

Course Name: Organizational Behaviour: Individual Dynamics in Organization

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Week – 03

Lecture – 15

Lecture 15: Ethical decision making

Hello folks! Welcome back to the course on Organizational Behavior, Individual Dynamics in Organization. In module 3, we looked into what is perception per se. We understood what is perception, what are the different aspects of perception, what is the perceptual process. We also looked into how different decisions are being made. So as part of the last lecture of this particular module, we will look into ethical decision making. So, this is module 3, lecture 5.

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When we look into ethical decision making, we have to understand first that unethical decisions lead to potential financial losses and damage in reputation.

So, this is the theme of the lecture, unethical decisions lead to potential financial losses and damage in reputation.

Let us look into what are the ethical principles. The first and the foremost one what we understand is utilitarianism. Utilitarianism essentially means the decisions are made to provide the greatest good for the greatest number. So, in any particular room, if you are benefiting the maximum number of people out there, in an organization if you are benefiting, if you are working for the good of the greatest number, the largest number you are putting in or you are ensuring that there is utilitarianism.

So the greatest good for the greatest number making decisions solely on the basis of their outcomes. So, we are not concerned about what the means is. We are looking into a philosophy where the end is important and when we are talking about the end, the end in such a way that it should benefit a larger number of populations, the larger group, the larger cohort in the organization. If it is benefiting let us say the lion's share of the organization then that is the utilitarian principle what we are following.

It is consistent with the goals such as efficiency, productivity and high profits. Now you should not understand this as something in terms of charity or in terms of going against the business sense. It is more into infusing efficiency into the system. If you are looking into organization per se, if you are trying to make good or you are trying to be productive to the maximum number of people, it is in fact adding on to your efficiency, adding on to your productivity and this is where utilitarianism as an ethical principle takes its first chance.

Second is individual rights. There cannot be an organization and ethical consideration or ethical decision or discussion without looking into individual rights. Now everyone has the same set of natural rights. When you are talking about natural rights, if I am talking in India, we have the fundamental rights enshrined in the constitution from article 14 to article 32 which goes from right to equality to right to life to right to freedom of expression, right to religion etc. etc. So, we are looking into those rights, the basic rights in an organization which is prerogative of every single individual who is a part of the organization. So, it is nothing but the freedom of movement, physical security and freedom of speech and the fair trial.

So basically the individual rights, the four important pillars would be to move across, it does not mean the literal movement, it actually looks into the typical movement within the organization. If you have aspirations to pursue your goals in some other functional department within the same organization, whether the organization is giving you the right impetus, whether the organization is giving you the right platform to develop yourself, the learning platform, the development platform, the training, are all those situations or all those facilities facilitated to you.

Second would be physical security. Is it providing the necessary physical security in terms of salary, in terms of incentives? What about the freedom of speech? Is there the necessary psychological safety? Are you in an organization where you fear to raise your opinion, you are belittled or you are ridiculed in the organization, are you in an organizational setup where you are mocked upon? So that will not be the right conducive environment for you to grow, develop and learn and make a career. So, this is where individual rights takes its rightful place when it comes to ethical principle.

Some individual rights may conflict with others. For example, sometimes you feel that you need to have a bit of understanding in certain other functional department. For example, you are a skilled engineer, but fortunately or unfortunately because of your qualification or the recruitment process you followed, you ended up in let's say an operations department or let's say an HR department or marketing department. Now you want to make a switch from marketing. At least you want to pursue your dream, your aspirations which are there in let's say in engineering division.

So as a part of OCB, organizational citizenship behavior, you try to get involved in more and more of work that is happening within the engineering domain. So, what happens is in this attempt you are actually trying to raise your freedom of movement, you are actually trying to appreciate the freedom that is given by the organization for the same, but there might be a hit on the revenue or on your salary income. You might not be paid as well or as good as you are getting today. So, some interest, some individual rights may be in conflict, may be at counter purpose to each other.

Let's look into the third important ethical principle which is distributive justice. When you are looking at a distributive justice it is two important things. One is benefits and the second the burdens. Benefits and burdens of similar individuals should be the same. Otherwise, they should be proportional. In other words everybody should be getting the equal treatment. This is what is distributive justice. There are organizations, let's say you introspect within yourself, take a step back and look into where you are within the organization. There are some individuals who do not work as hard as you, are not proficient as you, but still they are being paid or rewarded more or they are being encouraged more. So, this is the objection, this is the barrier of distributive justice. Distributive justice is nothing but the benefits and burdens of similar individuals should be, should be the same.

Otherwise they should be at least proportional. You are working let's say 10 hours and somebody is working let's say 5 hours, the reward or the incentive given for that should be proportional if not the same, if not in the same in the sense that it should be same in terms of what you are getting for the work you are doing or what the benefit you are causing for the organization. Employees who contribute equally to their work should receive similar rewards whereas those who make a lesser contribution should inevitably receive less. Many a time you see in our organization these things are not followed. Distributive justice is just in paper, but when it comes to practice you feel that some of the people who are in the good books, the good books of organizational bosses or let's say the managerial people who are donning the managerial positions they make the career progression much higher without doing less work.

Somebody who is in the other side may have to slog, may have to work hard, but still the recognition is elusive. So, this is where distributive justice has its own relevance. It is difficult to agree on who is similar and what factors are particularly relevant. This is the catch in the whole point of distributive justice. Let's say one might argue that in what context you are telling that there is similarity in work.

Let's say if I am, let's say there are person A and B, two individuals let's say A is complaining that I am doing similar work as B, but I am not rewarded in a similar

fashion. The B always can question the whole equation where he or she can question that what is that similarity in work. I am contributing more in some other dimension. I am contributing more in let's say to the revenue of the organization rather than just working hard in terms of the working hours. So, this establishing the similarity and the factors related to that are critical and is the most elusive thing when it comes to distributive justice.

And the final part is ethic of care. Ethic of care means everyone has a moral obligation, a moral obligation to help others within their relational sphere to grow and self-actualize. If you recollect our initial discussions in module 1, self-actualization was something where you realize your maximum potentialities. You realize what is your strength, your weakness and deliver to the maximum extent possible. So, when you are looking into ethic of care, if you look carefully to the first three principles including utilitarianism, you will understand that when it comes to ethic of care, it is actually diametrically opposite in terms of the philosophy.

In other words, the first three points were critically looking at individuals in terms of unbiased approach, in terms of something which is against favoritism. But when it comes to the fourth point, ethic of care, there is an element of favoritism. There is an element which incentivizes favoritism. Everyone has a moral obligation to help others. So, there might be an element of helping others which can creep in, which can cause or which can lead to a bit of favoritism.

Caring for others is a fundamental characteristic of humanity. Let us all acknowledge and appreciate the fact. Caring about others by being attentive to their needs is what is required in an organization. Sometimes you feel that a person is perfect, he is delivering everything, she is delivering perfectly, she is doing the job in the best possible way. But still there might be some inherent cognitive dissonances that are happening.

Some situations which is putting her or him into the thought which is not making them put their entire effort into the organization, try to be helpful, try to care others. This is what ethic of care in ethical principle means. So, we have looked into the core four ethical principles.

And we now look into the advantages and liabilities of the principle. The first advantage is that utilitarianism inevitably promotes efficiency and productivity. When you are working, when your intention is for the betterment of the greater people, greater good of the greatest number of people within the organization, you are inevitably proving or helping every single individual within the organization, at least the lion's share of the people within the organization.

Use of rights protects individuals from injury. You have certain, you know, the persuasive use of these rights. For example, you are giving, being a manager, you are giving a floor to express themselves towards you, let's say your subordinates or your subordinates are getting an opportunity to have a say in the decision-making process, have a table, have a place in the meeting that is being held to make some strategic decisions. This will ensure that now injury should not be taken in its literal sense. It need not be the physical injury.

There could be hurt that is happening emotionally. There could be emotional damages that could be prevented by using or making use of the effective rights which you are otherwise having within the organization. Focus on justice protects the interest of the underrepresented and less powerful. This is what the whole point is. When you are talking about ethics, it's not a activity or not a idea to actually protect the powerful.

Then the basic concept of ethics has come to the lexicon or to the parlance of organizational behavior for the simple reason that there is some discrimination that has happened over the years. There is some discrimination where certain segment has been created, where are certain people who are very downtrodden, very ineffective, considered to be in an organization and there are some people, very powerful kotteri which is taking the decision, which is taking the entire organization in there or running the organization according to their whims and fancies. The basic concept of ethics has emerged from that perspective. This notion of something which is with respect to somebody who is having some power and somebody who is not having power. We will discuss that in detail when we come to the power section.

We will look into the liabilities part. Liabilities that it can sideline the rights of some individuals particularly those with minority representation. Now when we are talking about rights, when we are specifically talking about utilitarianism, one particular outcome is majority. Now when you are catering to the needs of majority in effect it is actually leading to higher productivity no doubt about it. But there could be, there might be some possibility that you are going against the interest of a minority which at times might be underrepresented, which at times might be the significant people who are actually in reality contributing to the organization.

So that could end up as a liability. Chances are rare but there are situations that when you are trying to cater only to the majority the minority may take offense because of the simple reason that they had been contributing to the organization for some time now. Sudden recognition is not happening and they are finding it difficult to survive within the organization. This could end up as a liability.

Consistent with the freedom and privacy but it can create legalistic environment that hinders productivity and efficiency. For example, when you are very particular in usage of rights, when you are very particular about the right usage then enforcing rights becomes easy but it creates an environment which is legally bound. So, in such situations where some situations warrant not so paper tight or water tight arrangement, we do not want to work in silos as functional departments within the organizations. Those situations actually it can end up as a liability.

And the third important part is that it can encourage a sense of entitlement that reduces risk taking, innovation and productivity. Whenever you are talking about focus on justice, when you are talking about your right we sometimes forget about the duties and this is very particular with the people who always are giving undue importance to the rights. It should not be misconstrued as you are not a person who should not consider rights. You should be a person who should be aware about your rights but that said it should not come at the cost of your duties.

If you are aware about the rights you have to take out or do your specific duties as well. So sometimes more of interest or more of focus on the rights can make you a liable person because you are not more concerned about your duties rather than you focus only on your rights. So, these were the advantages and liabilities of the principles what we have discussed.

We quickly look into a case in perspective which is the Enron scandal. This is quite common, quite famous what you might have already known.

Enron was a major energy company in the United States that collapsed in 2001 due to a fraudulent accounting practices and unethical behavior. At the center of this crisis was Enron CEO, Kenneth Lay and his chief financial officer Andrew Fastow. Kenneth Lay was known for his charismatic and persuasive personality. He fostered a culture at Enron that emphasized aggressive growth and financial success at any cost. His leadership style which prioritized short-term gains and the pursuit of profit over ethics and long-term sustainability set the stage for the crisis.

Andrew Fastow with his financial acumen took advantage of this culture by creating complex financial structures to hide Enron's debt and losses. His manipulative actions and willingness to bend the rules were driven in part by the organization's leadership style and ethos. Ultimately Enron's leadership characterized by a focus on personal gain and disregard for ethical boundaries. Disregard for ethical boundaries led to a massive corporate scandal that resulted in the company's bankruptcy, the loss of jobs and investments and significant damage to investor trust in the financial markets. This case illustrates how a leader's personality and values can have detrimental consequences when

they prioritize short-term gains and unethical behavior.

So the case specifically presents a pertinent situation where the thin line between the risk taking and bypassing ethics lead to downfall of the whole company. So, when you are looking at the case in particular you must have noted that because of the manipulative actions the willingness to bend what was otherwise the actual established ethos of the company the focus shifted to personal gain, disregard for ethical boundaries and this led to the downfall. This led to significant downfall including the bankruptcy and loss of jobs and investment potential or investment sentiment within the company. So many a time we tend to ignore ethics as not so relevant aspect but in organizational behavior at least with the principles what we have discussed in this lecture we will try or we can appreciate that ethics is critical in terms of establishing or having a fair deal or a fair practice within the organization and within the organization and the organization if need to grow should be ethical in its fundamentals.

Now let us look into supporting ethical behavior. Economic practices everyone has a moral obligation when it comes to ethics to help others within the relational sphere to grow and self-actualize. For example, it is this mutual dependence or this mutual help is what makes the ethical behavior more strong and more creative. Caring for others is a fundamental characteristic of humanity. Now this is something which we have seen right from a family, right from our childhood days, right from the education we got till the point we have reached the organization. So, the moment we reach the organization it should not be that we forget all the principles or the systematic practices we have been following. Caring about others by being attentive to the needs is what is the need of the hour.

Training and evaluation is also a requirement. Train and regularly evaluate employees on the knowledge of proper ethical conduct. Even many a time we see that people may say okay ethics is something which I know. I have been ethical whole life in my organization or within my department I have been very ethical and I have been using ethical practices in everything right from recruitment and selection towards training, towards performance management etc.

But the thing is ultimately if you dig deeper, you will understand that the knowledge or understanding or the appreciation towards ethics is just on the periphery. Receiving gifts and receiving sensitive information could be detrimental to the organization and it could help just the competitors. So, the organization should take a stock of what is exactly happening, who are the people involved and the conducting audits ease the need of the hour. You have to look into situations where the support towards unethical behavior, does it happen in the organization too common or is it going to be something which is otherwise very detrimental to the organization. So, the focus should be to understand,

identify that and to remove that by proper training and evaluation.

Another aspect could be a set of shared values. The most powerful foundation in ethics supported by the conduct and vigilance of corporate leaders. When you are looking into corporate leaders, they should be the people who act with the highest moral standards. Now many a time we see the highest moral standards only proclaimed in paper, rather it is not translated into practice. This is where ethics has suffered over the years. If you look into organization, organizational behavior, management per se, ethical decision making and ethical behavior has suffered because mainly of the lack of positive translation from what is in theory to the world of practice.

Let's understand this particular scenario before we wind up this session. Sara a procurement manager at a manufacturing company is responsible for selecting suppliers for crucial materials. She receives an offer from a supplier XYZ Incorporated to provide her with a substantial personal discount on luxury items in exchange for awarding a lucrative contract. So, she is taking some personal favors, she is tempted by the offer. Sara decides to award the contract to XYZ Incorporated without considering other competitive bids.

This is a clinical offense she is committing as a procurement person, as a person who is in the line of getting contracts or bids etc. Now what could be the impact of such decisions on an organization? We understand that Sara's unethical decision harms not only her, the company by selecting a supplier based on personal gain rather than the best interest of the organization in general. It results in potential financial losses due to inflated prices and damages the company's reputation if this unethical behavior becomes unknown.

So, the repercussion would be the termination of Sara's employment from the organization. When you are looking into Sara in this case you will understand that because of her personal interest, because of her personal commitment she has made a deal which is otherwise against the interest, larger interest of the organization.

So many a time ethics takes a hit here. When you are putting your basic interest, I have already mentioned about strategic intent, when your objectives, when your goals are in alignment with the organizational goals, so whatever position you are holding within the organization, are you a person who is trying to keep the organization in tandem with your interest or is your interest taking a larger position or are your interest outweighing the goals or the objectives of the organization? This is the critical decision you have to make when you are in the line of fire of ethics.

So ethical decision making we are looked into all possibilities, all different traits, some of them were more into aspects like doing greater good for greater number of people like

utilitarianism. But there are actual effects when you come to the world of practice, situations like what we have seen in case of Sara that there could be situations where you are lured into, where you are attracted, where you are given some personal discounts, personal benefits, in exchange are you willing to compromise on the organizational needs and the organizational goals. This is what makes you different from a person who is unethical.

That is all from today's lecture. See you in the next class. Thank you. Bye bye. Thank you.