely disseminate clear standards for following the law.

b. Ethics Officers. High-ranking official positions that are created to oversee adherence to legal and ethical practices.

c. Monitoring. Organizations must closely monitor and audit behavior to be able to detect unethical acts.

d. Discipline. Organizations must create and follow a clear policy for disciplining rule violators.

2. *Sarbanes-Oxley Act.* This federal law, which focuses on accounting practices, has caused firms to change the way they account for their business as well as audit their business practices. Two key areas for Sarbanes-Oxley policy changes are:

   a. <u>Gratuities</u>. Policies must be enacted to delimit the amount and means of accepting entertainment and gifts by the employees.

   b. <u>Accounting Documentation and Audits</u>. Companies must raise standards for accurate documentation of company performance and for the evaluation of that documentation by neutral parties.

VI. WHY DO SOME PEOPLE BEHAVE UNETHICALLY— AT LEAST, SOMETIMES? The short answer is; it depends. The two key factors appear to be differences in the individual and in the situation.

A. **Individual Differences in Cognitive Moral Development.**

   1. *Cognitive Moral Development.* The developmental stage at which a person currently resides. The stages highlight the differences between people and their capacity to engage in the kind of reasoning that enables moral judgments.

   2. *Kohlberg's Theory of Cognitive Moral Development.* This theory of moral development is tied to physical and mental development of people as they mature. In this theory, there are three levels of development:

      a. <u>Preconventional Level of Moral Reasoning</u>. People at this level do not have the capacity to assume the perspective of others. The only viewpoint they can hold is their own. Appeals to social obligations are ineffective. This level encompasses most children and about a third of all adults.

      b. <u>Conventional Level of Moral Reasoning</u>. At this level, people can judge right and wrong in terms of what is good for others around them, as well as for society as a whole. Behavior is governed by what is expected of these people by others and by social cues in the environment. Approximately two-thirds of all adults reside at this stage.

  c. <u>Postconventional Level of Moral Reasoning</u>. At this level, people judge what is right and wrong based on complex philosophical principles of duty, justice, and rights. Very few people ever attain this level, and those that do follow their own moral compass.

 3. *Behavior and Cognitive Moral Development Level*. Generally, people at higher levels are less inclined to harm others, less likely to misreport information, and less likely to steal from their employers.

B. **Situational Determinants of Unethical Behavior.** There are three main situational factors that affect ethical behavior:

 1. *Some Organizational Norms Discourage Ethical Behavior.* Social pressure, pay, reward, and advancement systems all may lead to unethical behavior.

  a. <u>Stonewalling</u>. This unethical norm is the practice of willingly hiding relevant information by being secretive and deceitful, which occurs when organizations punish individuals who are open and honest and reward those who go along with unethical behavior.

  b. <u>Counternorms</u>. These behavioral norms in the organization are in opposition to the prevailing ethical standards of the society.

Figure 2.10

 2. *Managerial Values Sometimes Discourage Ethical Behavior.* Given the amount of power and influence that managers hold over subordinates, the style of thinking that managers possess can be reflected in the employees. Some of this traditional thinking may lead to unethical behavior.

  a. <u>Bottom-Line Mentality</u>. The belief that an organization's financial success is the only thing that matters (the ends justify the means).

  b. <u>Exploitative Mentality</u>. The belief that one's own immediate interests are more important than concern for others ("it's all about me").

  c. <u>Madison Avenue Mentality</u>. When this happens people are more concerned about how things appear to others than how they really are. The appearance

of doing the right thing matters more than actually doing it (impression management).

3. *Subordinates Emulate Their Managers' Unethical Behavior.* Employees will reflect the behavior of their managers. When managers behave unethically, it "green lights" similar behavior by their employees.

VII. USING CORPORATE ETHICS PROGRAMS TO PROMOTE ETHICAL BEHAVIOR

A. **Components of Corporate Ethics Programs.** These programs are formal, systematic efforts designed to promote ethics by making people sensitive to potentially unethical behavior and discouraging them from engaging in unethical acts.

1. *Code of Ethics.* This is a document describing what an organization stands for. It provides the general rules of conduct expected of employees. This document can be very specific or general and typically applies to all members of the organization. Three areas are commonly addressed by a code of ethics:

   Figure 2.11

   a. Responsibilities of the employees

   b. Relationships with people

   c. Prohibitions against inappropriate behavior

2. *Ethics Training.* Providing training on ethics increases the effectiveness of codes of ethics. This training can be provided in any way that makes sense to the organization and its employees.

3. *Bodies Formally Responsible for Ethics.* Some organizations create ethics committees; groups of senior-level managers from various areas of an organization who assist the organization's CEO in making ethical decisions by developing and evaluating company-wide ethics policies. Others may assign this task to a single high-ranking officer referred to as an ethics officer.

4. *A Mechanism for Communicating Ethical Standards.* In order to be effective, ethical standards must be articulated, repeated, and reinforced frequently. This can be done through newsletters, meetings, or the creation of ethics hotlines (or help lines) that provide ethical

guidance to employees. (See "Case in Point" on page 84 for relevant examples.)

5. *Ethics Audits.* This is the practice of assessing an organization's ethical practices by actively investigating and documenting instances of dubious ethical value, discussing them in an open and honest fashion, and developing a concrete plan to avoid such actions in the future.

B. **How Effective Are Corporate Ethics Programs?** While codes of ethics by themselves are relatively ineffective, an integrated program that includes a code of ethics with the additional components mentioned previously can be quite effective.

1. *Outcomes of Effective Ethics Programs*

    a. Individual. Employees are more likely to report misconduct, are more accountable for their actions, and face less pressure to conform.

    b. Organizational. Ethics programs may also reduce employee theft.

2. *Additional Factor.* The effectiveness of corporate ethics programs is often mitigated by the cognitive moral development level of the employees involved.

VIII. ETHICS IN THE INTERNATIONAL ARENA

A. **The Dilemma.** What is considered ethical in one country may be highly unethical in another. In this age of increasing global interaction, acting ethically becomes difficult. There are, however, some guidelines to help.

B. **International Ethical Background: Ethical Relativism and Ethical Imperialism.** These are two extreme positions on the continuum of possible reactions to ethical problems raised with international business.

Figure 2.13

1. *Ethical Relativism.* Nothing is sacred. This is the belief that no culture's ethics are better than is any other's and that there are no internationally acceptable standards of right or wrong. In this case, anything is justifiable ethically, so long as the country in which the person is working accepts that behavior. Such a viewpoint may

cause people to act in ways that conflict with their own sense of morality.

2. *Ethical Imperialism.* What is different may be wrong. At the other end of the spectrum is the belief that the ethical standards of one's own country should be imposed upon other countries when doing business there. Like other ethnocentric ideas, ethical imperialism does have difficulties in the real world. Businesspeople in other cultures may not be willing to forgo their own beliefs in order to avoid offending American sensibilities.

C. **Three Guiding Principles of Global Ethics.** The guiding principles of global ethics reside in the midpoint between these two extreme views.

1. *Show Respect for Core Human Values.* This principle deals with the minimum ethical standards that organizations should follow regarding core human values. These <u>moral</u> values include the right to safe working conditions, the right to be free, and the right to be treated with dignity and respect. Not all cultures accept these minimum standards. However, MNEs should take the lead in showing the proper way of treating employees by avoiding the use of sweatshops or suppliers that utilize them.

2. *Demonstrate Sensitivity to Local Traditions.* This guideline allows businesspeople to follow local traditions, so long as those values do not violate core human values. This acceptance of cultural norms is not the same as moral relativism: the moral standards of the host country are still assessed against core human values; they are not accepted blindly.

3. *Recognize That Context Matters when Distinguishing Between Right and Wrong.* Location is often the key to determining the ethical validity of an action. So long as the behavior is not seen locally as being wrong, and it does not violate core human values, it may be the right action to take, even if that action would be considered wrong in the businessperson's home country.

D. **Moral Ambiguity.** Even with the proceeding guidelines, it should be obvious that businesspeople working with other cultures and countries must deal with situations that are full of ambiguity and tension.

IX. BEYOND ETHICS: CORPORATE SOCIAL
      RESPONSIBILITY

   A. **What Is Corporate Social Responsibility?** Corporate
      social responsibility (CSR) comprises the business
      practices that adhere to ethical values that comply with
      legal requirements but demonstrate respect for individuals,
      and that promote the betterment of the community at large
      and the environment.

      1. *The Four Types of Social Responsibility*. These types
         can be formed to create a "pyramid" of CSR.

         Figure 2.14

         a. Economic/Financial Responsibilities. These are the
            mandatory responsibilities a business has to its
            stockholders to make a profit.

         b. Legal Responsibilities. Businesses have the
            mandatory responsibility to follow the laws of the
            society in which they operate.

         c. Ethical Responsibilities. Businesses have the
            responsibility to do what is right and good for
            everyone.

         d. Philanthropic Responsibilities. Businesses should
            be responsible and contribute in a way to help the
            society at large.

B. **Forms of Socially Responsible Behavior.** Some of the means of demonstrating CSR are:

1. *Helping the community by making charitable contributions*

2. *Preserving the environment*

3. *Socially responsible investing*

4. *Promoting the welfare of employees.*

Table 2.3

C. **Profitability and Social Responsibility: The Virtuous Circle.** In general, firms that are more socially responsible tend to be more profitable. This is not to say that CSR is a strategy to create profitability, but rather that society rewards those firms that act ethically.

Figure 2.16

1. *The Virtuous Circle*. This concept suggests socially responsible companies perform well financially because they are supported by customers and investors. Because they have become wealthier, it is even easier for firms to be more philanthropic. This then draws even greater numbers of consumers and investors in an ongoing and upward-spiraling circle.

X. SUMMARY AND REVIEW OF LEARNING OBJECTIVES
(These answers are available to students in the text.)

1. Identify four different forms of organizational justice and the organizational impact of each.

   Organizational justice, people's perceptions of fairness in organizations, takes four distinct forms. Distributive justice refers to the perceived fairness of rewards (e.g., pay) received. People who feel they have received fair amounts of reward feel satisfied with their jobs. Procedural justice refers to people's perceptions of the fairness of the procedures used to determine the outcomes they receive. When high levels of procedural justice are perceived, people are inclined to follow organizational rules and policies. Interpersonal justice refers to the fairness of interpersonal treatment by others. High levels of interpersonal justice are related to high levels of satisfaction with one's supervisor. Finally, informational justice refers to people's perceptions of the fairness of the information used as the basis for making a decision. People tend to be

highly valued by organizations in which they perceive high levels of informational justice.

2. Describe strategies that can be used to promote organizational justice.

   Promoting organizational justice can be done in several ways. First, it is important to pay workers what they deserve—the "going rate" for the work done wherever they work. Underpaying workers promotes dissatisfaction, leading to turnover. Second, workers should be given a voice—that is, some input into decisions. This may involve such strategies as holding regular meetings, conducting employee surveys, keeping an "open door policy," and using suggestion systems. Third, follow openly fair procedures. Specifically, promote procedural fairness, such as by using unbiased, accurate information and applying decision rules consistently. Managers also should openly describe the fair procedures they are using. Fourth, managers should explain decisions thoroughly in a manner demonstrating dignity and respect. Fifth, workers should be trained to be fair, such as by adhering to the principles described in this chapter.

3. Explain what is meant by ethical behavior and why organizations should be concerned about ethics.

   Whereas moral values are people's fundamental beliefs regarding what is right and wrong, ethics refers to standards of conduct that guide people's decisions and behavior. Organizations are concerned about promoting ethical behavior in organizations. Behaving ethically is highly desirable for two important reasons. First, good ethics is good business. In various ways, organizations in which ethical behavior prevails tend to be more successful than are those marked by low levels of ethics. Second, behaving ethically is consistent with many legal requirements—most notably, the Federal Sentencing Guidelines for Organizations and the Sarbanes-Oxley Act.

4. Describe the individual and situational factors responsible for unethical behavior in organizations and methods for minimizing such behavior.

   People behave ethically or unethically due to a combination of individual and situational factors. A key individual factor is the individual's level of cognitive moral development. According to Kohlberg's theory of cognitive level of moral development, over time people develop the capacity to make moral judgments. The more highly developed this capacity, the more likely people are to engage in ethical behavior. However, situational factors also dictate behavior. For example, some organizational norms (e.g., stonewalling) discourage ethical behavior, managerial values sometimes discourage ethical behavior, and subordinates emulate their manager's unethical acts. Unethical behavior may be minimized by corporate ethics programs that use codes of ethics, use ethics training, have bodies formally responsible for ethics, have a mechanism for communicating ethical standards, and use ethics audits.

5. Explain ways of behaving ethically when conducting business internationally.

   Behaving ethically when conducting international business is challenging because of the different ethical norms that apply in different cultures. Managers should resist the temptation to engage in ethical relativism by blindly adopting whatever ethical norms prevail in a certain country and ethical imperialism by insisting on applying their own country's ethical standards wherever they do business. Instead, it is preferable to adopt a stance between these two extremes. This involves following these guiding principles of global ethics: (1) show respect for core human values, (2) demonstrate sensitivity to local traditions, and (3) recognize that context matters when distinguishing between right and wrong.

6. Explain what is meant by corporate social responsibility, the forms it takes, and the nature of the relationship between responsible behavior and financial profitability.

Corporate social responsibility refers to business practices that adhere to ethical values, that comply with legal requirements, and that promote the betterment of individuals and the community at large. Its most popular forms include making charitable contributions to the community, preserving the environment, investing in a socially responsible manner, and promoting the welfare of employees. Generally, research shows that socially responsible companies tend to be more profitable than companies that are less socially responsible. This reflects the virtuous circle, the tendency for successful companies to be socially responsible because they can afford to do so, which in turn, helps their chances of being even more financially successful.

Answers to *Points to Ponder* Exercises

Questions for Review

1. What is organizational justice, and how are its four different types different from one another?

    Organizational justice is the study of people's perceptions of fairness in organizations.

    There are four interrelated forms of organizational justice:

    (1) Distributive Justice. This form of organizational justice focuses on people's beliefs that they have received fair amounts of valued work-related outcomes such as pay, recognition, and advancement. Distributive justice focuses on the employees' perceptions of getting a fair allocation an of organization's resources based on their performance.

    (2) Procedural Justice. This type of justice deals with people's perceptions of the fairness of the procedures used to determine the outcomes they receive. It is processes-focused rather than outcome-based.

    (3) Interpersonal Justice. Interpersonal justice deals with people's perceptions of the fairness of the manner in which they have been treated by others (especially by authority figures). This form of justice is focused on sensitivity and respect.

(4) Informational Justice. The final form of justice revolves around people's perceptions of the fairness of the information used as the basis for making a decision. The basis of this type of justice is that the sharing of information prompts feelings of being valued by others in an organization. This is known as the group-value explanation of organizational justice.

2. What specific things can managers do to help promote perceptions of fairness in their organizations?

   (1) Pay Workers What They Deserve. Paying prevailing wage rates and sharing this information with employees is a good way to promote justice and increase the likelihood of hiring and retaining the best candidates.

   (2) Offer Workers a Voice. Conducting regular meetings with employees to hear what they have to say regarding a decision cannot only provide a better-quality decision, it can increase the overall feelings of fairness. This would include meeting regularly and inviting input from workers, conducting employee surveys, keeping an "open door policy," and using formal suggestion systems with rewards.

   (3) Openly Follow Fair Procedures. It is important for managers to be consistent, unbiased, and accurate in their treatment of employees and have that fact known throughout the organization. Managers should openly accept additional information and be willing to change their minds in the face of new data. This is especially true in sensitive procedures such as annual performance evaluations.

   (4) Explain Decisions Thoroughly in a Manner Demonstrating Dignity and Respect. Fairness demands giving the employees lots of information about how decisions were made and explaining those decisions in a manner that demonstrates dignity and respect for them. This is the embodiment of the additive relationship between interpersonal justice and informational justice discussed earlier.

   (5) Train Workers to Be Fair. It is important to first train managers to exhibit fair behaviors. Managers trained in organizational justice tend to be more effective and have workers that are more productive.

3. What is the difference between ethics and moral values, and why should managers be concerned about promoting ethical behavior?

   Morals (or moral values) are people's fundamental beliefs regarding what is right or wrong, good or bad. These values are often derived from religious backgrounds, beliefs, and training. While there are some generally accepted moral standards, people's moral values often differ. Ethics refers to standards of conduct that guide people's decisions and behavior. If morals determine what an individual generally should or should not do, ethics provides specific guidance on what behaviors are acceptable or not. Where morals are based in religious precepts, ethics are based in socially accepted standards of conduct. Businesspeople

should be interested in ethics in their organizations because it may lead to greater profitability. While ethics may not directly lead to profitability, lack of ethics may lead to failure. Should unethical practices or behaviors be made public, consumers are highly likely to abandon the organization. Additionally, acting ethically can prevent the organization from getting in trouble with federal law.

4. What special ethical challenges are created by doing business internationally?

   The ethical dilemma in international business is that what is considered ethical in one country may be highly unethical in another. In this age of increasing global interaction, acting ethically becomes difficult. Between ethical relativism and ethical imperialism there are three guidelines that may help managers make better ethical decisions internationally. These are: showing respect for core human values, demonstrating sensitivity to local traditions, and recognizing the context matters when distinguishing between right and wrong. This still may leave international businesspeople with a sense of moral ambiguity, which can create tension.

5. What are the components of an ethics program, and how effective are such programs at promoting ethical behavior?

   The components of corporate ethical programs are: (1) a code of ethics, (2) ethics training, (3) bodies formally responsible for ethics in the organization, (4) a mechanism for communicating ethical standards, and (5) ethical audits.

   Corporate ethical programs vary in their effectiveness based on the components that exist. While codes of ethics by themselves are relatively ineffective, an integrated program that includes a code of ethics with the additional components mentioned previously can be quite effective. The effectiveness of corporate ethics programs may often be mitigated by the cognitive moral development level of the employees involved.

6. What is meant by corporate social responsibility, and why should organizations be concerned about being socially responsible?

   Corporate social responsibility (CSR) comprises the business practices that adhere to ethical values that comply with legal requirements but demonstrate respect for individuals and that promote the betterment of the community at large and the environment. There are four types of corporate social responsibility: economic/financial responsibilities, legal responsibilities, ethical responsibilities, and philanthropic responsibilities. These types can be formed to create a "pyramid" of CSR.

   The concept of the virtuous circle indicates that, in general, firms that are more socially responsible tend to be more profitable. This is not to say that CSR is a strategy to create profitability, but rather that society rewards those firms that act ethically.

Experiential Questions

1. Think about a time in which you were a victim of organizational injustice. What specific types of justice were violated? How did you feel, and how did you react? What could have been done to avoid these injustices?

    Answers will vary based on each student's experience, but at least one of the four types of justice (distributive, procedural, interpersonal, and/or informational) should be specifically mentioned and described accurately. Suggestions to avoid the injustices should make sense based on the type of justice identified and be keyed to the justice-promoting methods listed in the text.

2. What do you believe are the major ethical challenges faced by the employees of the company in which you work? What might be done to make people in your company behave more ethically?

    Answers will vary, but in general, the following suggestions should be made. Employees' ethical behaviors may be increased by identifying and modifying any organizational counternorms. Because managerial values and behaviors are often reflected in the behaviors of the employees, ensure that managers are acting ethically and rewarding employees for the appropriate behaviors.

3. How socially responsible is the company in which you work? What particular things does it do to enhance the community, the lives of its employees, or the environment? What else might it do to be more socially responsible?

    Four general areas of CSR that a company could use include helping the community by making charitable contributions, acting to preserve the environment, investing resources in a socially responsible manner, and promoting the welfare of employees. While student answers will vary, these are the general categories in which their suggestions should appear.

Questions to Analyze

1. The people in a company believe that they are being unfairly treated. What forms might this take? Why is this problematic? What can be done to overcome this situation?

    People experience distributive injustice when they do not believe they are getting a fair allocation of an organization's resources based on their performance. These workers will feel high levels of stress, will be dissatisfied with their jobs and company, and may have lower motivation. All of which results in lower productivity. Procedural injustices occur when the procedures themselves are perceived as being unfair. Workers

will tend to reject or ignore the rules associated with that process. Interpersonal injustices occur when people feel they have not been treated by authority figures with sensitivity and respect. These workers tend to take legal actions to seek redress. Informational injustice occurs when people feel that they have not shared in the decision-making process or do not receive sufficient information regarding it. People who experience this unfairness tend to reject the decision. This is important to managers because the reaction to such unfairness makes the organization less efficient and managers less effective because their time is spent with interpersonal conflicts rather than focusing on organizational tasks.

To overcome this situation, managers must prevent the situation from happening in the first place. If they cannot prevent some forms of injustice (such as distributive justice caused by poor policies), managers can mitigate some of the feelings of unfairness through concern and sensitivity (interpersonal justice) and by explaining the rationale behind unpopular decisions (informational justice).

2. The people in your company are behaving unethically, making you feel uncomfortable. What might be responsible for this situation, and what might be done to overcome it?

   Your company may have developed counternorms and the managers in your company may be exhibiting values and behaviors (such as bottom-line mentalities), which may encourage unethical behavior. Assuming the organization had an ethics program, you might report the unethical behavior to those bodies formally responsible for ethics such as an ethics officer or ethics committee. There may be an ethics hotline or anonymous drop box that you could use to report the behaviors.

3. A company desires to become more socially responsible. What particular things might it do to achieve this objective, and what benefits might be expected to result from these actions?

   Some of the means of demonstrating CSR are: (1) helping the community by making charitable contributions, (2) preserving the environment, (3) investing in a socially responsible manner, and (4) promoting the welfare of employees. In general, firms that are more socially responsible tend to be more profitable. This is not to say that CSR should be used as a strategy for profitability, but rather that society rewards those firms that act ethically.

Suggested Answers to *Experiencing OB* Exercises

Individual Exercise: Assessing Organizational Justice Where You Work

1. With respect to what particular type of fairness did you score highest? What specific experiences contributed to this assessment?

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Answers will vary, but the experiences should be keyed to the type of justice identified.

2. With respect to what particular type of fairness did you score lowest? What specific experiences contributed to this assessment?

    Answers will vary, but the experiences should be keyed to the type of justice identified.

3. What kinds of problems resulted from any violations of any type of organizational justice you may have experienced? What could have been done to avoid these violations?

    These answers may vary based on student experience. In general, the key to avoiding ethical violations lies in the norms of the organization as well as the behaviors and values exhibited by management. Had managers acted ethically, it is unlikely the workers would have acted unethically.

Group Exercise: Taking Credit for Another Person's Ideas: Analyzing an Ethical Dilemma

1. Did the members of your group generally agree or disagree about what they would do in the situation described? What new viewpoints, if any, did you learn from others in your group?

    These reports will vary depending on the group.

2. Did the members of your group generally agree or disagree about what they thought was the right thing to do? What were the major points of agreement and disagreement?

    The focus of this answer should be based on the types of justice. The theft of ideas can be considered infraction of distributive justice, if the thief is rewarded for his lies. Because the story does not indicate whether this person has been rewarded, this type of theft should be considered primarily as an infraction of interpersonal justice as the team members are being treated unfairly by someone in a leadership position over them. The points of agreement and disagreement will vary.

3. Have you or members of your group ever been in similar situations? If so, how were they handled? From your own experiences and the experiences of others, what did you learn about handling an ethical dilemma of this nature?

    Answers will vary based on experience. Potential answers include using formal reporting procedures for ethical infractions, directly confronting the leader, ignoring the behavior, or telling the other workers about it.

Answers to *Case in Point* Questions

Exelon Excels at Managing Ethics

1. What legal and ethical actions might Dunn have taken to prevent further leaks of sensitive information?

2. Of the four things that HP was required to do, which one do you believe will be most effective in avoiding future unethical behavior in the company? Why?

3. What aspects of the business environment might have put subtle pressures on Dunn to respond as she did?

Answers will vary based on the student's experience and organization.