

Group Dynamics
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Module 7- Part III

Lecture - 25

Organizational Justice, Ethics and Corporate Social Responsibility: Part-III

Hello friends, let us continue with our discussion pertaining to organizational ethics. Till now we discussed about what is the difference between morality and ethics and what are the basic elements pertaining to organizational ethics. Next comes approaches to global ethics.

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Till now we discussed that what is the definition of organizational ethics and how it differs from one person to person and from one employee to employee and from one organization to other organization. Today, I will talk about approaches to global ethics, where a common perception, global regularity is being offered to this conceptualization of ethics. So OB professionals have identified two approaches to global ethics.

The first is ethical relativism and the other is ethical imperialism. So ethical relativism is a belief that no cultures, ethics are better than any others and that there are no internationally acceptable standards of right and wrong. That means, any country would say that our belief system is the best, our ethical standards are the best. This is very

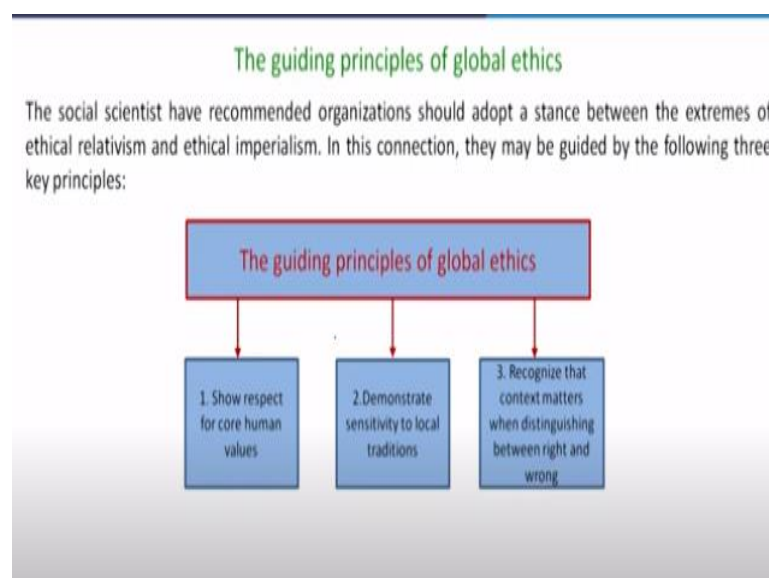
much within a person that how we relate to the ethical system of our own country or organization.

And the other approach is ethical imperialism. This belief says that the ethical standards of one's own country should be imposed when doing business in other countries. That means, the way we work, we work in our country, we should be allowed to work with the same standards of ethics in the other country, which is actually not acceptable to certain extent also.

That if one organization wants to do business in the other country, then definitely that company or organization has to function in that country according to the ethical standards of that host country. So these are the global approaches to ethics and in what manner globally people tend to think about this concept and how they want to execute. So it is an approach that with what approach people tend to approach their work and other organizations.

So based on ethical relativism and ethical imperialism, three guiding principles have been laid by OB professionals, that even when we are talking about ethical relativism or imperialism, three guiding principles should be maintained, when we are working at international level also. So these are the first is show respect for core human values. That means the basic understanding says that every employee is an individual. So we should maintain basic respect for those employees.

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The other is demonstrate sensitivity to local traditions. That means whenever we are working any organization, geographically located in a different place in the globe, we are ought to respect the traditions and cultures of that country. That means demonstrating sensitivity and deep understanding about the local traditions in terms of culture, in terms of language, in terms of rules, in terms of laws.

And the other is recognize that context matters when distinguishing between right and wrong. That means situational determinant plays a very important role to understand the concept of ethic, because whenever we are in a particular situation, that situation is very instrumental in nature, and we have to understand that in what direction the situation is going and how we have to understand and distinguish between right and wrong.

So let us go into more detail about these guiding principles. Show respect for core human values.

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The guiding principles of global ethics

<p>1. Show respect for core human values: To be ethical, company officials must use their "moral compasses" to guide people toward acceptable practices and away from intolerable ones. For example, they are taking steps to promote a healthy workplace, one that is free from physical danger and psychological abuse, is ethically appropriate. At the same time, companies should refuse to do business with suppliers, such as those in the garment industry, who use sweatshops</p>	<p>2. Demonstrate sensitivity to local traditions: Being ethical requires following local traditions, so long as these don't violate core human values, of course. As a case in point, consider the practice of gift-giving among business partners in Japan. Although many American companies frown on such acts because they fear that the giving of gifts might be a way of unfairly influencing someone by cultivating his or her favor, this is not the case in Japan. This is not to say that bribery is condoned there. Rather, the act of giving small gifts is a customary ritual that connotes politeness and trust between the parties</p>	<p>3. Recognize that context matters when distinguishing between right and wrong: Being ethical requires considering the nature of the setting in which acts occur. Ethical rules are not hard and fast. Sometimes what's right in one context may be considered wrong in another</p>
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So any ethical company would use their moral compass. That means directing the employees to move in a direction which is ethically right, which is ethically correct for the employee. So they establish certain norms, they promote certain behaviors that fosters not only productivity and efficiency, but actually they are respecting human beings. So respect is very important, be it national or at international level.

So companies use their moral compasses to guide people toward acceptable practices and be away from intolerable ones. For example, that one should stay away from immoral behaviors. For example, indulging in sexual harassment or humiliation practices or humiliating any junior colleague. This is how this moral compass can work for any employee. And at the same time, not indulging in harming any human spirit.

For example, any company should not foster or promote their business, where they are engaged in sweatshops. Here sweatshops means that child labor is being practiced in those sweatshops and the employees have to work in unhealthy working conditions day and night, where there are no rules and regulations, where working conditions are very poor, and the treatment given to those employees is very much inhuman.

So in order to avoid these kind of working conditions and situations, the global parameter says that the first notion to maintain global ethics is that we should respect the core human values, because human value or the human spirit, because every employee is human being first of all. The other is demonstrate sensitivity to local traditions.

That means not to conduct oneself in a way that will hurt the sentiments of people belonging to a particular culture, because culture is very dominant, even in organizations and definitely, geographical location also play an important role. So we must adhere to this norm that we should not harm the other person's sentiments in a way that it will not only hurt the other person, but it will also hamper the productivity or performance of the other person.

For example, in Japan, giving gifts to employees, it is considered to be polite and respectful. Whereas in American cultures, it is considered to be rude and it is considered in a way that any employee who is giving gift to his coworker then that person is trying to cultivate favor for himself to satisfy his own self-interest.

So rather giving some stigma or bad notions to any particular behavior, we should understand the sensitivity of the local traditions that what is considered right in one culture and how we should adopt it. So this is a way to demonstrate sensitivity to local traditions. And the other is recognizing the context matters when distinction between

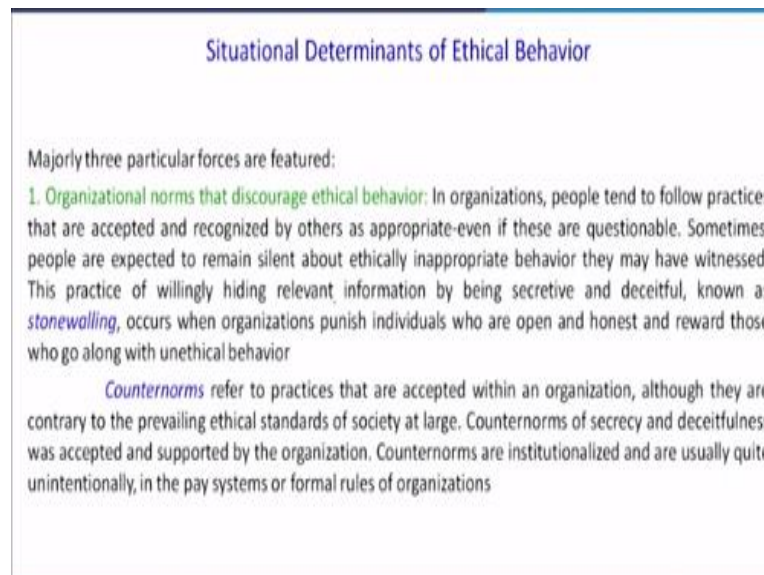
right and wrong. That means being ethical requires considering the nature of the setting in which that acts occur.

So situation is a very strong determinant in every time we are talking about right and wrong concept. So ethical rules are not hard and fast, sometimes what is right is in one context may be considered wrong in another. So since situation is very instrumental in its own way, it changes from time to time.

So maybe ethical standards, basic ethical standards are being followed, but particular situation would require a different perception to define what is right and wrong. So these are the three guiding principles of global ethics which are very much functional in every phase of organization, be it national or international standards.

Why because every employee is a human being first of all, and we must respect the human spirit, values and the culture at international level. Then only the global ethics can be maintained.

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Situational Determinants of Ethical Behavior

Majorly three particular forces are featured:

1. Organizational norms that discourage ethical behavior: In organizations, people tend to follow practices that are accepted and recognized by others as appropriate-even if these are questionable. Sometimes, people are expected to remain silent about ethically inappropriate behavior they may have witnessed. This practice of willingly hiding relevant information by being secretive and deceitful, known as *stonewalling*, occurs when organizations punish individuals who are open and honest and reward those who go along with unethical behavior

Counternorms refer to practices that are accepted within an organization, although they are contrary to the prevailing ethical standards of society at large. Counternorms of secrecy and deceitfulness was accepted and supported by the organization. Counternorms are institutionalized and are usually quite unintentionally, in the pay systems or formal rules of organizations

Next comes the situation determinants of ethical behavior. Sometimes, we are in any organization and within that same organization itself, we will experience some kind of situations, where ethicality is also maintained and at the same time, we are experiencing some unethical behavior also and we have no solution to resolve those unethical patterns of behavior.

So OB scientists have identified some forces that exist in any organization, that how these behavioral patterns can be underlined and how it has to be resolved in its own way. So the first is organization norms that discourage ethical behavior. There are norms we understand that what is right and wrong, and what behavior should be performed in what situation, how the job has to be performed, in what manner.

But sometimes what happens that we have experiences that even at workplaces, people do engage in some unethical patterns of behavior and we are not questioning them, right? And we are silent, we are helpless. And at the same time, we also perceive those behaviors as ethically inappropriate. So people tend to maintain silence. They are questionable also but at the same time, no action is being taken by the organization.

So in organizations people tend to follow practices that are accepted and recognized by others as appropriate even if these are questionable that we are doing something wrong, but nobody will question us, they are questionable, but we will not question it and we tend to remain silent. So sometimes people are expected to remain silent about ethically inappropriate behavior they may have witnessed.

So there are a number of patterns of behavior and how to keep an account of every pattern of behavior. But certain patterns of behaviors become very much acceptable, although we know that it is unethical in nature. So this is a situational determinant that in a particular situation we will not speak.

So this kind of situation has been defined by social scientist as stonewalling that we know that what is right and what is wrong, we are silent for example, that the right person is being punished and the wrong person is being set free. So this is stonewalling that in spite of knowing that any particular employee is not right, but still he is being set free and the person who is right is being punished.

So this is stonewalling where we know that who is questionable and who is not, but still there is no action taken against. So this is a situation that evolves in any organization and people tend to undergo these kind of situations. The other is counter norms. This refers to practices that are accepted within an organization, although they are contrary to the prevailing ethical standards of society and organization.

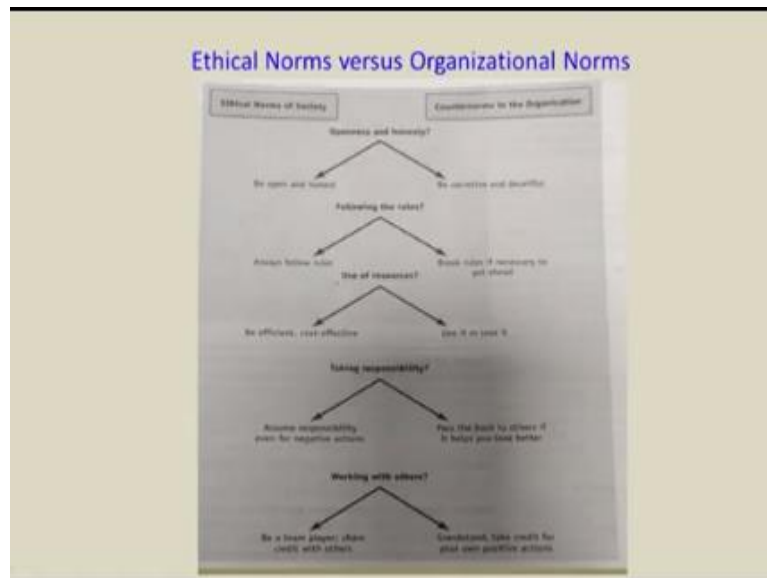
For example, any employee would say to his junior faculty or subordinate to do some homework for his son. Definitely this is unethical in nature. But no matter what the manager would speak loud about his ethical behavior, but his action would explain the whole organizational community that to what extent a person is ethical in nature. That means action speaks louder than words.

So this is the concept of counter norms, which is a situational determinant of ethical behavior, where the situation will define that what is right and what is wrong. Either the experience will say what is right and wrong or a person's stay in the organization will define that what is right and wrong. So stonewalling and counter norms are the two situational factors which define the ethical or unethical standards of behavior.

So when we are talking about organizational norms that discourage ethical behavior is counter norms as well. This refers to practices that are accepted within an organization, although they are contrary to the prevailing ethical standards of society at large. This entails secrecy and deceitfulness is accepted and supported by the organizations.

And these kind of unethical standards are basically institutionalized and are usually quite unintentionally in the pay systems of former rules of regulations. For example, we may take any extra leave which is not in our account, and we will just try to be silent and very deceitful, and we will engage in some kind of unethical behavior. So this is counter norms.

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These are the ethical norms versus organizational norms. What is being expected and what is not being performed. So if the ethical norms of the society says to be open and honest, the counter norm would say in any organization that be secretive and deceitful. Now this is situational, which is questionable, but still nobody questions.

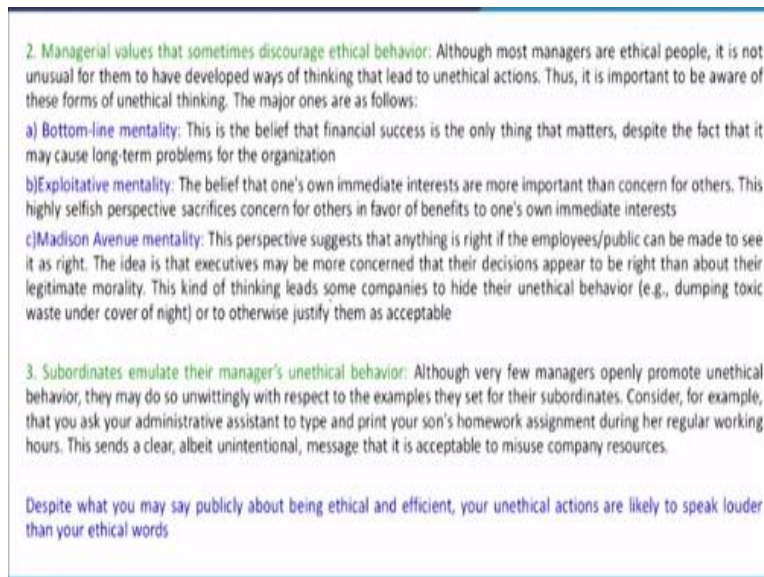
Allow, always follow rules, but organizational norms would say, that break rules if necessary to get ahead. That means, any person who is up to this point to maintain his own personal interest, then that person can be lured by the concept of unethical behavior and he or she would break the rule. That means indulging in bribery for example.

Ethical norms would say be efficient, cost effective. The organizational norm would say use it or lose it. That means, any manager would ask his or her subordinate to do his own personal job. So this is in terms of to what extent the efficiency of an individual is being used or misused. Taking responsibility. Assume responsibility even for negative actions. Whereas counter norm says, pass the buck to others if it helps you look better.

That means, ethical behavior ethical standard says that you have to take the responsibility even for the negative actions or consequences. But counter norms would define ethical standards of behavior in terms of shredding of the responsibility on to others. And the other is working with others. Be a team player, share credit with others. Whereas, the counter norms would support grandstand take credit for your own positive actions.

Either take the whole credit or only take credit for what you have performed and maintain a grandstand that this is how much you have done. So this is how situational determinants can be defined in terms of real norms of the society and the counter norms of the organization.

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2. Managerial values that sometimes discourage ethical behavior: Although most managers are ethical people, it is not unusual for them to have developed ways of thinking that lead to unethical actions. Thus, it is important to be aware of these forms of unethical thinking. The major ones are as follows:

- a) Bottom-line mentality: This is the belief that financial success is the only thing that matters, despite the fact that it may cause long-term problems for the organization
- b) Exploitative mentality: The belief that one's own immediate interests are more important than concern for others. This highly selfish perspective sacrifices concern for others in favor of benefits to one's own immediate interests
- c) Madison Avenue mentality: This perspective suggests that anything is right if the employees/public can be made to see it as right. The idea is that executives may be more concerned that their decisions appear to be right than about their legitimate morality. This kind of thinking leads some companies to hide their unethical behavior (e.g., dumping toxic waste under cover of night) or to otherwise justify them as acceptable

3. Subordinates emulate their manager's unethical behavior: Although very few managers openly promote unethical behavior, they may do so unwittingly with respect to the examples they set for their subordinates. Consider, for example, that you ask your administrative assistant to type and print your son's homework assignment during her regular working hours. This sends a clear, albeit unintentional, message that it is acceptable to misuse company resources.

Despite what you may say publicly about being ethical and efficient, your unethical actions are likely to speak louder than your ethical words

The other determinant is managerial values that sometimes discourage ethical behavior. Sometimes managers own perceptions also define the ethical standards of any organization. It is not that what organizations have laid upon every person would follow it. Sometimes an individual's own personal thinking also lead to some unethical actions. So OB scientists have talked about three major values that sometimes discourage ethical behavior.

The first is bottom-line mentality. This is the lowest form of thinking pattern of any employee or manager, who would just think about satisfying his own interest or financial success and indulge in unethical standards of behavior. That means, indulging in bribery just to maintain his own financial success or standards and ignoring the organizational success. The other is exploitative mentality.

When people have this idea to maintain their own immediate interest, then people have less concern for others, and they tend to use the other person, exploit the other person to meet their own personal interest, because concern for the other is missing. So they

have only concern for others so that they can use those people or employees for their own personal or immediate interest.

The other is Madison Avenue mentality. That is sometimes managers, subordinates tend to indulge in behaviors where they are unethical, but at the same time, they are also trying to pose the picture in a way of unethical behavior in a way that they make the public believe that they are right. So the Madison Avenue mentality speaks about the perspective that anything is right if the employee or the public can be made to see it as right.

So whatever picture you are painting to the other employees, to the organization, the employer would agree to that picture. So the idea is that executives may be more concerned that the decisions appear to be right than about their legitimate morality, rather than focusing on why they have done it wrong, they would paint the picture in a way that moral aspects will be ignored.

And they will force the other person or public to perceive the whole action in a very different way. For example, when dumping toxic waste undercover of night, so that people will not come to know that what exactly happened and next day, they would paint a different picture. So the Madison Avenue mentality actually justifies people and it becomes acceptable to the public at the same time.

So this is how manager values sometimes discourage ethical behavior. It is their own personal interest for financial success, for satisfying their immediate interest or they want to paint a different picture in a way that is acceptable and at the same time indulging in unethical patterns of behavior. And the other is subordinates emulate their manager's unethical behavior.

Although very few managers openly promote unethical behavior, they may do so unwittingly with respect to the examples that they set for their subordinates. Consider for example, that your administrative assistant to type and print your son's homework assignment and her regular working hours. So this gives a clear message to the whole, to the external world that what kind of person he or she is.

So this is that, not only speaking words, but through your actions, you are actually creating your own unethical image before the organization. So despite what you may say publicly about being ethical and efficient, your unethical actions are likely to speak louder than words.

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Promoting Ethical Behavior

Corporate Ethics Program

Many organizations have in place some sort of formal, systematic efforts designed to promote ethics by making people sensitive to potentially unethical behavior and discouraging them from engaging in unethical acts

Typically, corporate ethics programs consist of some combination of the following components:

- i) **Code of ethics:** Code of ethics is a document describing what an organization stands for and the general rules of conduct expected of employees (e.g., to avoid conflicts of interest, to be honest, and so on). Some codes are highly specific, stating, for example, the maximum size of gifts that can be accepted, whereas others are far more general. The vast majority of codes cover all employees, from the lowest-ranking employee to the people at the very top

Some of the commonly addressed codes of ethics are: *the responsibilities of employees* (to produce high-quality goods and services, to adhere to laws, and protect the environment); *relationships with people* (to be open, honest, and fair); and *prohibitions against inappropriate behavior* (conflicts of interest, corruption, and fraud)

Next comes promoting ethical behavior. This is very important aspect that how ethical standards will be laid upon, will be imbibed by the employees and it will become a part of a formal system. Social scientists have talked about some sort of formal systematic efforts, which are designed to promote ethics by making people potentially sensitive to the unethical patterns of behavior.

So there are certain methods or ways, systematic ways that are being followed by organizations to maintain the standards of appropriate or morally correct patterns of behavior. The first is code of ethics. That means, it is a document basically describing what an organization stands for and in general rules of conduct expected of employees.

For example, to avoid conflicts of interest, not to indulge in satisfying their or own immediate interest, or not engaging in some inappropriate behaviors that can hamper the self-respect of the employees. So these codes are highly specific stating that what should be the maximum status that should be maintained in terms of respect, in terms of mutual respect, in terms of self-respect, in terms of finances, in terms of day-to-day regulations of the organization or functioning of the organization.

So some commonly recognized code of ethics had been classified in three forms. The first is the responsibilities of employees to produce high quality goods and services and to adhere to laws and protect the environment. It should not be that the company or the organization is just focusing on producing the maximum number of products. Rather they must focus on the quality of the products they are manufacturing.

So this is the first code of ethics that is mentioned in the document in terms of responsibility of employees for not making the, taking the disadvantages of the available resources in the environment, not wasting the finances, and at the same time maintaining the environment. The other is relationship with people. That means treating employees with fairness, respect, there is openness and there is honesty.

That means their communication is wide and open. No information is withheld by any particular employee, just to hamper the growth of the other person. That is another code of ethics in terms of relationship. And the other is prohibitions against inappropriate behaviors such as conflict of interest, corruption and fraud.

So these are all factors that is corruption, fraud or conflict of interest, where the person is focusing on his own personal interest. So the idea is when we talk about code of ethics, they are actually talking about to avoid the tendency to indulge in conflict of interest, corruption or fraud.

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ii) **Ethics training:** Code of ethics are especially effective when they are used in conjunction with the training programs that reinforce the company's ethical values. Ethics training efforts consist of activities ranging from lectures, videotapes, and case studies to elaborate more on unethical behaviors, simulations, and also using corporate ethics game

iii) **Bodies formally responsible for ethics:** Companies have an *ethics committee* which is a group composed of senior-level managers from various areas of an organization who assist an organization's CEO in making ethical decisions by developing and evaluating company-wide ethics policy. Companies also appoint an *ethics officer* who is a high-ranking organizational official and is expected to provide strategies for ensuring ethical conduct throughout an organization

iv) **A mechanism for communicating ethical standards:** To be effective, ethics programs must clearly articulate and reinforce a company's ethical expectations for employees. To promote communications, growing numbers of companies are putting into place *ethics hotlines (or helplines)* which are special telephone lines that employees can call to ask questions about ethical behavior and to report any ethical misdeeds they may have observed.

An *"ethics audit"* is the practice of assessing an organization's ethical practices by actively investigating and documenting incidents of dubious ethical value, discussing them in an open and honest fashion and developing a concrete plan to avoid such actions in the future

The next is ethics training, how training can be imparted to people. There are different kind of departments in every organization and recently to avoid any misappropriation in the organizational functioning every organization maintains a different department of ethics, where they talk about corporate ethics, and they tend to train their employees from time to time about the recent or latest laws that have been executed by a particular body and how it has to be followed.

Now this understanding is imparted based on training programs, which reinforce the company's ethical values and it comprises of certain activities such as in form of lectures, in form of videotapes, case studies which elaborate more on unethical behaviors, simulations or role plays and also involving employees in corporate ethics game.

These departments actually create live examples for the employees where they show that how it feels when any person or coworkers indulging in unethical or immoral behavior and at the same time that what are the consequences of indulging in unethical patterns of behavior.

So when employees are having some live experience, based on lectures, videotape, simulations, role plays and games, person tend to understand the real concept of ethicality, the real concept of code of ethics which are being mentioned in the handbook or documents and how much importance they carry in their day-to-day functioning of the organization. The other is bodies formally responsible for ethics.

Companies have ethics officer who are considered to be of high rank official and how they maintain the standards of behavior while keeping an account of every ethical and unethical pattern of behavior based on documents and how every behavior has to be handled with appropriate action to be taken by the higher authorities.

So these bodies are formally responsible for ethics based on ethics committee and these committees comprises of senior level managers who have lot of experience in taking care of organizational values, norms and system and how they will ensure that the ethics or code of ethics are very much well maintained in a very systematic and organized manner. And the other is a mechanism for communicating ethical standards.

We have already discussed this briefly previously, but getting into more details is very important right now. So this mechanism of maintaining the code of ethics can be different ways. Either it can be through handbook or a document, a written document. It can be through training. It can be through any ethic committee or any body responsible to take into account of the ethical and unethical behaviors.

Or they can be a mechanism where technology also plays a major role. For instance, ethics hotlines or helplines. These are the helplines or in form of apps, where people tend to get updates about new rules and regulations about the ethics or global ethics and how the business has to be performed based on new policies, procedures and laws.

So these hotlines or helplines actually help employees not to indulge in unethical behavior and how and to what extent, they can involve themselves in productive patterns of behavior. So when these companies are involved in it, involved in form of imparting this education, in form of ethics, then the organization tends to perform better because there are less chances of mistakes in the functioning of the organization.

So these are these certain ways where corporate ethics program are being executed in different form; code of ethics, helpline or hotlines, committees or ethics officer or even ethics, hotlines, helplines or apps.

But ultimately, the best thing to take into account of any organization's ethical policy is based on ethics audit, which is a very detailed and engrossed practice to understand all the practices to be considered as ethical or unethical in a way where not only the higher officials, but right from bottom line to the top officials are involved in a form of process.

And how they take into account and what action should be taken to erode those unethical patterns of behavior and how productive patterns of behavior can be inculcated in the system. So an ethics audit is a practice of assessing an organization's ethical practices by actively investigating and documenting incidents of dubious ethical value, discussing them in open and honest fashion and developing a concrete plan to avoid such actions in the future.

So it is a very open process, where it requires fieldwork, where it requires involvement of employees at every level and openness in the communication, so that every unethical event can be taken into account and how these inappropriate accounts or incidents can be discussed and lead them to corrective behaviors, right? So this is for now. I will continue in the next discussion. Thank you.