



## LECTURE 10

# MANAGERIAL ETHICS AND SOCIAL RESPONSIBILITY

By

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# LEARNING OUTCOMES

On successful completion of this lesson, the learner will be able to:

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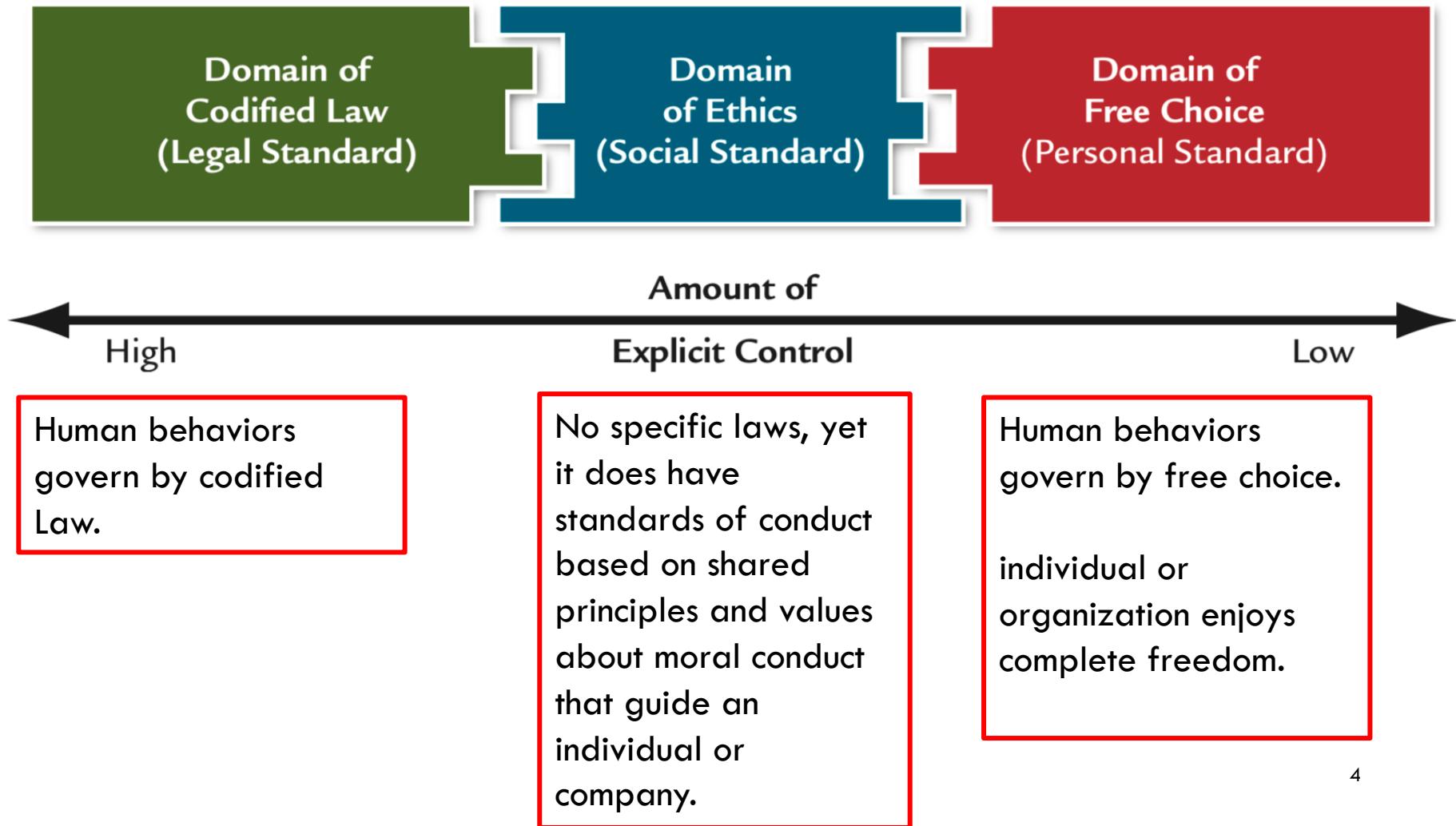
- LO1:** Define the concepts of Managerial Ethics, CSR, and Sustainability.
- LO2:** Describe the three domains of human behavior, the characteristics of ethical manager behavior, and ethical dilemmas.
- LO3:** Examine various approaches to and factors affecting ethical decision making.
- LO4:** Explain the levels of personal moral development and the new purpose of a company.
- LO5:** Evaluate value oriented approach and structure oriented approach to managing ethics and social responsibility.

# WHAT IS MANAGERIAL ETHICS?

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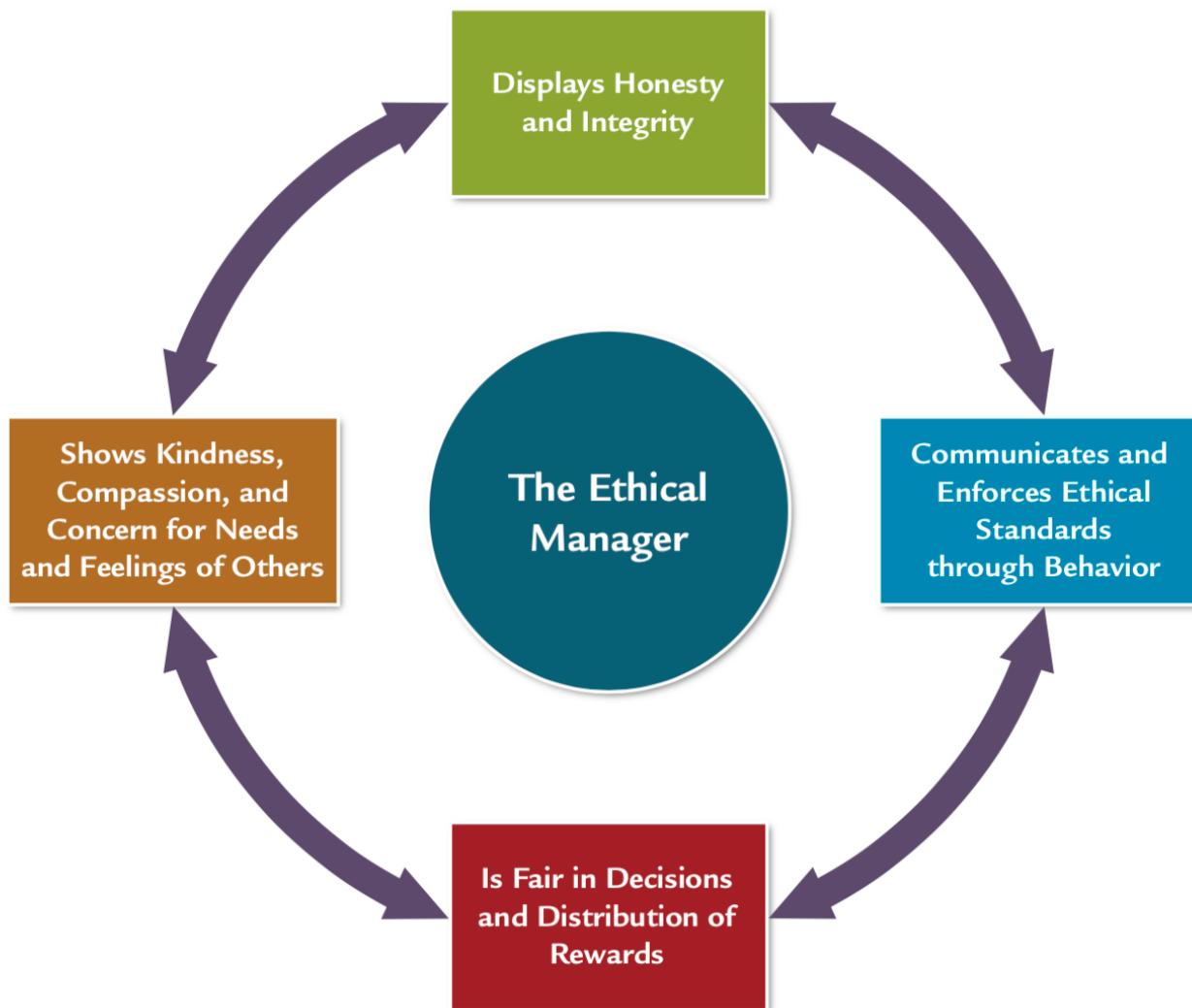
- Ethics is the **code of moral principles and values** that governs the behaviors of a person or group with respect to what is right or wrong.
- Just because managers aren't breaking the law, it doesn't necessarily mean that they are being ethical.
- Managers face many pressures that can sometimes tempt them to engage in unethical behavior.
- **Unethical managers:** seek to serve their own needs and interests at the expense of stakeholders.

# THREE DOMAINS OF HUMAN BEHAVIOR



# ETHICAL MANAGER BEHAVIORS

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# ETHICAL DILEMMAS

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- A situation where right and wrong cannot be clearly identified.
- An **ethical dilemma** arises in a situation concerning right or wrong when values are in conflict.
- The individual who must make an ethical choice in an organization is the **moral agent**.



# ETHICAL DILEMMAS: WHAT WOULD YOU DO?

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## The Issue of Environmental Scanning:

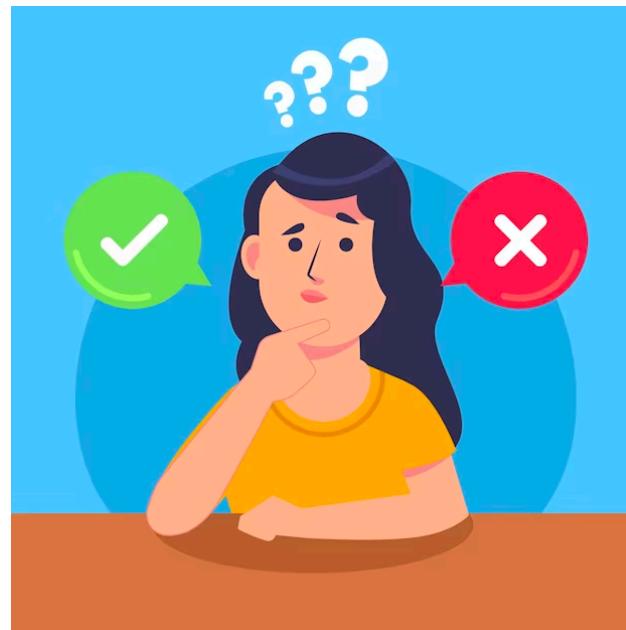
- Companies are increasingly using social media to learn more about their competitors, with some even going so far as to “friend” customers or employees of rivals and post seemingly innocuous questions to gather information that can provide them with a competitive advantage. The laws regarding information gathering aren’t clear-cut, and neither are opinions regarding the ethics of such tactics.
  1. Some people think that any form of corporate spying is wrong.
  2. Others consider it an acceptable way of learning about the competition.

# ETHICAL DILEMMAS: WHAT WOULD YOU DO?

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## The Issue of Social Media Postings:

- Should a company scrutinize job candidates' or employees' social media postings to benefit the organization while reducing the individual freedom of employees?

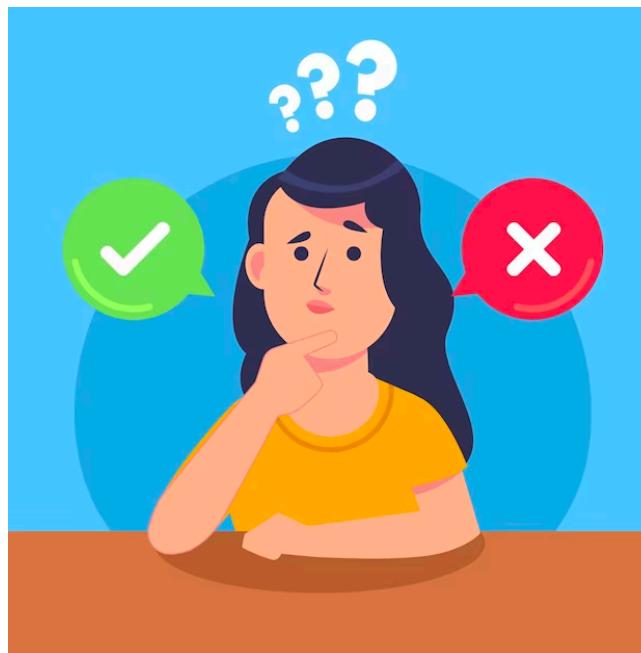


# ETHICAL DILEMMAS: WHAT WOULD YOU DO?

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## The Issue of Opportunism:

- Should products that fail to meet tough Food and Drug Administration (FDA) standards be exported to other countries where government standards are lower, thereby benefiting the company but potentially harming world citizens?



# FRAMEWORKS FOR ETHICAL DECISION MAKING

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- Most ethical dilemmas involve a conflict between the interests of different groups or between the needs of the individual versus the needs of the organization.
  - Managers can use various approaches based on norms and values to help them make ethical decisions.
1. Utilitarian Approach
  2. Individualism Approach
  3. Moral-rights Approach
  4. Justice Approach
  5. Practical Approach



# UTILITARIAN APPROACH/THEORY

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- The utilitarian approach to ethical decision making says that the ethical choice is the one that produces the greatest good for the greatest number.
- A normative ethical theory where right and wrong is determined solely by the consequences of choosing one behavior or action over another.
- It moves beyond the scope of self-interests and takes into consideration the interests of other people.

(Cavalier, 2006)

# INDIVIDUALISM APPROACH

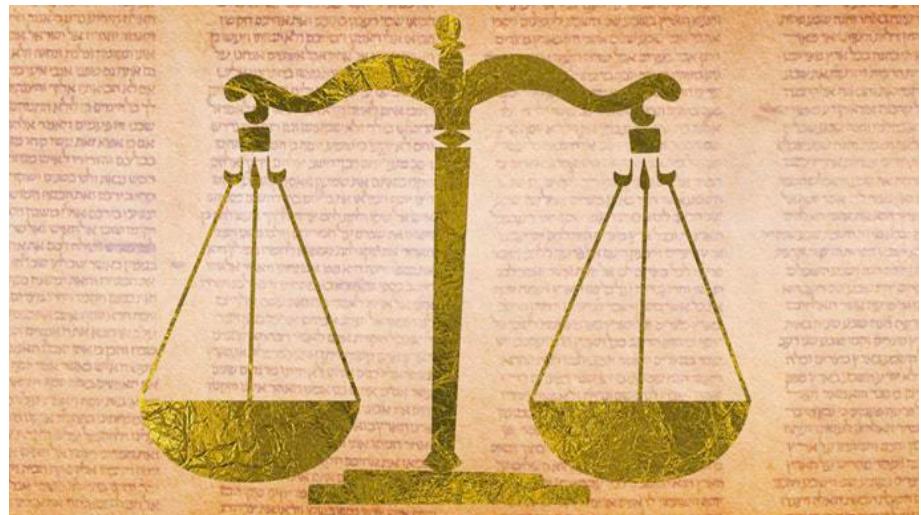
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- The **individualism approach** suggests that actions are ethical when they promote the individual's best long-term interests, because with everyone pursuing self-interest, the greater good is ultimately served.
  
- This concept is not considered appropriate today because it is easily misused to support one's personal gain at the expense of others.

# MORAL-RIGHTS APPROACH

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- Some managers rely on a moral-rights approach, which holds that ethical decisions are those that best maintain the fundamental rights of the people affected by them.
- The Golden Rule is consistent with the moral rights approach.



# JUSTICE APPROACH

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- The justice approach says that ethical decisions must be based on standards of equity, fairness, and impartiality.
1. **Distributive justice** requires that different treatment of individuals not be based on arbitrary characteristics.
  2. **Procedural justice** holds that rules should be clearly stated and consistently and impartially enforced.
  3. **Compensatory justice** argues that individuals should be compensated for the cost of their injuries by the party responsible, and individuals should not be held responsible for matters over which they have no control.

# PRACTICAL APPROACH

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- Many managers also use the practical approach, which sidesteps debates about what is right, good, or just and bases decisions on prevailing standards of the profession and the larger society and, in so doing, takes into account the interests of all stakeholders.



# INDIVIDUAL MANAGER & ETHICAL CHOICES

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## Managers' Ability to Make Ethical Decisions Depend on:

### ➤ **Organizational Factors:**

- ✓ Corporate culture
- ✓ Pressure from superiors and colleagues

### ➤ **Personal Factors:**

- ✓ Moral development

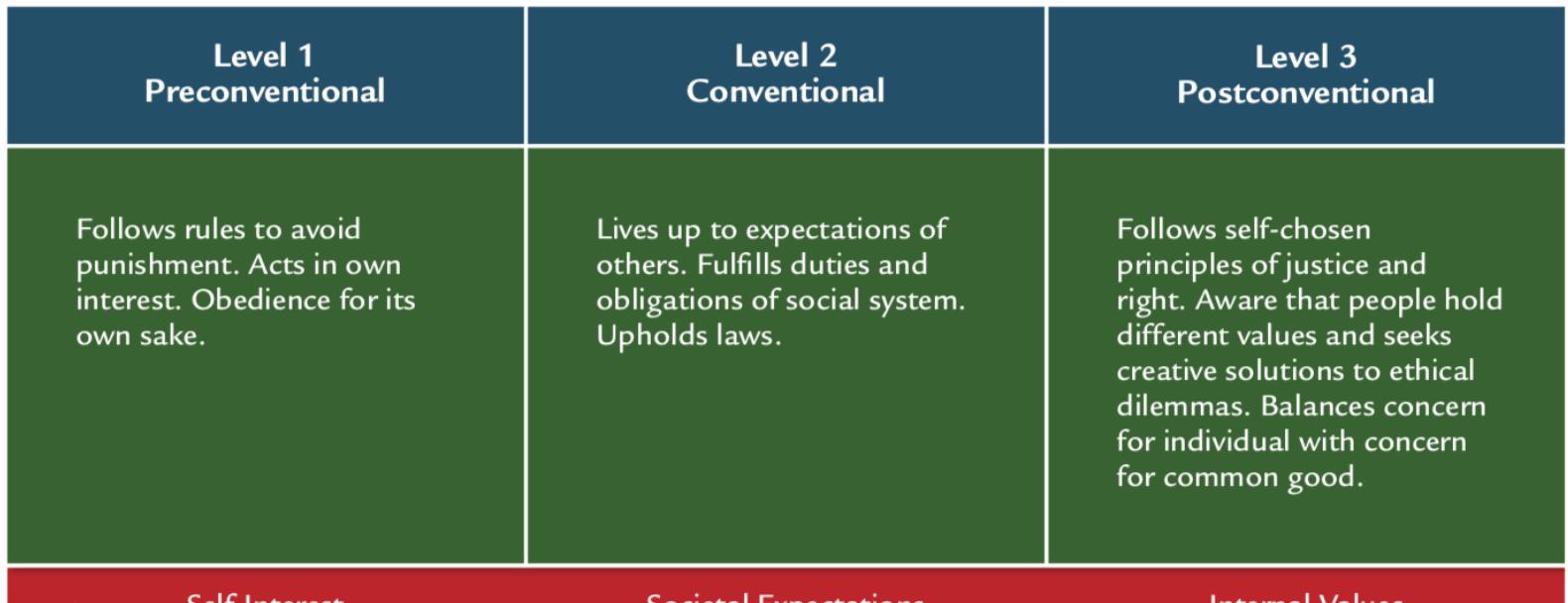
### ➤ **Personal Needs:**

- ✓ Family Influence
- ✓ Religious Background

### ➤ **Specific Personality Characteristics:**

- ✓ Ego strength
- ✓ Self-confidence
- ✓ Strong sense of independence

# LEVELS OF PERSONAL MORAL DEVELOPMENT



**Leader Style:** Autocratic/coercive

**Employee Behavior:** Task accomplishment

Guiding/encouraging,  
team oriented

Work-group collaboration

Transforming, or  
servant leadership

Empowered employees,  
full participation

Most managers operate at a *conventional level*, conforming to the standards of behavior expected by society.

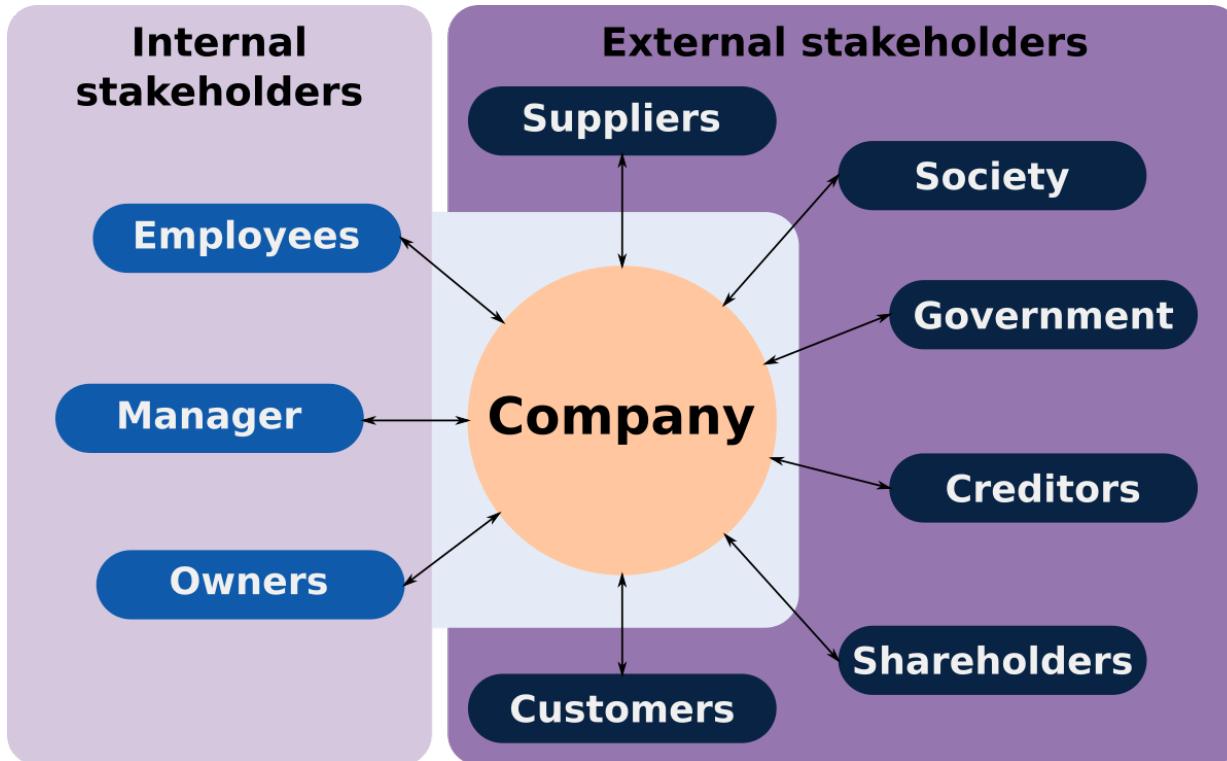
Only about 20 percent of adults reach the *postconventional level* and are able to act in an independent, ethical manner regardless of the expectations of others.

# CORPORATE SOCIAL RESPONSIBILITY?

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- Corporate social responsibility (CSR) refers to the obligation of organizational managers to make choices and take actions that will enhance the welfare and interests of society as well as the organization.
- Companies can now be assessed and measured on their performance along environmental, social, and governance (ESG) dimensions.

# THE NEW PURPOSE OF A CORPORATION



**Moving from Shareholder to Stakeholder**

# GOING GREEN Vs GREEN WASHING

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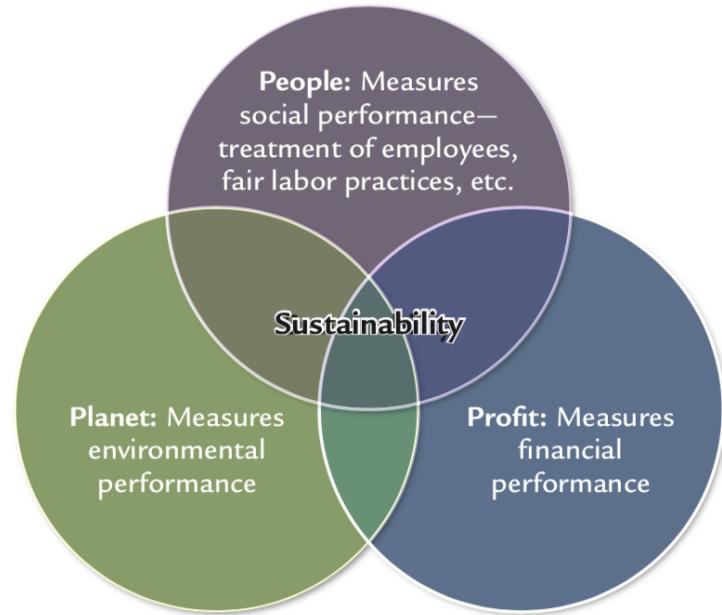
- “Going Green” = Preserve the environment
- “Green Washing” = Occurs when a company tries to portray itself as more environmentally minded than it actually is.



# SUSTAINABILITY AND THE TRIPLE BOTTOM LINE

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- **Sustainability:** refers to the ability to generate wealth with environmental responsibility and social stewardship, thereby meeting the current and future needs of stakeholders while preserving the environment and society so that future generations can meet their needs as well.
  
- **Triple Bottom Line:**
  - ✓ How **socially** responsible the organization is?
  - ✓ How **environmentally** responsible the organization is?
  - ✓ How **economically** responsible the organization is?

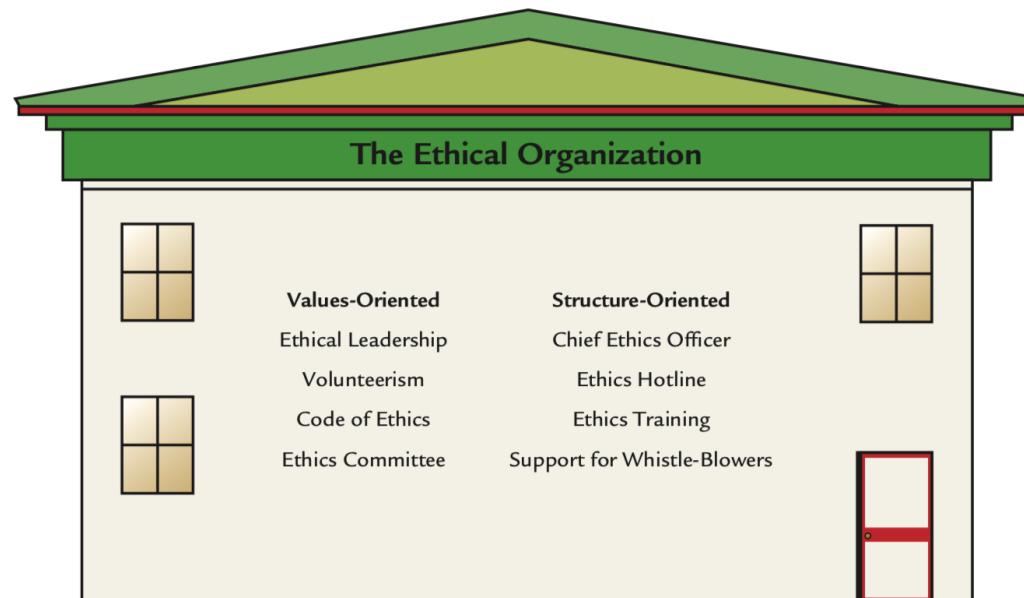


# MANAGING COMPANY ETHICS & SOCIAL RESPONSIBILITY

- Management is responsible for creating and sustaining an ethical organization.

## Values-Oriented Approach

directly targets individuals' internal desire to be ethical.



## Structure-Oriented Approach

uses structures, incentives, choices, task groupings, and policies to reduce the temptation to act unethically.

# WHISTLE -BLOWING

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- Employee disclosure of any corrupt, illegal, unethical, or illegitimate practices on the employer's part is called **whistle-blowing**.
- Whistle-blowers often report wrongdoing to outsiders.
- Companies must view whistle-blowing as a benefit to the company and make dedicated efforts to encourage and protect whistle-blowers.



# IN-CLASS ACTIVITY

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## Answer:

1. Albert Einstein once said, “**The world is a dangerous place, not because of those who do evil, but because of those who look on and do nothing.**” Do you agree? Discuss.
  
2. Which do you think would be more effective for shaping long-term ethical behavior in an organization? Why?:
  - i. A written code of ethics combined with ethics training.
  
  - ii. A strong ethical leadership?

# REFERENCES

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- Richard L. Daft, *Management* (USA: Cengage, Boston, 2021), pp.3-29.
- Openstax. *Principles of Management* (Texas: Rice University, Houston), pp. 16-28.  
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# Q&A