



香港城市大學  
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# Ethics & Corporate Social Responsibilities

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# Two ethical questions in daily life

- You get the final exam back from your professor and you notice that he's marked correct three answers that you got wrong. Revealing your error would mean the difference between an A and a B. What will you do? Why?
  - A: Reveal the errors to the professor
  - B: Do not reveal the errors to the professor

# Two ethical questions in daily life

- You work in a fast-food restaurant in Causeway Bay. It's against policy to eat food without paying for it. You came straight from classes and are therefore hungry. Your supervisor isn't around, so will you make something for yourself and eat it without paying? Why?
  - A: Eat and pay for it
  - B: Eat and do not pay for it

# Good people sometimes do bad things called moral disengagement.

## Any ways to avoid guilty feelings?

Good people sometimes do bad things called  
moral disengagement.

Here are some ways we avoid guilty feelings.  
They have many “good” reasons...

# 8 Moral Disengagement Mechanisms

## 1. Advantageous comparison

- Comparing a misconduct with a more frightful alternative
- “It could be worse”: I did not kill anyone

## 2. Distortion of consequences

- After driving through a zebra crossing while a pedestrian was crossing the road, the driver defended himself by saying “It’s not big deal”

## 3. Displacement of responsibility

- My boss asked me to do it

# 8 Moral Disengagement Mechanisms

## 4. Diffusion of responsibilities

- An entry-level worker is being mistreated and you did not speak up because you think that someone else is handling it or because you are not responsible for the mistreatment, you aren't at fault.

## 5. Moral justification

- “This is the morally thing to do”
- We hire children to help them by “saving” them from other more dangers

# 8 Moral Disengagement Mechanisms

## 6. Euphemistic labeling

- Lying to business competitors may be called “strategic misrepresentation”
- Fake banking accounts opened by Wells Fargo employees called it “gaming” rather than “fraud”
- Pirated music or software is called “file sharing” instead of “stealing.”

## 7. Dehumanization

- Recasting victims as out-group
- They are not human



# 8 Moral Disengagement Mechanisms

## 8. Attribution of blame

- Terrorists can be tortured; they deserve it.
- United Airlines CEO Oscar Munoz victim-blamed a passenger who was dragged out of his paid-for seat on an overbooked United flight by calling him “disruptive and belligerent.”

# Moral judgment 1

It is war time. Enemy soldiers have taken over your village. They have orders to kill all remaining civilians. You and some of your townspeople have sought refuge in the cellar of a large house. Outside you hear the voices of soldiers who have come to search the house for valuables. A baby with no parents begins to cry loudly. You cover her mouth to block the sound. If you remove your hand from the baby's mouth her crying will summon the attention of the soldiers who will kill you and the others hiding out in the cellar. To save yourself and the others you must smother the child to death. Is it appropriate for you to smother the child in order to save yourself and the other townspeople from being killed?

—A: Smother the child to death and save everyone else

—B: Do not smother the child because you will kill the child

## Moral judgment 2

You have a good friend name Harrison. One day you hear Harrison has been fired from his job. He took a lot of unwarranted risks with the company's money and then tried to lie about it. It was investigated and **he eventually admitted guild and was fired. Harrison asks you to write a letter of reference to work at a Bank**

- A: Yes, write a letter of reference to ensure that your good friend can work at a Bank
- B: No, reject the request to write a letter of reference

## Moral judgment 3

Jenny is a hard-working business woman with 3 children. Her family moved around a lot over the years but was getting settled into their current city. They have lived there for 2 years and finally feel like they have a home. Jenny has just received a very good job offer from a big business that will increase her salary by almost double. However, she and her family have to move.

- A: Yes, accept the offer and then move
- B: No, reject the offer and don't move

## Moral judgment 4

Brandy is pregnant and all of a sudden begins to go into labour. However, she is not ready and the hospital is a hour away. She and her husband get into the car and go over the speed limit. A policeman sees them and pulls them over. He sees the situation and then escort them to the hospital. He is debating. He definitely would have given a ticket to someone else if they are driving that fast.

- A: Give a speeding ticket
- B: Do NOT give a speeding ticket

# Examples of Ethical Dilemmas

- **Truth versus loyalty** – when honestly answering a question may compromise loyalty or confidentiality.
- **Individual versus community** – compromising the rights of an individual for the good of the community.
- **Short-term versus long-term** – balancing time with children versus on career.
- **Justice versus mercy** – for excusing a person's behavior due to extenuating circumstances

# Kidder's Principles for Resolving Ethical Dilemmas

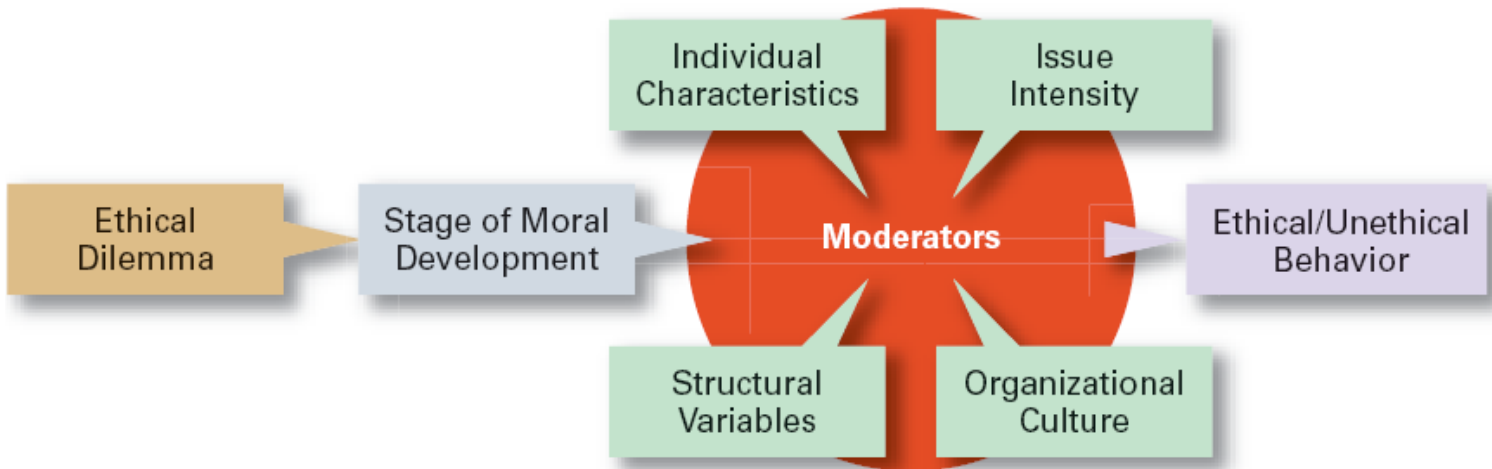
- **Ends-based thinking** – “Do what’s best for the greatest number of people.” Also known as utilitarianism. (Utilitarianism)
- **Rule-based thinking** – “Following the highest principle or duty.” (Deontology)
- **Care-based thinking** – “Do what you want others to do to you.” Also known as The Golden Rule.

# Managers and Ethical Behavior

- **Ethics** – principles, values, and beliefs that define right and wrong behavior.
- Many decisions managers make require them to consider both the process and who's affected by the result.



# Factors That Affect Ethical and Unethical Behavior



# Stage of Moral Development

- **Preconvention** level – a person's choice between right or wrong is based on personal consequences
- **Conventional** level – ethical decisions rely on living up to the expectations of others.
- **Principled** level – individuals define moral values apart from the authority of the groups society in general.  
Follow your self-chosen ethical principles

# Encouraging Ethical Behavior

- **How do leaders encourage ethical behavior?**



# Encouraging Ethical Behavior

- **Employee Selection** - an opportunity to learn about an individual's level of moral development & personal values
- **Code of ethics** - a formal statement of an organization's primary values and the ethical rules it expects its employees to follow

# Codes of Ethics

## **Cluster 1. Be a Dependable Organizational Citizen**

1. Comply with safety, health, and security regulations
2. Demonstrate courtesy, respect, honesty, and fairness
3. Illegal drugs and alcohol at work are prohibited.
4. Manage personal finances well.
5. Exhibit good attendance and punctuality.
6. Follow directives of supervisors.
7. Do not use abusive language.
8. Dress in business attire.
9. Firearms at work are prohibited.

# Codes of Ethics (cont.)

## **Cluster 2. Do Not Do Anything Unlawful or Improper That Will Harm the Organization**

1. Conduct business in compliance with all laws.
2. Payments for unlawful purposes are prohibited.
3. Bribes are prohibited.
4. Avoid outside activities that impair duties.
5. Maintain confidentiality of records.
6. Comply with all antitrust and trade regulations.
7. Comply with all accounting rules and controls.
8. Do not use company property for personal benefit.
9. Employees are personally accountable for company funds.
10. Do not propagate false or misleading information.
11. Make decisions without regard for personal gain.

# Elizabeth Holmes

**How did she influence employees' ethical behaviors?**

**What kind of culture did she create?**



# How Managers Can Improve Ethical Behavior in an Organization

1. Hire individuals with high ethical standards.
2. Establish codes of ethics and decision rules.
3. **Lead by example.**
4. Set realistic job goals and include ethics in performance appraisals.
5. Provide ethics training.
6. Conduct independent social audits.
7. Provide support for individuals facing ethical dilemmas.



## RESEARCH REPORT

# Does Power Corrupt or Enable? When and Why Power Facilitates Self-Interested Behavior

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Does power corrupt a moral identity, or does it enable a moral identity to emerge? Drawing from the power literature, we propose that the psychological experience of power, although often associated with promoting self-interest, is associated with greater self-interest only in the presence of a weak moral identity. Furthermore, we propose that the psychological experience of power is associated with less self-interest in the presence of a strong moral identity. Across a field survey of working adults and in a lab experiment, individuals with a strong moral identity were less likely to act in self-interest, yet individuals with a weak moral identity were more likely to act in self-interest, when subjectively experiencing power. Finally, we predict and demonstrate an explanatory mechanism behind this effect: The psychological experience of power enhances moral awareness among those with a strong moral identity, yet decreases the moral awareness among those with a weak moral identity. In turn, individuals' moral awareness affects how they behave in relation to their self-interest.

*Keywords:* power, moral identity, self-interested behavior, moral awareness, commons dilemma

# Power

- **Power:** control over critical resources

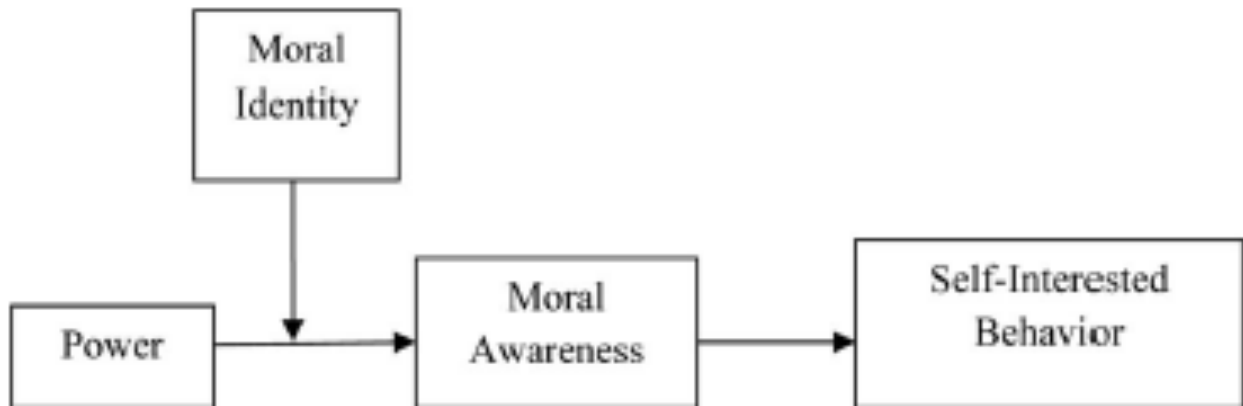
- The potential to influence via rewards, coercion, expertise, legitimacy, and individual characteristics
- The ability to mobilize resources
- What is the relationship between power and unethical behavior?

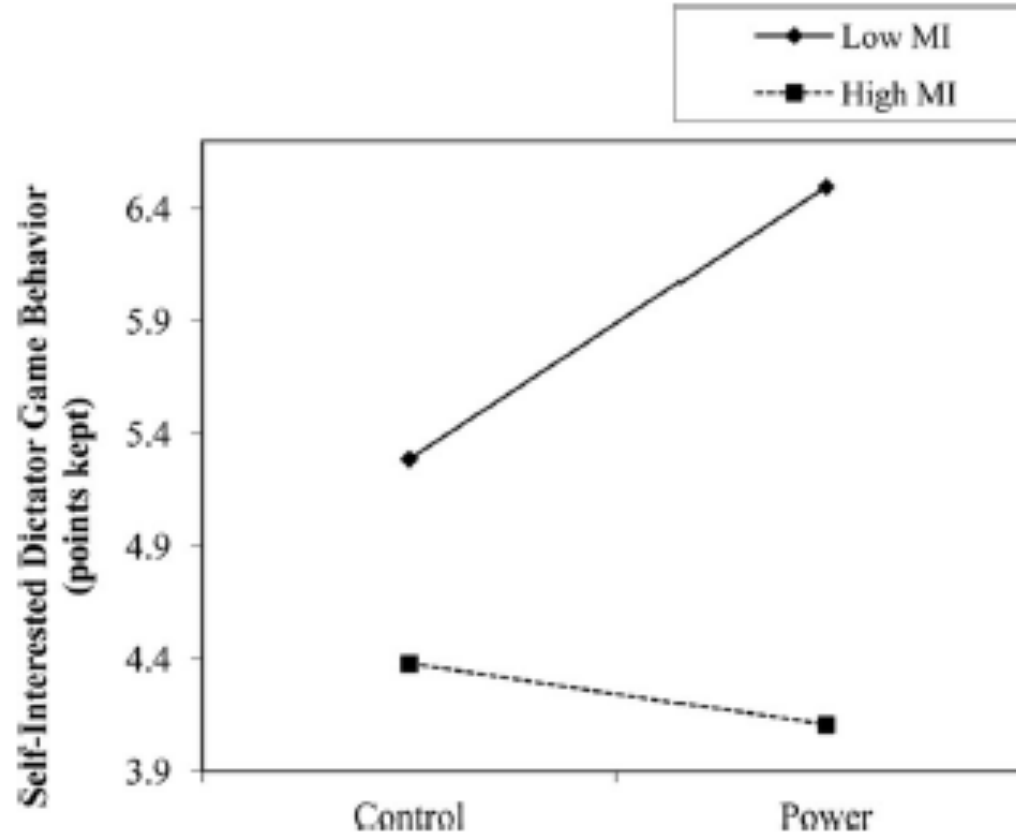


# Power and justice towards others

- Power **liberates** people from social and normative pressure, leading them to shift their focus inward and toward their own goals and dispositions.
- Those with power are less attentive and less likely to individuate others.

- Power and self-interest (power corrupts)
- Moral identity: the extent to which an individual holds morality as part of his or her self-concept
- Moral awareness: conscious understanding of moral implications





*Figure 2. Power and self-interested dictator game behavior as moderated by moral identity (Study 1). MI = moral identity.*

# Key messages

- Yet, those in power are the mostly likely group of human beings who have the resources to allow them violate and break these ethical standards.
- **Power that all the leaders have is the ultimate source of evil.**
- It's a great challenge for everyone of you to uphold a high level ethical standards when you become a leader.
- How? Moral identity

# A case study in corporate social responsibility



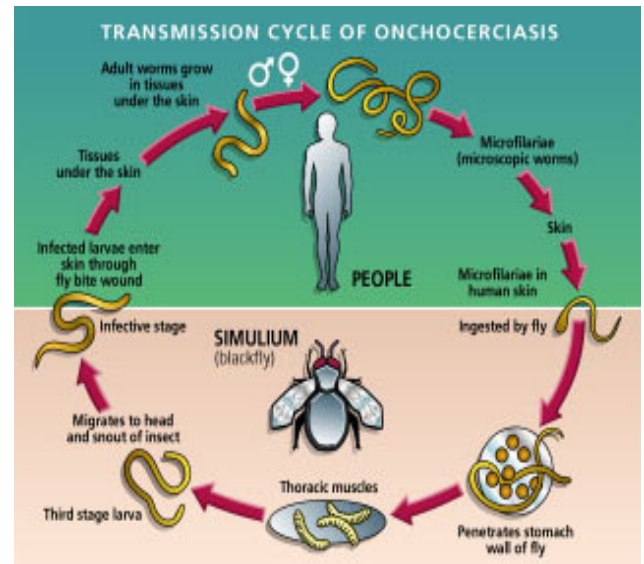
# MERCK

# River Blindness: A Parasitic Disease



- Lesions and depigmentation
- Itching
- Blindness

“...children believed that severe itching, skin infections and blindness were simply part of growing up...”





# River Blindness: A Debate within Merck

**During the 1980s, as clinical trials were proving *Mectizan*, a debate was taking place at Merck....**

- What price, if any, should the company charge for *Mectizan*?
  - The people who could benefit would be the least able to pay for it.
- If Merck donated the medicine, would it create an expectation that they would donate future medicines for diseases in the developing world? Would this philanthropic act prove, in the long run, to be a disincentive for research against tropical diseases?
- In addition to manufacturing and administrative costs, what risks would Merck face if *Mectizan* caused unexpected adverse reactions?

## A Question for Debate

# **Should Merck provide Mectizan for free?**

## **Yes or No?**

# What happened?

- In 1987, Merck established the Mectizan Donation Program
- Merck established a unique, multisectoral partnership:
  - World Health Organization (WHO)
  - World Bank
  - UNICEF
  - Ministries of health
  - Non-governmental development organizations
  - Local communities
- The single largest, longest standing public/private partnership of its kind
  - Widely regarded as one of the most successful public/ private health collaborations in the world

# From Obligation to Responsiveness to Responsibility

## Social responsibility

- a business's intention, beyond its legal and economic obligations, to do the right things and act in ways that are good for society.



# Should Organizations Be Socially Involved?



# From Obligation to Responsiveness to Responsibility

- The Classical View

- Management's only social responsibility is to maximize profits (create a financial return) by operating the business in the best interests of the stockholders (owners of the corporation).

- The Socioeconomic View

- Management's social responsibility goes beyond making profits to include protecting and improving society's welfare.

# Should Organizations Be Socially Involved

## *Arguments For*

- Public expectations
- Long-run profits
- Ethical obligation
- Public image
- Better environment
- Discouragement of further governmental regulation

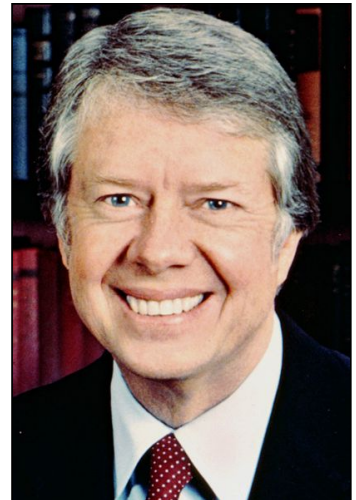
## *Arguments Against*

- Violation of profit maximization
- Dilution of purpose
- Costs
- Lack of skills
- Lack of accountability

# Returns on Corporate Social Responsibility to Merck?

“[Merck] showed that the corporate world can indeed be committed to the alleviation of suffering. Obviously, Merck doesn’t get anything for these tablets — they give them away free. **What they get is the recognition by their own employees and potential customers that Merck has a heart.**”

— *Jimmy Carter*

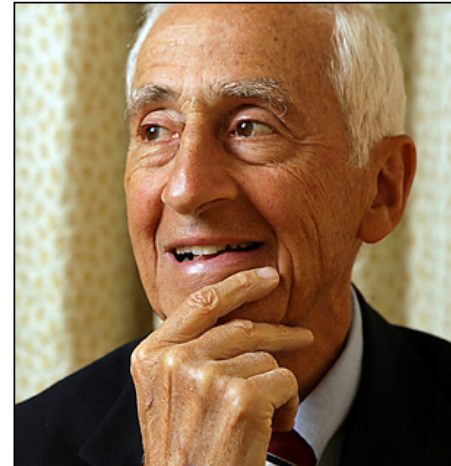




# Returns on Corporate Social Responsibility to Merck?

“When I first went to Japan 15 years ago, I was told by Japanese business people that it was Merck that brought streptomycin to Japan after WWII, to eliminate tuberculosis, which was eating up their society. We did that. **We didn't make any money. But it's no accident that Merck is the largest American pharmaceutical company in Japan today.** The long term consequences of acts of goodwill are not always clear, but somehow, I think they always pay off.”

— P. Roy Vagelos, 1991



# Does Social Responsibility Pay?

- Studies appear to show a positive relationship between social involvement and the economic performance of firms.
- A general conclusion is that a firm's social actions do not harm its long-term performance.



# The Greening of Management

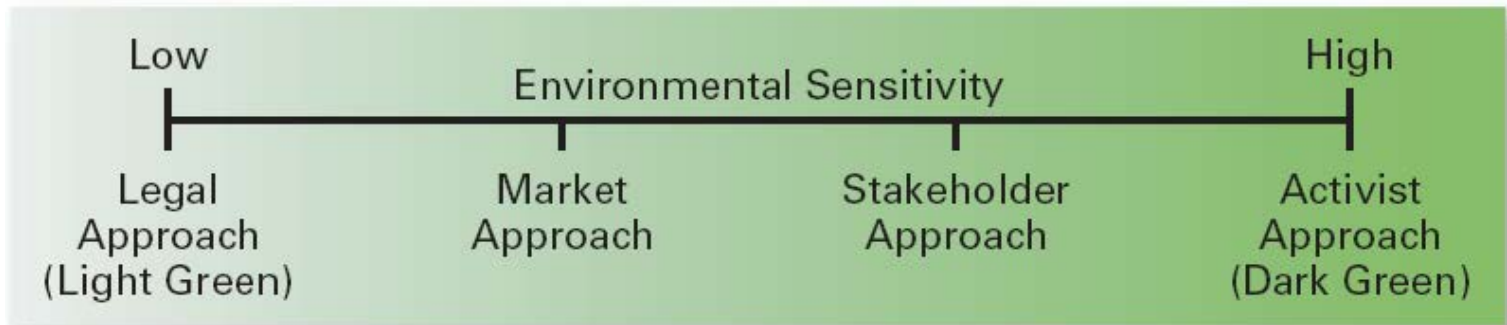
- The recognition of the close link between an organization's decision and activities and its impact on the natural environment.
  - Global environmental problems facing managers:
    - Air, water, and soil pollution from toxic wastes
    - Global warming from greenhouse gas emissions
    - Natural resource depletion



# How Organizations Go Green

- Legal (or Light Green) Approach
  - Firms simply do what is legally required by obeying laws, rules, and regulations willingly and without legal challenge (little environmental sensitivity).
- Market Approach
  - Firms respond to the preferences of their customers for environmentally friendly products.
- Stakeholder Approach
  - Firms work to meet the environmental demands of multiple stakeholders—employees, suppliers, and the community.
- Activist Approach
  - Firms look for ways to respect and preserve environment and be actively socially responsible (highest degree of environmental sensitivity).

# Approaches to Being Green



Source: Based on R.E. Freeman, J. Pierce, and R. Dodd. *Shades of Green: Business Ethics and the Environment* (New York: Oxford University Press, 1995).

# Environment Protection

At McDonald's Restaurants (Hong Kong) Limited, our effort are targeted at striking a balance between serving our customers better and the environment interests to achieve important environmental goals. The environment is everyone's concern, and only by joining hands and working together can we make a real difference.



## Say No to straws!

Protecting the environment by reducing the use of straws and help us work towards a green future.



 Download "McDonald's® and the Environment" Leaflet



To view or print the above document (PDF format), you need to use Adobe Acrobat

# How about...





# A Fisherman Story





# A Fisherman Story



An American investment banker was at the pier of a small coastal Mexican village when a small boat with just one fisherman docked.

Inside the small boat were several large yellow fin tuna. The American complimented the Mexican on the quality of his fish and asked how long it took to catch them.

The Mexican replied, “Only a little while.”

# A Fisherman Story



The American then asked, “Why didn't you stay out longer and catch more fish?”

The Mexican said, “With this I have more than enough to support my family's needs.”

The American then asked, “But what do you do with the rest of your time?”

# A Fisherman Story



The Mexican fisherman said, “I sleep late, fish a little, play with my children, take siesta with my wife, Maria, stroll into the village each evening where I sip wine and play guitar with my amigos, I have a full and busy life.”

The American scoffed, “I am a Harvard MBA and could help you. You should spend more time fishing; and with the proceeds, buy a bigger boat: With the proceeds from the bigger boat you could buy several boats.”

# A Fisherman Story



The American continued, “Eventually you would have a fleet of fishing boats. Instead of selling your catch to a middleman you would sell directly to the processor; eventually opening your own cannery. You would control the product, processing and distribution. You would need to leave this small coastal fishing village and move to Mexico City, then Los Angeles and eventually New York where you will run your ever-expanding enterprise.”

# A Fisherman Story



The Mexican fisherman asked, “But, how long will this all take?”

To which the American replied, “15 to 20 years.”

“But what then?” asked the Mexican.

The American laughed and said that's the best part. “When the time is right you would announce an IPO and sell your company stock to the public and become very rich, you would make millions.”

# A Fisherman Story



“Millions?...Then what?”

The American said, “Then you would retire. Move to a small coastal fishing village where you would sleep late, fish a little, play with your kids, take siesta with your wife, stroll to the village in the evenings where you could sip wine and play your guitar with your amigos.”

# TLQ

- I value your opinion
- Very helpful for me to prepare future classes
- Thanks!

**END OF SEMESTER**