



ETHICS IN THE WORKPLACE

Edward J. Ottensmeyer

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TO
EDWARD AND AGNES OTTENSMEYER
for their subtle and inspiring lessons about ethics—
in life and in business.
EJO

TO
EILEEN ANN McCARTHY
who, while beginning her career as a teacher, generously found the
time and energy to work very hard putting this book together.
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PREFACE

Managers often need to decide among alternative courses of action, some—possibly all—of which cause harm to certain stakeholders. For example, in deciding whether to lay off a group of workers in the face of an economic downturn, a manager must balance the rights of shareholders/owners, who legitimately expect managers to protect and provide a reasonable return on their financial investments, and the workers themselves, who have both legal and ethical rights to fair treatment. How managers and firms deal with these dilemmas shapes their interaction with both internal and external stakeholders.

An effective and fair manager, we believe, will see such “right vs. right” decisions for what they are—multidimensional. That is, because situations can be viewed from a variety of perspectives, many of which are legitimate, managers are called upon to balance these perspectives in their decisions and actions. The ethical dimension comes into play for managers because their decisions and actions have an impact on people, on their rights and dignity, and on the distribution of benefits and harms to them.

Our approach to crafting this book reflects the multidimensional realities that managers face in the contemporary workplace. This collection of readings and cases is designed to provide new managers and managers in training with practical information on, and insight into, some of the ethical issues and dilemmas they are most likely to encounter in the early years of their business careers. Attention has been focused primarily on those issues that are often described as “internal” to a firm’s operating environment, even though these may reflect “external” social or legal realities.

The introductory chapter presents several approaches to ethical decision-making and provides a brief theoretical background which can be used in assessing the issues and dilemmas raised in subsequent chapters and cases. Short introductions to the other chapters highlight some of the ethical considerations for each topic as well as providing a brief overview of that chapter's specific readings.

In each chapter readers can consider the insights of experts in ethics, law and public policy, and management practice as they analyze and propose solutions for these difficult management problems. The selected readings reflect our conviction that ethical insights are often found outside academic ethics, and that ideas from law and management theory can improve, as well as be improved by, ethical reflection. The readings were carefully chosen—from among hundreds reviewed—to provide students and managers the highest quality of introductions available, within space limitations imposed by such a wide-ranging book as this one.

For each topic we have either written or chosen a case that is designed to give students a challenging decision-making opportunity. In addition, all of the cases involve situations that junior managers or managers in training should easily recognize. All require the analyst to develop solutions to very knotty problems.

There are many fine textbooks and anthologies in the fields of business ethics, human resource management, and organizational behavior. Overall, we believe that this book integrates the insights of those different fields, and that it reflects our view that the ethical dimension of a manager's decisions—even when that ethical dimension is not explicitly recognized by the manager—intersects with each of the other critical dimensions. Since real decisions are multidimensional, ethics are often involved even when they are not openly discussed. By recognizing and emphasizing the linkage of ethics to other, more familiar, dimensions, we hope that we have provided managers and future managers with a sound footing for bringing ethics and ethical reasoning—explicitly and openly—into the workplace. We believe that by doing so both the organization and its employees will be the better for it.

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Edward J. Ottensmeyer
Gerald D. McCarthy

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Introduction to Ethical Reasoning

VALUES AND ETHICAL DECISION-MAKING

The questions, “Should we embrace ethical values or not?” and “How can we best distinguish right from wrong?,” from the Bible to Socrates to the twentieth-century existentialists, have been both hauntingly unavoidable and apparently intractable. These questions are raised not only in our everyday personal lives, but in our professional work lives as well. Consider the following situation.

In November, 1992, Mark Jorgensen, the new manager of a real estate investment fund at Prudential Insurance Company of America, discovered that his boss, a friend who had previously managed the fund and who had hired him into his new job, had arranged for appraisers to inflate the values of certain real estate investments held by the fund. The impact of such an overvaluation was that (1) investors believed, albeit wrongly, that their past investments in the fund were increasing in value, and (2) Prudential’s fees for managing the fund increased. When confronted with this information, Jorgensen’s friend and boss said that he had taken this action to make the fund’s weak performance look better to investors, who might oth-

erwise have moved their money to other investments. Jorgensen faced a difficult dilemma. If he chose to “blow the whistle” on this practice by telling senior managers, his friend’s career at the firm might be damaged, his own career opportunities might be hurt, and, should the information become public, Prudential’s reputation would surely be injured. If he chose not to act, he would be violating his obligation to the fund’s many investors.¹

What do you think Jorgensen should do?

Individual and Organizational Values

Our values are our most deeply held beliefs, attitudes, and felt reactions about what we think matters most in our lives. They are so important that they shape our lives and our characters. What we value can be (and often is) as concrete as our families or as abstract as an ideal of social justice.

Contemporary management thinkers and organizational theorists have pointed out that values play a similarly important role in organizational life, culture, and motivation. One of the best known observers of contemporary business practices is Tom Peters, who, with his associates Robert Waterman, Jr., and Nancy Austin, has

written the best-selling *Excellence* volumes. All the “excellent” companies that they studied were “driven by coherent value systems,” which were shaped, promoted, and protected by the organizations’ leaders (Peters and Waterman, 1982, pp. 287). Each of the companies they analyze developed its own clearly defined organizational culture, characterized by a set of shared values that shapes its goals and drives its day-to-day operations. Jack Welch sees his transformation of General Electric in just this way.

JACK WELCH’S VALUES

Fortune reports that Jack Welch “has led General Electric through one of the most far-reaching programs of innovation in American business history.” Ideas and values are at the heart of his revolution. “My job is to find great ideas, exaggerate them, and spread them like hell around the business with the speed of light.” Welch expresses his vision for GE with energetic metaphors like “Stretch,” “Boundarylessness,” “The \$60 billion family grocery business.” The heart of his revolution is “boundarylessness”—demolishing hierarchical boundaries separating top management from the front lines and GE from its customers and suppliers. Ideas are GE’s capital, and Welch knows that they can come from anywhere. His job is to “get everybody in the game” so that they can contribute theirs.

“Stretch,” one of Welch’s favorite terms, means “trying for huge gains while having no idea how to get there—but our people figure out ways to get there.” As he sees things, it’s the big dreams, not bureaucracies, that stretch an organization’s imagination and muscle and drive its growth. Loyalty and trust provide the environment in which people can “stretch.” “Loyalty means giving people an opportunity. Our job is to provide an atmosphere where they can reach their dreams, where they feel their growth is unlimited. . . . I think that trust in a company is a good word. You can trust that its values and yours are congruent. You can trust it to give you fair treatment.”²

But the picture is more complex in two ways

than this brief outline indicates. First, values and ethics are not the same. Both persons and businesses can be shaped by and driven by **unethical** as well as ethical values. As we shall see, ethical values have dimensions of fairness, concern for the common good, and respect for persons that distinguish them from values in general. Second, to live is to make choices, and to make choices necessarily involves trade-offs, excluding some possibilities and leaving some values unrealized. In spite of what the advertisers tell us, in our mature moments we know that we really *can’t* have it all. Mark Jorgensen, facing his dilemma at Prudential, found it impossible to be loyal to his friend and sponsor and to the many investors in the fund he managed.

As to the first point, consider the following analogy designed to illuminate the values that its author believes to be reflective of business life.

Poker’s own brand of ethics is different from the ethical ideals of civilized human relationships. The game calls for distrust of the other fellow. It ignores the claim of friendship. Cunning, deception and concealment of one’s strength and intentions, not kindness and open-heartedness, are vital in poker. No one thinks any the worse of poker on that account. And no one should think any the worse of the game of business because its standards of right and wrong differ from the prevailing traditions of morality in our society. (Carr, 1968, p. 145)

Carr describes a fairly common set of values, but they are not ethical ones. How common they actually are (or ought to be) in business life is a matter of debate.

Respect and Honesty

The Golden Rule (“Do unto others as you would have them do unto you”) assumes that normal human beings would like to be treated in certain ways, mainly with a respect that, is worthy of their dignity as persons. Note that most of us become **indignant** when we are treated disrespectfully, when our dignity is offended. We suspect that someone who has either failed to develop a

TABLE 1-1

CHARACTERISTICS OF ADMIRABLE LEADERS

Characteristic	1993 U.S. respondents (percentage of people selecting)	1987 U.S. respondents (percentage of people selecting)
Honest	87	83
Forward-looking	71	62
Inspiring	68	58
Competent	58	67
Fair-minded	49	40
Supportive	46	32
Broad-minded	41	37
Intelligent	38	43
Straightforward	34	34
Courageous	33	27
Dependable	32	32
Cooperative	30	25
Imaginative	28	34
Caring	27	26
Mature	14	23
Determined	13	20
Ambitious	10	21
Loyal	10	11
Self-controlled	5	13
Independent	5	10

Source: James Kouzes and Barry Posner, *Credibility: How Leaders Gain and Lose It, Why People Demand It*, San Francisco: Jossey Bass, 1993, p. 14. Used with permission.

capacity to become indignant or has lost it suffers from a lack of self-worth or of self-esteem.

Much of the research on organizational behavior confirms this intuitive judgment. Perhaps the most explicit work has been done by James M. Kouzes and Barry Z. Posner (1993) in their study, *Credibility: How Leaders Gain and Lose It, Why People Demand It*.

Over the past decade, Kouzes and Posner have investigated the values that people want the leaders of their business organizations to hold. From their extensive research they concluded that honesty was absolutely essential to successful leadership. If people do not believe that a leader is ethical, truthful, and, in general, worthy of their trust, they will not follow him or her (p.

14). (For the results of their most complete survey see Table 1-1.)

Our desire to be led by men and women of honesty and integrity springs, we believe, from the same source as our desire to be treated with respect for our dignity. In another survey, Kouzes and Posner point out that the most admired leaders, the ones who keep to the highest ethical standards, are also the leaders who make their followers feel valued, who raise their sense of self-worth and self-esteem (pp. 30-33.). As we might expect, employees who feel valued and respected are more likely to be loyal, to work harder, and to display more initiative and commitment (pp. 31-33).

Empowerment and Employee Initiative

Over the past few decades, the success of business organizations has come to depend increasingly on the intelligence, responsibility, and involvement of their employees. Reflecting these developments, the concept of employee **empowerment** and the opportunities that empowerment offers both to organizations and their employees have received a lot of attention. Harold L. Sirkin (1993) offers some examples of empowerment that illustrate its connection to an organization's values.

What does empowerment mean? It means giving the most-junior employees the authority to make decisions about customer complaints, so that they can be handled on the spot rather than by working through bureaucratic channels. It means allowing subordinates to solve internal problems without asking permission, so that they are corrected before they have time to get worse. It means giving managers the luxury to think through longer-term issues and assist those empowered to learn and improve, rather than direct each worker's activities. (p. 58)

Obviously this can only work within an organizational culture governed by respect and trust rather than by fear. We cannot overemphasize the importance of the role that an organization's leaders and managers play in creating an environment that supports integrity and initiative. The crucial environmental element is "compas-

sionate leadership,” leadership characterized by “openness, receptivity to new ideas, honesty, caring, dignity, and respect for people.” (Dobbs, p. 57) Without such leadership, employees will be unwilling (and unable) to experiment with new ways of doing things and to take the appropriate risks that are essential to harvesting empowerment’s benefits.

Despite this, Kouzes and Posner also report that many workers are mistrustful of their managers and employers. More than half of the respondents to some surveys indicate that employees do not believe that management is “honest, upright, and ethical,” and less than half in other surveys believe that their companies treat them “with dignity and respect.” (pp. 34-36) How do we account for this?

Competition and Self-Interest

Most of the organizations people work for are economic entities, operating in competitive environments, whose goal is to make a profit. There is an inescapable emphasis on the bottom line and a corresponding emphasis on finding and utilizing the most efficient means of pursuing the organization’s economic goals. There is nothing unethical about this. However, left unchecked, the quest for profit and the search for efficiency can easily become a quest for profit at any cost and expediency. The advantages of expediency are obvious—the results are tangible, measurable, and often quick and handsome.

Just as organizations maneuver within their external environments, employees maneuver within the internal environments of those organizations, and they are constantly reminded that not only is the competition fierce *between* organizations but *within* them as well (for status, salary, opportunities for advancement, and perks). In such a competitive world this cynical old poem often seems too true.

It rains on the just and the unjust fella
But more on the just
Because the unjust’s got the just’s umbrella.

Rather than get rained on, we would just as soon grab the umbrella. Perhaps we would rather do good and fare well, but, faced with a choice, it may very well appear more reasonable to fare well. Ethical behavior often involves sacrifice; the costs of that sacrifice can sometimes seem prohibitive.

Ethical Values and the Ethical Point of View

Managers must ask themselves, “What sorts of values will guide our decisions?” Theorist Archie Carroll’s (1987) analytical chart points out three different kinds of values which managers can use to approach business decisions (immoral, amoral, and moral) and five different areas to which they can be applied (ethical norms, motives, goals, law, and strategy). (See Figure 1-1.)

Business decisions can be approached from a variety of points of view—ethical, economic, legal, political, strategic, and so on; each has its characteristic concerns and values. What values and concerns characterize the ethical point of view? Two have had special prominence in the history of ethical thought: rationality and impartiality. Ideally, an ethical agent employs rational reflection to discover ethical truth and then rationally and impartially applies it. However, this traditional view has been challenged on a number of grounds.

Egoists reject the ideal of impartiality. In their view, some ethical philosophies emphasize impartiality and a commitment to the common good to a degree that the agent’s own interests are overlooked. **Ethical egoism** dictates that people are not only *entitled* to take their own interests into account in making ethical decisions, they have a *duty* to choose the course of action that will maximize their long-term interests. This places the egoist in an unusual and, we believe, untenable position. Ordinarily when a person makes an ethical choice, he or she not only believes that others in the same circumstances *should* do the same thing, but also hopes that