Ensuring Ethical Behavior

- Gather the facts

- Does the contemplated action:
  - Conform to important principles?
  - Create more good than harm?
  - Lead to fair outcomes?
  - Promote caring relationships?
  - Support personal choice?
  - Encourage virtuous character?
  - Contribute to sustainability?

- Think creatively about potential actions
How reasonable is it to expect that managers can influence the ethical behavior of employees?

If it is not reasonable, then what suggestions (if any) can you offer corporate managers who want to encourage ethical behavior within their organizations?

Model of Moral Decision-making

- Recognize Moral Issue
- Make Moral Judgment
- Establish Moral Intent
- Engage in Moral Behavior

Moral Uncertainty
Moral Dilemma
Moral Distress
Numerous examples of companies which have exemplary codes of ethics, yet which have been embroiled in ethical scandals, can be provided. What accounts for this?

Ensuring Ethical Behavior

In order to ensure ethical behavior, one has to be able to:
- recognize an ethical issue
- evaluate the ethical issue
- intend to follow the 'right' course of action
- follow the 'right' course of action

What organizational impediments might interfere with this process?
How might these ‘organizational impediments’ be overcome?

Model of Moral Decision-making

- Recognize Moral Issue
- Make Moral Judgment
- Establish Moral Intent
- Engage in Moral Behavior

Moral Uncertainty
Moral Dilemma
Moral Distress
Ensuring Ethical Behavior

- Compliance-based Codes vs Values-based Codes

Our Credo

- We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services...

- We are responsible to our employees, the men and women who work with us throughout the world...

- We are responsible to the communities in which we live and work and to the world community as well...

- Our final responsibility is to our stockholders.
Shared Values Exercise

Make a list of five values you hold to be of great importance
Ensuring Ethical Behavior

- **value**  
  *P n.*
  A principle, standard, or quality considered worthwhile or desirable

Consolidate your list with the list(s) of other members in your group, eliminating redundancy
  - Eliminate items which are close synonyms
Ensuring Ethical Behavior

- ‘Cull’ group list by eliminating all values for which there is not unanimous group consensus
- Allow for individual veto without requirement for explanation

Ensuring Ethical Behavior

- Transfer final group list to the board at the front of the room
- Eliminate items which are close synonyms
Ensuring Ethical Behavior

- ‘Cull’ class list by eliminating all values for which there is not unanimous class consensus
- Allow for individual veto without requirement for explanation

Ensuring Ethical Behavior

- What influence(s) motivate you to be ethical? To be unethical?
Ensuring Ethical Behavior

Model of Motivation (Expectancy Theory)

Motivation =
Motivation = Expectancy

Motivation = Belief that effort will lead to behavior
Motivation = Expectancy \times Instrumentality

Belief that behavior will be rewarded

Ensuring Ethical Behavior

Model of Motivation
The CENTRE for Organization Effectiveness

RMA--Ethical Decision-making

Ensuring Ethical Behavior

Model of Motivation

Motivation = Expectancy $\times$ Instrumentality $\times$ Valence

Ensuring Ethical Behavior

Model of Motivation

Motivation = Value placed on the reward
How does this model inform our understanding of why individuals behave unethically?
Suppose that you want to ensure that employees ‘do the right thing.’ What steps would you take to make certain this happens?

- BOARD/MANAGEMENT/EMPLOYEE SELECTION
- CODE OF CONDUCT
  - DEVELOPMENT AND IMPLEMENTATION
Ensuring Ethical Behavior

**CODE OF CONDUCT**

**DEVELOPMENT AND IMPLEMENTATION**

- Tailor-make your code
- Get employees involved
- Consult key stakeholders
- Outsource the job only carefully
- Seek out good examples
- Be clear about scope
- Be specific about implementation
- Plan for education
- Be clear about enforcement
- Specify a sunset date

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**Sarbanes-Oxley 406 (b)**

**THE SARBANES-OXLEY ACT:**

- Quarterly CEO/CFO certification of periodic reports and internal controls
- Audit Committee
  - Independence
  - Financial expertise
  - Oversight of audit firm
  - Complaint/whistleblowing procedures
  - Independent advisors authorized
THE SARBANES-OXLEY ACT:

- CEO/CFO disgorgement of bonuses and stock profits upon restatement
- Loans to directors/officers prohibited
- New crimes and enhanced penalties
- Federal regulation of auditing firms
- Code of ethics for senior financial officers

Ensuring Ethical Behavior

- Code Building Exercise
Ensuring Ethical Behavior

- BOARD/MANAGEMENT/EMPLOYEE SELECTION
- CODE OF CONDUCT
- DEVELOPMENT AND IMPLEMENTATION
- TRAINING
  - SPLIT TRAINING FROM ENFORCEMENT
  - RECOGNITION OF ETHICAL DILEMMAS
  - ETHICAL DECISION-MAKING
  - CONSENSUS BUILDING/CONFLICT RESOLUTION
  - SHAPING ORGANIZATIONAL CULTURE
  - GROUP PROCESSES
  - RISK MANAGEMENT
  - INDUSTRY SPECIFIC
Ensuring Ethical Behavior

- TRACKING RESPONSIBILITY
- ENFORCEMENT
  - REPORTING
  - REWARDS/SANCTIONS
- DISSENT
- COMPENSATION STRUCTURE
- PERFORMANCE APPRAISAL
- TERMINATION