Ethical Perspectives and Practices

We live in hard times. The era of “jobs, jobs, jobs” and all that slogan implies is over. We suggest that if justice depends on employment and the good life depends on the rewards of hard work, there can be no justice, and the good life may be relegated to a dim memory. If jobs are the answer to our cultural problems, then we are in big trouble.

Stanley Aronowitz and William DiFazio
The Jobless Future

Employees are being asked to work harder and to be more committed to the company objectives while at the same time being told, and shown, that there is no such thing as job security. Historically, one of the characteristics of an effective business manager has been the ability to live with ambiguity. In the years ahead, all employees will need to develop that special ability. Whether employees and managers realize it or
not, they are forming new social contracts to govern their places of work.

Kenneth Chilton and Murray Weidenbaum
Center for the Study of American Business

The preceding quotes suggest that the historical social contract between employers and employees has changed in recent years, raising a series of ethical questions regarding the role of organizations—and businesses, in particular—in our culture. In the era of corporate mergers, downsizing, restructuring, and temporary work, it is now common to observe that the old social contract, which guaranteed or implied lifetime employment in exchange for employee competence and good behavior, has expired. Taking its place is a new social contract in which employees are sent a mixed message, aptly summarized by Brian O’Reilly in *Fortune*:

You’re expendable. We don’t want to fire you, but we will if we have to. Competition is brutal, so we must redesign the way we work to do more with less. Sorry, that’s just the way it is. And one more thing—you’re invaluable. Your devotion to our customers is the salvation of this company. We’re depending on you to be innovative, risk-taking, and committed to our goals. (1994, p. 44)

This new social contract is the result of multiple cultural forces, including global competition, domestic deregulation, and technological change, as well as executive mismanagement and corruption. Regardless of the reasons for the change, however, the impact will be especially profound on management and labor relations in the years ahead. For example, the dramatic changes in the workplace are being blamed for escalating workplace violence, exploding workplace litigation, and growing numbers of employees seeking medical and psychological help for work-related stress.

The range and scope of these organizational changes and the ones presented in Chapter 1 pose serious questions for persons interested in ethics. Can, in fact, organizations be ethical? If not, what social, political, economic, and technological conditions limit this possibility? If so, what would constitute an ethical organization? Do our organizations
have a unique ethical responsibility to employees? Customers? Shareholders? Citizens? The environment? What ethical perspectives and best practices within organizations might assist us in developing and sustaining ethical organizations? In order to produce a dialogue about these responsibilities and their implications for “managing” a new ethical agenda in organizations, this book includes case studies that are drawn from diverse types of organizations. It is my hope that these diverse readings will further your understanding of the multiple ways that organizations address (or do not address) ethics.

As a means to further stimulate discussion regarding the cases in the book, this chapter should provide you with additional background to raise ethical questions about the cases. It explores two primary ethical tensions (e.g., foundational/situational and individual/organizational) that are common in many organizations. It also briefly summarizes some of the primary ethical perspectives. Finally, it identifies several “best practices” of ethical organizations, providing both positive and negative examples of each organizational practice.

The purpose of this chapter is not necessarily to provide a comprehensive overview of ethical theory and practice. Several other books (Dienhart, 2000; Donaldson & Werhane, 1999; Gini, 2005; Johannesen, 1996; Shaw & Barry, 2001; Snoeyenbos, Ameder, & Humber, 2001; Velasquez, 1998) may serve that purpose. Rather, it is to provide you with an additional foundation for analyzing the cases, reflecting on them, and discussing them with your instructor and your fellow students. Hopefully, the result will be that your ethical competencies will be improved and that you will be better able to confront and respond to ethical dilemmas that you face in your own organizational life.

**ETHICAL TENSIONS**

Different ethical perspectives lead to quite different conclusions regarding what constitutes ethical behavior. These differences are based on fundamental assumptions about the character of reality, the nature of individuals, and the obligation of individuals to one another (Anderson & Englehardt, 2001). The differences in these ethical perspectives may be described as tensions—or oppositions—and can be plotted on axes in order to locate one’s own perspective. These tensions are likely to either enable or constrain ethical action, and the most commonly noted tensions, according to Anderson and Englehardt, include foundational/situational,
individual/community, and essence/existence. However, we could also consider any number of additional tensions that are found in most organizations such as centralization/decentralization, collaboration/competition, control/autonomy, strategies/tactics, specialization/differentiation, and flexibility/structure, among others.

For our purposes, the most relevant tensions are 1) foundational/situational, and 2) individual/community. Briefly exploring these tensions will allow us to not only apply them to the case studies, but it will also enable us to better understand our own ethical assumptions.

**Foundational/Situational Tension**

The first tension considers whether ethics is foundational or situational. As you read the case studies, you should consider whether you believe that ethical behavior is based on a set of actions that are constant or whether it is based on actions that are context-specific. Foundational—or universal ethics—persists while situational ethics shifts over time.

Foundational ethics suggests that reality is given, self-evident, objective, and neutral, while situational ethics views reality as socially constructed, subjective, and interpreted.

If, for example, you were to develop ethics training for an organization from a foundational approach, you might argue for a core set of values that the organization and its members must adhere to in order to be ethical. Most likely, these values would be long-standing and widely accepted (e.g., telling the truth, respecting others). In my experience, ethics training for organizations often draws on a foundational approach, since it frequently focuses on a core set of principles that are applied to every organization, regardless of size, structure, or industry.

For example, professional codes of ethics are expected to create a degree of stability and consistency regarding ethical behavior across organizations in a profession such as medicine, accounting, psychology, or journalism.

As you think about this approach, ask yourself these questions: Are there any foundational values or principles that you believe all organizations should follow? If you were working with an organization to improve its ethics, would you be willing to accept your client’s values even if they contradicted your own? The answers to these questions may help you determine if you take a foundational approach to ethics in your organizational life.
If, by contrast, you developed ethics training from a situational approach, you might prefer to tailor ethics services to the specific needs of a particular organization. You might argue, for example, that it is not enough to only “follow the rules” of legal compliance or a formal code of ethics. Instead, you might focus on the distinct organizational culture of your client and seek to adapt your training to meet the needs of that organization. As a result, you might try to learn as much as possible about the organization itself, drawing on member knowledge and experience, before you offer recommendations for improving the organization’s ethics. Such an approach would attempt to facilitate organization members’ development of their own ethical behaviors, based on a collaborative process.

**Individual/Community Tension**

The second tension considers whether the individual (libertarian approach) or the community (communitarian approach) should be primary. For our general purposes, we may define community in terms of the organizations in the cases. To better understand this tension, we may ask three questions. First, is the advancement of the individual good for the organization or is the advancement of the organization good for the individual? Second, is the individual the source of ethics or is the collective wisdom of the organization the basis of ethical judgment? Third, is ethics better served by justice or by compassion? (Anderson & Englehardt, 2001, p. 47).

To extend the ethics training example a bit further, an ethics training program might integrate personal and organizational ethics. However, a more individual-oriented ethics initiative might focus more exclusively on the ethical reasoning and action of organizational members. As a trainer, you might ask yourself the following: How can I best develop ethics-based skills that are relevant and useful to every member of the organization? You might assume that individual change among the members is likely to produce organizational change.

Or, by contrast, you might develop training tools that extract the collective wisdom of the organization, since it is considered the basis of ethical judgment. For example, you might be more focused on the advancement of the organization by improving its ethical culture. In effect, you would be assuming that the organization and its leaders should be the ethical guides for members of the organization, setting the ethical tone for personal behavior.
As you consider the differences between the individual and community approaches when you read the cases, also think about how the tension raises some challenging questions for all organizations. What happens when there are contradictions between the interests of the individual member and the organization? How can you best negotiate the needs of the individual and the organization? Are their needs and interests inherently divergent or are there ways to find convergence among them?

WHAT IS THE ETHICAL RESPONSIBILITY OF AN ORGANIZATION?

Thinking about the preceding ethical tensions leads us to a broader, more practical question. What is the ethical responsibility of an organization? How should it behave toward its various stakeholders such as members, customers, suppliers, distributors, governing/regulatory agencies, and its community? Can/should an organization be separated from its members when ethical matters are considered?

To begin thinking about these questions in more depth, it may be helpful to refer to one of the best-known and widely cited commentators on organizational ethics, Milton Friedman. Although there is widespread debate regarding whether Friedman’s classic 1970 essay, “The social responsibility of business is to increase its profits,” is an appropriate or an inappropriate guide for ethical action, his views are still widely accepted and used within the curriculum of many business schools.

Friedman was interested in exploring duties and, in his essay, he considers the responsibilities of business. Given the recent corporate scandals and a renewed interest in organizational ethics, Friedman’s essay is very timely. His essay was in response to a growing interest at that time in a new term, corporate social responsibility. Taking a largely economic perspective on business responsibility, Friedman critiques arguments of the time that businesses have responsibilities beyond making money. Because of their increasingly significant role in political, social, and economic realms, critics had raised questions about the broader role of businesses in society. According to Friedman (1970), the doctrine of corporate social responsibility required accepting that “political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources.” For Friedman, such an approach was more firmly grounded in socialism than capitalism and, therefore, he was highly critical of expanding the responsibilities of business beyond making money.
Friedman, then, was primarily concerned with the economic outcomes of business decision making. He believed that the greatest good would occur for all if businesses made decisions based on increasing shareholder value. His essay has been widely used to support the common business adage that one’s first duty is to increase shareholder value. For example, in the case of Enron, Friedman might argue that its executives’ mistakes were not that they misled employees but that they misled the shareholders—who should have been their primary responsibility. Friedman (1970) does suggest, though, that an executive should try “to make as much money as possible, while conforming to the basic rules of society, both those embodied in the law and those embodied in ethical custom.” Aside from this minor caveat, though, he explains that acting in a socially responsible manner—at the expense of shareholders—is akin to spending someone else’s money for the social interest. The person is, in effect, imposing a tax of his or her choice in the process.

He argues that it is best to trust market mechanisms when making decisions. A focus on social responsibility, according to Friedman, is a “fundamentally subversive doctrine” in a free society.

While accepted by many in the business world, Friedman’s arguments have also garnered widespread criticism. According to some, his essay raises many unanswered, but important, questions. What criteria should executives use in deciding which actions are acceptable and which actions are unacceptable? Is a cost–benefit analysis of responsible behavior the only way to decide how to act in a business? What about the role of companies in creating (e.g., lobbying) and resisting (e.g., violations, paying fines) laws? That is, to what extent does Friedman address the relationship between economics and politics in today’s society? How are we best able to determine the rules of society, based in “ethical custom?” Have ethical customs changed enough since 1970 to support corporate social responsibility? How would Friedman respond to corporate volunteerism? Philanthropy? Do executives only have a duty to serve their shareholders? If shareholder value is improved by reducing labor costs through downsizing, outsourcing, or offshoring, is that a responsible decision?

ETHICAL PERSPECTIVES

Beyond Friedman’s well-known and oft-repeated arguments, a more extensive understanding of the following ethical perspectives will allow us to understand that Friedman’s arguments themselves are based on
ethical perspectives: in this case, duty-based and utilitarian ethics. That is, he is speaking from a particular perspective. Regardless of whether one agrees or disagrees with his views, it is important to understand the basis for his arguments. However, Friedman’s arguments are not the only ones of value here. Your own views are important as well. So, a brief exploration of ethical perspectives will allow you to better identify your own assumptions regarding ethics as you read the cases in this book and as you move forward in your own careers.

Duty (Religious Systems, Immanuel Kant)

In general, a duty perspective is concerned with the individual’s obligations to others (often, the collective). Duties are often viewed as natural, universal, rational, and self-evident. In some examples of duty ethics—such as moral law—one performs an action because of an obligation to follow a set of standards or rules. From this perspective, persons have a duty to obey moral guidelines and, therefore, it is often considered to be a form of foundational ethics.

In other examples of duty ethics—such as deontology—actions are judged on the intrinsic character of the act rather than on its effects. Kant, for example, uses the categorical imperative to specify the universal character of duty. Roughly translated, he states that one ought only to act such that the principle of one’s act could become a universal law of human action in a world in which one would hope to live. In effect, if an action is right for one person, then it should be right for everyone. In addition, he states that one ought to treat others as having intrinsic value in themselves and not merely as means to achieve one’s ends. Thus, Kant argued that “right actions” should be those that are done without qualification. From this perspective, even some seeming “goods” such as intelligence and happiness can be suspect because they can have negative effects for others, in some cases. He believed that the categorical imperative was within the grasp of all rational humans to discover and, ultimately, come to agreement—causing one’s own good will and rationality to benefit the collective as a consensus develops on the right actions.

As an Enlightenment philosopher, Kant also believed that a good action is one done by free will and motivated by the right reasons. Thus, reason should guide the will of a person, and intentions are considered a part of ethical decision making. When reason guides the will, the actions are done from duty, despite one’s personal inclinations. In
effect, “good will” is everything for Kant. In that respect, Kant is suggesting that an ethical action is one that lies in the worth of the act itself and not in the consequences or outcomes of the act—even if they are positive. Ethical decisions, from a Kantian perspective, then, require each of us to have respect for other rational humans. As a result, he focuses on the quality—or intrinsic merit—of others in order to develop his universal principles of ethics. Following religious rules or government laws, for example, is not ethical if the inherent dignity and free will of others are harmed in the process.

From this perspective, improving the ethics of an organization might require developing ethical, universal principles—rationally derived—that are enacted out of a sense of duty or responsibility. Members of an organization might ask themselves: What universal, ethical principles would I be willing to follow that would also become guides for behavior throughout the entire organization? What are the “right actions” in this organization that should be done without qualification? What behaviors are inherently “good,” without considering their outcome or effect on the organization and its members? Organizations that tend to focus on these questions seem most likely to address acceptable and unacceptable behavior by a universal code of ethics since such documents often explicitly identify duties to various stakeholders. At a more personal level, this perspective would encourage organizational members to also choose the right action, even when their inclination (often out of self-interest) is to do otherwise.

Rights (Thomas Hobbes, John Locke, John Rawls)

A rights perspective focuses on the obligation between self and other, based on the duty that the collective owes the individual. The duty of the collective is owed to the individual in the form of rights (e.g., equality). Similar to the duty perspective, a rights approach also universalizes ethics and, as a result, rights are often considered inalienable, such as in the United States Constitution. From this perspective, then, the rights of all humans are granted, naturally, and cannot be altered because they are rationally self-evident. The goal is to establish a social compact, or contract (hence, often called the contractarian alternative to deontology), of rights that are maintained between individuals and the community.

This covenant creates agreed-upon behaviors that are derived from natural law, according to Thomas Hobbes. For Hobbes, all humans are
bound to such agreements because they can be understood through human reason, which itself is a fundamental part of human nature. Natural law, according to Hobbes, reminds us that our behaviors—and our laws—should be consistent with our nature as reasoning persons. Similarly, John Locke claims that all persons are born with, and possess, basic natural rights. They are possessed by everyone equally and, therefore, cannot be taken away. Rights, then, become the basis by which we judge not only the action of others but also those of institutions. The social contract between people, he argued, can only be preserved if human rights are developed, maintained, and preserved.

For John Rawls, in contrast to Locke, the standard for ethical action is based on a “reasonable position.” Rights, for him, can be determined by placing persons behind a “veil of ignorance” or in “the original position,” where persons have a limited sense of past, present, and future. In this position or behind this veil, one cannot anticipate how a person might be affected by his or her own actions. For example, no person can expect to either benefit or be harmed any more than others. From this perspective, then, an ethical person can uphold the basic rights necessary to maintain a minimum level of dignity and justice that, for example, produces fairness for all. Organizations, from this perspective, are obligated to address injustices and resolve inequities. Regardless of the differences between them, though, both Locke and Rawls seek to create principles and practices of justice through rights. No society can be just if it is devoid of rights for its people, according to them.

From this perspective, improving the ethics of an organization might involve an emphasis on compliance and legally sanctioned rights such as EEOC guidelines, the Americans with Disabilities Act, the Family Leave Act, and the National Labor Relations Act, among others. These laws—as well as company policies—might be used to create equity or fairness in organizations as a means to preserve human rights. For example, ethics training could be devoted to issues such as gender equity, diversity, or the fairness of performance appraisal processes. Members of an organization might ask: How can we best preserve the human rights and dignity of employees, owners, shareholders, suppliers, distributors, customers, and communities? How might the diverse rights afforded to each group be protected? What policies and procedures are just in this organization? Unjust? What is our current social contract between one another and how can it be improved? How might organizations behave so that no particular group benefits at the expense of others?
Utility (Jeremy Bentham, John Stuart Mill)

A utility perspective is based on the outcomes or consequences of an action and, therefore, is considered *consequentialist*. Ethical actions should be judged according to whether they produce positive effects, often in relation to other alternatives. Jeremy Bentham, for example, noted that a principle of utility is necessary in order to evaluate whether an action creates the greatest pleasure or happiness in relation to other alternatives. He also believed that any actions should be considered in terms of not only their immediate consequences, but also their long-term effects. What produces benefits in the short term, for example, may not produce positive consequences over a longer period of time.

A utility perspective also suggests that the good of the collective is primary. According to John Stuart Mill, the purpose of ethical action is to achieve “the greatest overall happiness for the greatest number” and actions are evaluated by the extent to which they contribute to that end. However, not all pleasures are necessarily considered equal, and he valued intellectual pleasure over physical pleasure. In addition, the good of an individual may be sacrificed for the good of many. By extension, then, followers of a utilitarian perspective are also interested in the long-term consequences of any action, as noted above.

Other (pluralistic) utilitarians do not necessarily equate good with happiness and focus on other goods, such as knowledge, maturity, and friendship. In addition, *act* utilitarians believe that every specific, individual action should be measured according to whether it maximizes good. Finally, *rule* utilitarians believe that one must weigh the consequences of adopting a general rule that would follow from that action.

From this perspective, improving the ethics of an organization might mean creating change that will have positive consequences for the organization and its stakeholders. An organization would need to have tools or mechanisms in place to evaluate its effects on others. However, an ethical approach to utility would require moving beyond traditional economic models of cost–benefit analysis to consider which decisions benefit the greatest number with the greatest good. As a result, organizations might have to consider the unintended and long-term consequences of their actions. Members of an organization drawing on utility-based ethics may ask: Have we considered all alternative actions and selected the one that produces the greatest good or pleasure? How can we best serve the ends of the collective rather than the individual? What specific actions or general rules will either maximize or minimize “good”? 
In some respects, virtue ethics represents a middle ground between duty and rights. Persons have the duty to self-actualize and, therefore, should be granted the right to accomplish that self-actualization. This perspective suggests that all humans are born with inherent potential and, as a result, human development is the struggle for self-actualization. An action is judged based on whether it allows for expression of full potential, thus creating benefits for both the individual and the community. Ethical virtue focuses on realizing one’s social, spiritual, and intellectual potential—or other habits that are considered important to society. The development of virtue, then, requires the cultivation of good habits. These habits occur within a social realm because humans are, according to Aristotle, “social animals,” thereby suggesting that ethics involves being a contributing member of a community. Doing so satisfies one’s natural constitution, particularly when we use our intellect and contemplate before we make decisions. Society, then, has an obligation to develop educational and learning opportunities for citizens to develop their full potential.

A virtue (e.g., prudence, temperance, justice, fortitude) is often seen as an internal feature of humans that produces ethical behavior. For the Greeks, virtue included not only individual attributes but also societal attributes. Aristotle, for example, argued that virtue should be connected to the good of a society and can be developed not by following principles, but by living a harmonious, balanced life. In the *Nicomachean Ethics*, he described ethics as the process of both doing good works and living well and, therefore, he also connected virtue to happiness.

Plato, a student of Socrates, is perhaps best known as an advocate for virtue-based ethics. He identified courage, temperance, wisdom, and justice as the most important virtues. However, Plato considered justice to be the central virtue and, as a result, a primary question in *The Republic* of Plato is: What is the nature of justice? Ultimately, Plato’s aim was to create social and political stability on a foundation of moral and spiritual absolutes by which every person might live. Plato, for example, suggested that the shepherd’s responsibility is to consider those under his or her care, thereby articulating an early principle of ethics and authority. For Plato, authority is always used for the benefit of the subordinate. Authority, properly understood, serves as a trustee for the interests of those over whom authority is wielded. In this respect, Plato has been used to better account for the multiple stakeholders that any one
leader—or organization—might serve. Implied in his comments is the belief that “reluctant leaders” tend to be more virtuous in that decent people accept power “because they can find no one better than themselves, or even as good, to be entrusted with power.”

From this perspective, an organization’s ethics might be improved by strengthening personal and institutional virtues in order to maximize human potential—both within and outside the organization. The organization would need to address the unrealized potentials of others. Or, more specifically, members might focus on improving the organization’s culture or strengthening a person’s character—particularly the ability to learn. Appropriate questions might include the following: What personal and organizational values are most important to us? Can they be aligned? How can we infuse the organization’s culture with ethics and facilitate the full potential of its members? What are the best means to help others self-actualize and develop to the best of their abilities? How can we emphasize responsibility, reflection, courage, collaboration, and commitment, among other virtues? What is the most virtuous way to use one’s authority in an organization? Should the authority of a particular person or group be presumed in an organization? What strategies might be used to develop balanced, harmonious, and happy lives among the collective?

**Relationship (Martin Buber, Mikhail Bakhtin, Carol Gilligan)**

As a relatively new perspective, relationship ethics focuses on the care that emerges in and through communication. Proponents of this perspective believe that dialogue is the basis of successful relationships and that, ultimately, productive relationships are the foundation for ethical action among individuals and within (and across) cultures. Via communication, organizational relationships among various stakeholders (e.g., employees, stockholders, executives and managers, customers, suppliers, community members) are built, developed, maintained, transformed, repaired, and, on occasion, dissolved. This perspective is interested in the processes that enable productive and satisfying relationships, such as a willingness to listen and engage others in interaction and a desire to establish trust through openness. Ongoing care and attention to relationships, then, is important to consider from this perspective. Attention is focused on the evolution and negotiation of relationships—and the adaptations that may be necessary to successfully sustain them. Further, relationship ethics seeks to create a dialogic
community that uses power *with* others rather than power *over* others. As a result, our attitudes toward each other become an important foundation for ethical action.

This emphasis on the “other” is important in the work of Martin Buber. He suggests that interaction with others provides the opportunity for the development of personality, self, and reflection. In effect, our “self” arises in and through our dialogue with significant others such as family, friends, and coworkers. Each person in a communicative situation, then, should be cognizant of his or her effect in the development of others. Such attention requires a sense of responsibility for others through respect, honesty, spontaneity, and genuineness. It also requires that all of us engage in “perspective-taking” as we seek to fully understand and appreciate another person’s views and experiences. Ethical practice, then, emphasizes authentic communication that fosters a sense of equality, interest, and commitment between people. In addition, each participant in a conversation is expected to be fully present.

Mikhail Bakhtin also suggests that, through dialogue, persons produce centripetal (change) or centrifugal (stability) forces in a relationship. That is, the specific speech acts of each person may either sustain or alter the status quo in a relationship. These micro-practices of communication may also have an iterative effect; they are repeated, expanded, and altered in new relationships with others. This partially explains why some organizations find it difficult to change their ethical cultures since sets of communicative practices become embedded and sedimented in everyday talk.

As a related ethical perspective that focuses on relationships, feminists such as Carol Gilligan propose an *ethic of care*. Drawing on the female voice and critiquing traditional notions of moral development, she suggests that interdependence is central to ethical behavior. As a component of interdependence, people should nurture others and be compassionate toward them. In an ethic of care, then, mutuality and reciprocity become central principles. Ethical actions sustain the caring relationship between self and others and, as a result, bonds of trust, loyalty, affection, and engagement are essential to an emphasis on care.

Efforts to create positive ethical change in organizations, from this perspective, would focus, not surprisingly, on relationships of all types: superior–subordinate, employee–customer or client, owner–worker, coworker–coworker, and so on. However, relational dimensions of ethics and care would not be limited to employees within an organization; they would also likely include relationships with regulators, government agencies, and communities, among others. From this ethical
point of view, an organization might emphasize the importance of dialogue, participation, and collaboration in order to build and strengthen relationships. In addition, an organization might shift its focus from engaging in dialogue about stakeholders to engaging in dialogue with stakeholders. Members of such an organization might ask: With whom do we have important relationships? How can we foster those relationships to the benefit of all? In what ways can we develop perspective-taking regarding others’ points of view and experiences? How can we best care for others in and through dialogic communication? (See Figure 2.1 below, which illustrates the relationship between the ethical tensions and the ethical perspectives.)

Figure 2.1  Ethical Tensions and Ethical Perspectives

Each ethical perspective may be plotted on two axes, based on the foundational/situational and individual/organizational tensions:

![Diagram showing the relationship between ethical tensions and ethical perspectives]

- **ETHICAL PRACTICES**

I suspect that your reaction to many of the questions at the end of each theoretical perspective is that they seem overly idealistic and unrealistic. While I may agree with you to a certain extent, the seeming irrelevance
of some of the questions merely confirms how far many of our organizations have drifted from ethics. As you read through the case studies, seriously consider how the actions of the organization—and its members—might be changed if one or more of the ethical perspectives were applied in a rigorous manner.

Hopefully, the preceding brief summary of the various ethical perspectives helps you to better understand and evaluate the ethical dilemmas common to organizations and their members. But, it is also important to consider how we act in response to those dilemmas. In many respects, each of the cases in this book is designed to test the strengths and limitations of the ethical perspectives. As you read the cases, you should also think about how decisions were made—or might have been made—based on the perspectives. You may find, for example, that a particular ethical perspective is presented in a case. You may discover that several seemingly contradictory ethical perspectives can coexist in a single case. Or, you may realize that an ethical perspective raises a set of questions that cut across cases.

However, you should not feel limited to merely applying the perspectives to the various cases in the book. You should also feel free to evaluate your comfort (or discomfort) with the ethical perspectives themselves, as a result of reading the cases. That is, how can we rethink the appropriateness of each ethical perspective, based on the current organizational issues discussed in the cases? Are there some perspectives that are more or less suited to today’s organizational life? Turning to the future, we might also ask: Which ethical perspective provides the best opportunity for ethical behavior for the future? The cases, then, can also serve as a means to “test” the appropriateness of the ethical perspectives, while simultaneously taking into account the past, present, and future of organizations and their members.

This book—and the cases in it—should be read, then, not as an argument for either a foundational or a situational approach, or a community or individual approach—to organizational ethics. Rather, I hope that reading about both general principles and specific behaviors will allow you to think about both the foundational (i.e., ethical perspectives) and the situational (i.e., specific cases) dimensions of ethics, as well as the community and the individual. Keeping both of the tensions in mind, simultaneously, means that the cases may be used to evaluate and adapt the perspectives and, in turn, the perspectives may be applied in specific situations or cases. This integration of theory and practice—often referred to as praxis—provides a more thorough (and
challenging) method for both evaluating others’ actions and considering our own actions (see Cheney, 2004).

Ultimately, then, although each of you will have a different view of the ethical perspectives and the cases, you share at least one common ethical challenge: All organizations and their members must balance a variety of competing demands and conflicting values in determining how to negotiate a range of common ethical dilemmas, such as justice vs. mercy, individual vs. community, cost vs. quality, competition vs. collaboration, flexibility vs. structure, and long term vs. short term, among others. Balancing these demands and managing these values requires not only ethical vigilance but also ethical insight, combining ongoing analysis and reflection.

Although I have suggested that ethics, as presented in this book, should be viewed neither as singular nor relativist, I would be remiss if I did not offer at least some ideas regarding practices that seem common to most ethical organizations. Without attempting to necessarily create a universal list, we should then ask, what practices do ethical organizations share in common?

In my experience, an ethical organization

• Aligns personal, professional, and organizational aspirations and behaviors
• Fosters dialogic communication
• Encourages participation in decision making
• Establishes transparent structures, policies, and procedures
• Emphasizes accountability for anticipating and responding to ethical crises
• Promotes courageous efforts to identify and resolve ethical dilemmas.

Alignment

One of the common practices among ethical organizations is that they tend to align formal policies and procedures (e.g., ethics code, employee handbook, training and development, performance appraisal) with the organization’s informal culture (e.g., norms, rituals, narratives). While the former prescribes an organization’s ethics, the latter describes the day-to-day experience of the organization’s ethics. In order to develop, maintain, and refine ethical practice, an organization—and its members—will need to, in effect, walk the talk. In order to sustain a
culture of ethics, an organization needs more than an ethics code. It needs the will to engage in the myriad behaviors that keep informal and formal dimensions aligned, ethically. For example, Enron had a widely accepted, formal code of ethics:

**Enron**

**Our Values**

**Communication**
We have an obligation to communicate. Here, we take the time to talk with one another . . . and to listen. We believe that information is meant to move and that information moves people.

**Respect**
We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment.

**Integrity**
We work with customers and prospects openly, honestly, and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won’t do it.

**Excellence**
We are satisfied with nothing less than the very best in everything we do. We will continue to raise the bar for everyone. The great fun here will be for all of us to discover just how good we can really be.

In retrospect, however, we now realize that such formal and very visible features of Enron’s culture hid an informal set of unethical practices. Similarly, Tyco’s code of ethics also masked a reality different from its public image:

**Tyco**

**Why We Exist and the Essence of Our Business**
We will increase the value of our company and our global portfolio of diversified brands by exceeding customers’ expectations and achieving market leadership and operating excellence in every segment of our company.

**What We Seek to Achieve**
Governance: Adhere to the highest standards of corporate governance by establishing processes and practices that promote and ensure integrity, compliance, and accountability.
Customers:
Fully understand and exceed our customers’ needs, wants, and preferences and provide greater value to our customers than our competition.

People:
Attract and retain, at every level of the company, people who represent the highest standards of excellence and integrity.

Operating Excellence:
Implement initiatives across our business segments to achieve best-in-class operating practices and leverage companywide opportunities, utilizing six sigma measurements.

Financial Results/Liquidity:
Consistently achieve outstanding performance in revenues, earnings, cash flow, and all other key financial metrics. Establish a capital structure that meets both long- and short-term needs.

In each of these ethics codes—and many others like them—the question is whether the code’s prescribed practices are deeply embedded in the everyday life of the organization’s members—whether they “stick” ethically. That is, ethical organizations have both high aspirations and realistic, practical means to meet those aspirations.

Aligned work—work that is both excellent and responsive to the needs and wishes of the broader community in which it takes place—is most readily carried out when an organization’s mission, its members, and its various constituencies share some common ground, work collaboratively, and engage in activities that advance mutual goals. Or, at the least, they acknowledge differences and seek to negotiate their competing interests in ways that will benefit all. In contrast, when there are wide disparities within and across these groups, aligned work is elusive. As a current example, some of the recent scandals among journalists (e.g., plagiarism, contrived stories, accepting money to “sell” government programs to the public) indicate that their personal and professional goals often conflict with their employers’. Given the competitive nature of the information and news business today, journalism is faced with a credibility crisis as it seeks to balance objectivity with profits—particularly since the industry is increasingly dominated by media conglomerates.

To successfully align the formal and informal dimensions of organizational life, then, ethical organizations find ways to keep ethics “alive.”
Beyond ethical alignment, ethical organizations do so by fostering dialogic communication; confronting difficult realities by promoting participation to meet the highest ethical standards; establishing trust through transparent operations; emphasizing accountability for anticipating and responding to crises; and promoting the ethical courage to identify and resolve ethical dilemmas.

**Dialogic Communication**

Alignment is best facilitated by dialogic systems in which communication is open and decentralized. A dialogic organization values the perspective of all employees and facilitates their ability to voice their opinions and concerns. It also promotes the ability of all stakeholders to have a substantial influence on the organization’s decisions. Employees of dialogic organizations understand the perspective of others in ways that promote understanding among different departments, make managing diversity possible, and acknowledge the need for collective mindfulness. In order to establish dialogue, all parties understand that they are interdependent and, therefore, are responsible for effective, responsible communication. Leaders are better able to communicate their goals to employees and, in turn, employees are better able to provide useful feedback to leaders. A dialogic organizational culture also limits employees’ desire to take concerns to the media, courts, or others outside the organization.

There are a number of organizations that foster dialogic communication, including Levi-Strauss, Hanna Andersson Clothing, and Patagonia, among others. However, one company has developed an ethics training program that is quite extensive and might be considered dialogic, BellSouth. For example, the company has integrated its ethics and compliance training materials into multiple delivery sources to demonstrate to employees that ethics is integral to every part of the business and to leverage existing infrastructure. Using media such as CD-ROMS, videos, and the company’s intranet, BellSouth has blended its ethics and compliance training into new-employee orientations, general management courses, sales training, and other learning modules. The ethics and compliance team sees human resources as a key partner in its work, and continually looks at ways to include ethics and compliance topics in other employee-training programs. In addition, each operations unit has a compliance executive and a coordinator responsible for ethics and compliance oversight in that operating division. These managers
draw information “from the bottom up,” conduct risk assessments, and report back to the compliance office when gaps in training or communication are discovered. If the subject can best be handled on a small scale, the compliance coordinator will take care of it. However, if the corporate compliance office sees that many areas are addressing similar issues, time and money can be saved by creating cross-departmental programs. Examples of this include compliance and environment training. While the company uses technology to deliver the message, it believes that the most productive work comes from face-to-face meetings, where employees are given the time to sit and discuss the nuances of various ethical dilemmas.

By contrast, there are many organizations that still suffer from monologic communication that limits candor, fosters secrecy, and manages communication and information in a top-down manner. One well-known example is the Sears Auto scandal in the early 1990s. In June of 1992, the California Bureau of Auto Repairs (BAR) revoked the operating permits of 72 auto centers in that state. The decision was based on 18 months of undercover investigation into repair practices at 35 centers. The California BAR accused Sears of fraud and willful departures from accepted trade standards and launched a sting effort in 1990 after receiving 250 customer complaints. According to BAR, in 42 of 48 visits, Sears employees performed unnecessary services or repairs. On average, customers were bilked of $250, by replacing new parts that were not necessary and, in some cases, cars emerged in worse condition. The problem was caused by the company’s efforts to improve lagging profits after the recession of the 1980s that had hurt Sears. As a result, a new compensation policy was created to give commissions to auto mechanics, which in effect provided an incentive for the mechanics to provide additional services. Employees were instructed to sell a certain number of services in an 8-hour day. If they failed to meet the goals, employees received a cutback in their hours or were transferred. When confronted with the allegations, however, Sears communicated an angry denial. It was not until the story became news that the company began to communicate more directly and honestly with its customers, placing full-page ads to apologize to them. Even then, though, the chairman of Sears only admitted that “mistakes may have occurred.” Similar claims might be made about Nike and secrecy surrounding its sweatshops in Asia, as well as both Ford and Firestone in the case of the rollover deaths of drivers of Ford Explorers, which involved each company blaming the other.
Participation

Ethical organizations are, by their very nature, participatory—both internally and externally. Participatory organizations empower their employees to engage in decision making through delegation. Such organizations develop skills among employees by enabling and motivating them. They produce organizational commitment by encouraging a culture of trust that rewards and recognizes high performance and responsibility. As a result, participatory organizations are well-known for their ability to recruit, develop, and retain talented employees. Externally, participatory organizations listen to their stakeholders’ concerns and are responsive to their feedback, using their knowledge and skills to improve organizational performance. In response to the opportunity to participate, stakeholders tend to be particularly loyal to, and invested in, such organizations.

One of the classic examples of a participatory organization is W. L. Gore and Associates. Best known as the maker of GORE-TEX, Gore is well-known for its ability to motivate its employees through participation. Gore has developed a variety of rules that focus on providing the resources and opportunities for a work environment in which employees participate and, as a result, take greater responsibility for their work. For example, Gore has become a successful innovator in its field by requiring managers to act more like coaches than bosses by 1) listening to employees’ concerns; 2) avoiding close supervision; 3) trusting employees to work within a framework of clear direction; and 4) being responsive to employees’ feedback. In addition to Gore, companies such as 3M, the Grameen Bank, the Donnelly Corporation, Ashoka, Working Assets Long Distance, and the Mondragon cooperatives in Spain have been praised for their participatory workplace cultures.

As noted in one of the cases in this book, NASA has been less successful in its efforts to involve employees in important decisions, even those that affect the safety of its astronauts. For years, NASA was well-known for a variety of its successes, particularly the Apollo missions. However, in recent years, they have been better known for the visible, public failures in the Challenger and Columbia disasters. Although NASA has blamed technological problems (e.g., the O-rings) for the disasters, oversight commissions have indicated that a lack of participation in decision making is at least one of the causes. Still fairly hierarchical in its structure, NASA employees were aware of the technical problems with both shuttles. However, there were few, if any, mechanisms in place for persons with the knowledge to fully participate in
launch decisions. This lack of participation at all levels of NASA is particularly troubling since the Rogers Commission (in its review of the Challenger disaster) had noted that experienced engineers were discouraged from providing negative feedback about the O-rings. The Columbia disaster suggests that, although feedback mechanisms were later put in place, they were not used. Other well-documented cases include the Ford Pinto and its exploding gas tanks and AH Robins and its Dalkon contraceptive IUD, which apparently produced various illnesses in the women who used it.

Transparency

Ethical organizations engage in decision making that is transparent to their employees and other stakeholders. Transparent organizations have clear and visible governance, missions, policies, procedures, and guidelines. The actions of transparent organizations allow others to fully comprehend processes such as hiring, performance appraisal, and promotion, among others. In addition, transparent organizations are candid, thereby producing greater trust, respect, and fairness. Employees of transparent organizations better understand the rationales for decision making and, as a result, more fully support them and learn to make effective decisions themselves. As a result, employees of transparent organizations are more likely to accept the decisions of leaders, even when the decisions do not necessarily benefit the employees themselves. Such benefits are particularly common in industries or organizations with strained labor–management relations. For other stakeholders—such as shareholders—transparency provides greater confidence that the organization is being managed effectively, thereby increasing its perceived value.

Although companies such as Ben and Jerry’s, Free Trade Coffee, and Tom’s of Maine are best known for their transparency, there are less visible examples, as well. One example is Baxter International, which is discussed later in one of the cases. The company’s medical therapies are used by health care providers and their patients in more than 100 countries. Because Baxter’s 40,000 employees are located throughout the world (with more than half outside the United States), the company has approached the challenge of communicating its business practice standards to a global workforce by decentralizing its ethics training programs. All new employees—and in many cases, prospective employees—are given a copy of the company’s business practice
standards, which have been translated into 14 different languages. Each new employee takes part in mandatory training conducted by managers who have been designated as ethics trainers. Additional training programs and training schedules are left up to each region and business unit, with headquarters providing resources. For example, the team responsible for the company’s Asian operations has developed a yearly training program, based on real-life scenarios, that is designed to encourage group discussion and participation. In Latin America, the company’s employees develop and present their own scenarios as part of the training. In addition to the large library of case studies, Baxter is developing Web-based vehicles to supplement existing communication channels for ethical standards. These efforts suggest that, at least internally, Baxter is seeking to infuse ethics in a transparent manner.

A much more visible case, Enron, is evidence of the risks of a non-transparent organization when it comes to ethics. The level of secrecy (and related risk) upon which Enron was built, and upon which it failed, cost the jobs and retirement incomes of thousands, contributed to a slump in the stock market, and may have exacerbated California’s 2000–2001 energy crisis. The collapse of the company, the largest bankruptcy in U.S. history, was followed by several criminal and civil lawsuits against the executives of the company. These lawsuits have suggested that the arrogance and greed of Enron’s leaders was related to the lack of transparency in decisions made at the highest level of the company. In short, since rank-and-file employees did not necessarily realize their jobs and the company were at risk, they could not hold leaders accountable for their decisions. It appears that they had limited information about the specific decisions that were being made and, when criticisms were raised within the company, employees were reprimanded for making their concerns public. Similar, related examples include R. J. Reynolds and the tobacco industry, the Catholic Church, and WorldCom.

Accountability

Ethical organizations are accountable to their multiple stakeholders in a responsible and responsive manner. This accountability is evident in the high quality of products/services offered by such organizations. Accountable organizations view legal and industry compliance as important, but minimum, expectations. Rather, they also accept direct responsibility for any actions that negatively affect their stakeholders, and they seek to maximize their positive contributions to those
stakeholders. Ethical organizations are also accountable to broader sets of stakeholders, including both local and global communities. Employees of accountable organizations take “automatic responsibility” for ethical challenges and strive to promote aspirational, ethical opportunities. Accountable organizations have a bias toward action that prompts member involvement and learning. As a result, employees develop better problem-solving skills and are less likely to blame others for mistakes. Employees in such organizations are less likely to view business units as “silos” that operate independently of one another. They learn how their decisions affect others in the organization.

The Body Shop, created by Anita Roddick, is known for its accountability to its employees, its suppliers and, ultimately, the environment. The Body Shop has grown worldwide and is an example of a company that “does good business by doing good.” Believing that both employees and customers are tired of high-pressure sales tactics, the Body Shop seeks to educate both employees and customers, producing greater accountability for decision making. In addition, The Body Shop is well-known for its stewardship of the environment and its support of local, indigenous groups through programs such as “Trade Not Aid.” Through a series of interrelated programs, Roddick has sought to be responsible to various stakeholders throughout the supply chain. As a result, employees are also able to hold one another accountable for their actions and to hold the company accountable for its decisions, as well. As she explains, “I think you can trade ethically. . . . It’s showing that you forsake your values at the cost of forsaking your work force.”

Arguably the worst corporate disaster provides a stark contrast to the Body Shop. In 1984, the Union Carbide pesticide plant in Bhopal, India, released a dangerous chemical, methyl isocyanate gas (MIC), creating the worst industrial accident in history. As a result of the accident, at least 10,000 people were killed, over 300,000 became ill, and nearly 500,000 were displaced. In time, it became clear that the plant was neither safe nor efficient and had been located in India to take advantage of cheap labor and limited regulations. In addition, most employees and citizens had not been told that they would be working and living amidst toxic chemicals. Once among the top 50 companies in the United States, Union Carbide’s reputation was further tarnished when it fought lawsuits against it to compensate the victims of the disaster. Although the lawsuits have been settled, the Indian government and citizens still seek the full compensation required under the law. Another example during the 1980s was the Manville Corporation’s use
of asbestos in various products and consistent denial of accountability for its negative health effects on persons exposed to it. A more recent example of a lack of executive accountability, in particular, can be found in Adelphia, which filed for bankruptcy after its founder, John Rigas, and others were accused of looting the company and cheating investors out of billions of dollars. Rigas and his son, Timothy, were convicted of conspiracy, bank fraud, and securities fraud.

Courage

Ethical organizations have employees who have the courage to identify, assess, and resolve ethical dilemmas that may negatively affect the organization or its stakeholders. Courageous organizations have the courage to admit mistakes, reject conformity, respond to injustice, and defy standard industry practices or laws that may be unethical. In addition, courageous organizations seek not only to respond to ethical challenges but also to anticipate them; they exhibit the courage to be ethical. Such an organization facilitates effective problem identification and problem solving in ways that also foster innovation and creativity. They also produce cultures that are safe and supportive for employees, thereby strengthening organizational identification. The result is that employees are more likely to identify problems when they arise and communicate those concerns to their superiors. They are also more likely to offer new ways to resolve the problems.

Johnson & Johnson is perhaps best known for its ethical courage. In response to the discovery of tainted Tylenol capsules, Johnson & Johnson strengthened its standing as one of the leading health care companies by pulling the capsules off the shelves and addressing consumers’ concerns about the capsules, truthfully and quickly, via the media. Although the company suffered short-term financial losses, it also affirmed its commitment to patient health and consumer safety, which have remained features of its organizational culture. As a result, it has been lauded as one of the country’s most ethical and successful companies. Similarly, the owner of Malden Mills suffered financial loss in order to retain jobs for his employees. In addition, various whistleblowers at Enron, in the tobacco industry, in the FBI and CIA, and in numerous attorneys general offices across the country have shown ethical courage to protect the public.

As a contrast to Johnson & Johnson, accounting firm Arthur Andersen made one of the quickest and most devastating falls from
grace in corporate history. Despite a long-standing reputation as one of the most objective and responsible accounting firms, Arthur Andersen employees signed off on earnings statements for Enron (and other clients such as Waste Management) that were, according to industry observers, aggressive and unique at best, misleading or irresponsible at worst. The failure of Arthur Andersen came after a series of reports in the 1990s by the Government Accounting Office that noted the growing conflicts of interest among auditor–client relationships in the accounting industry. In response to numerous concerns expressed over auditor independence, Arthur Andersen argued before the SEC that “a broad scope of practice” was necessary and that “the future of the accounting profession is bright and will remain bright—as long as the commission does not force us into an outdated role trapped in the old economy.” Court documents filed in a 2002 trial for “deceptive practices” indicated that Arthur Andersen had been warned about its practices and that many employees were aware of the practices and the warnings. The response of many mid-level managers was to shred company documents. The result has been the unexpected and incredibly fast decline of one of the most well-known and successful companies in the United States. Additional examples, as of this writing in 2005, include new pressures placed on the pharmaceutical industry and the Food and Drug Administration to come forward with more details regarding drug risks for patients.

❖ THE FUTURE OF ORGANIZATIONAL ETHICS

There is no question that, over the last 20 years, there have been a growing number of organizations that have sought to foster the ethical practices noted above. The following are some prominent examples:

- The Ford Motor Company has developed initiatives in South Africa to fight HIV/AIDS.
- UPS has established welfare-to-work programs, in partnership with various government, social service, community, and nonprofit organizations.
- BankBoston has established a community banking group that focuses on economic development efforts that target an entire community
of moderate income and inner-city markets, while avoiding industry norms for predatory lending.

- Levi Strauss and Company has sustained a long-standing anti-racism initiative.

Certainly, each of these organizations may not meet stringent standards of ethical practice in all areas but, at the least, they have sought to make a positive impact on local and global communities.

In addition, in a speech to the United Nations in 2004 titled “Globalization’s Next Frontier: Principled Codes of Conduct that Bolster the Rule of Law,” Deloitte CEO William G. Parrett challenged multinational organizations to establish codes of behavior that go beyond minimum legal compliance, through principled ethical behavior that bolsters the rule of law and would, therefore, create expanded economic opportunities around the world. Speaking to global business executives, representatives from non-governmental organizations (NGOs), and academic scholars, he claimed that globalization and world security itself could be jeopardized unless multinational organizations develop ethical practices that adhere to values and principles rather than merely the law. Although his comments may be self-serving, Parrett nevertheless identifies the potential stakes for organizations that do not think about and practice business ethics. So, even within the context of post-9/11 security concerns, ethics is located as a pivotal international issue.

At the same time, it seems that a growing number of organizations also fall short when it comes to ethical practices. In Chapter 1, I noted some of the recent examples of organizational scandals such as Enron, WorldCom, Adelphia, and Tyco, among others. In some respects, then, there appears to be a bifurcation among organizations that pride themselves on their ethics and social responsibility and organizations that seek to mislead employees, stockholders, and the public for short-term profit.

I hope these introductory chapters have prepared you for the realization that our ethical challenges are significant but that our ethical opportunities are perhaps even greater. Given the widespread influence of today’s organizations, there is tremendous potential for rethinking, reframing, and reproducing organizations that can be not only productive but also ethical. It is my hope that this book—and the cases included in it—will cause you take a long, hard look at organizational practices and the positive or negative effects they have on various groups.
George Cheney (2004) aptly challenges us to consider the future of organizational ethics and our own responsibility within it:

Today we should consider an ethics of being and not just an ethics of regulation; an ethics that embraces how we are and who we are with others; an ethics that engages pressing and compelling issues of today; an ethics that challenges people yet begins with the tensions they experience in everyday life; an ethics that joins personal happiness with public integrity; and an ethics that recognises the role of public discourse in extending or pulling back our ethical horizons. (pp. 35–36)

It is my strong conviction that the ethical scandals of recent years provide both the motivation and the means to expand our ethical horizons. I think all of the contributors to this book would agree that, as future leaders of organizations—for-profit or otherwise—we expect you to fully engage with, and participate in, the important ethical issues of the day. It is time to remove organizational ethics from the margins and to stimulate broader public dialogue about the often difficult and challenging questions regarding the role of organizations in our culture. Whether it is as an organizational owner, employee, stockholder, customer, or concerned citizen, we hope that this book will encourage you to do so.

REFERENCES


