



Executive Education: Mini MBA Program

Business Ethics

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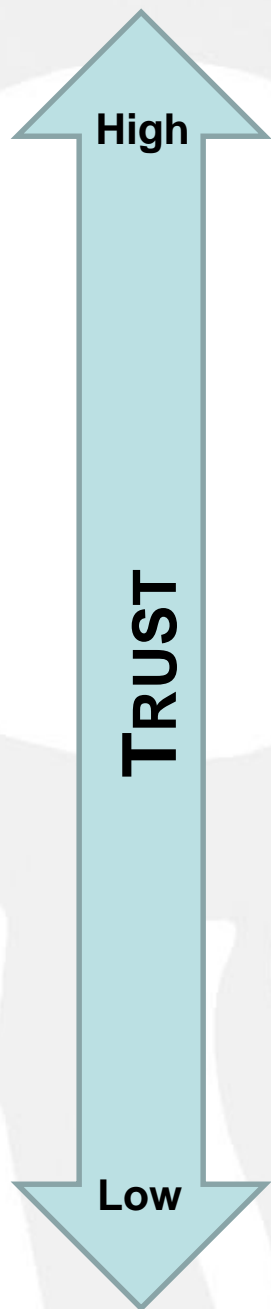
Global Perceptions of Trust

- The U.S. now ranks 8th in trust in ***business*** of the top 10 GDP countries
 - U.S. ranks behind Brazil, India, Italy, China, Japan, Germany, France
 - U.S. ranks slightly ahead of U.K. and Russia
- The U.S. now ranks 8th in trust in ***government*** of the top 10 GDP countries
 - U.S. ranks behind China, Brazil, Japan, France, Italy, India, U.K.
 - U.S. ranks slightly ahead of Russia and Germany

Source: 2011 Edelman Trust Barometer

What is Trust?

- “Trust is a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions or behavior of another”
(Rousseau et al., 1998, p.395)
- Shaped by the characteristics of the trustor, trustee, and situation
- Trust can be calculative, emotional, instinctive, evidentiary, trait-based
- Trust can be intrapersonal, interpersonal, institutional, societal
- It is possible to simultaneously *trust* and *distrust* another person
- *Trustworthiness* is based on perceptions of both competence and character



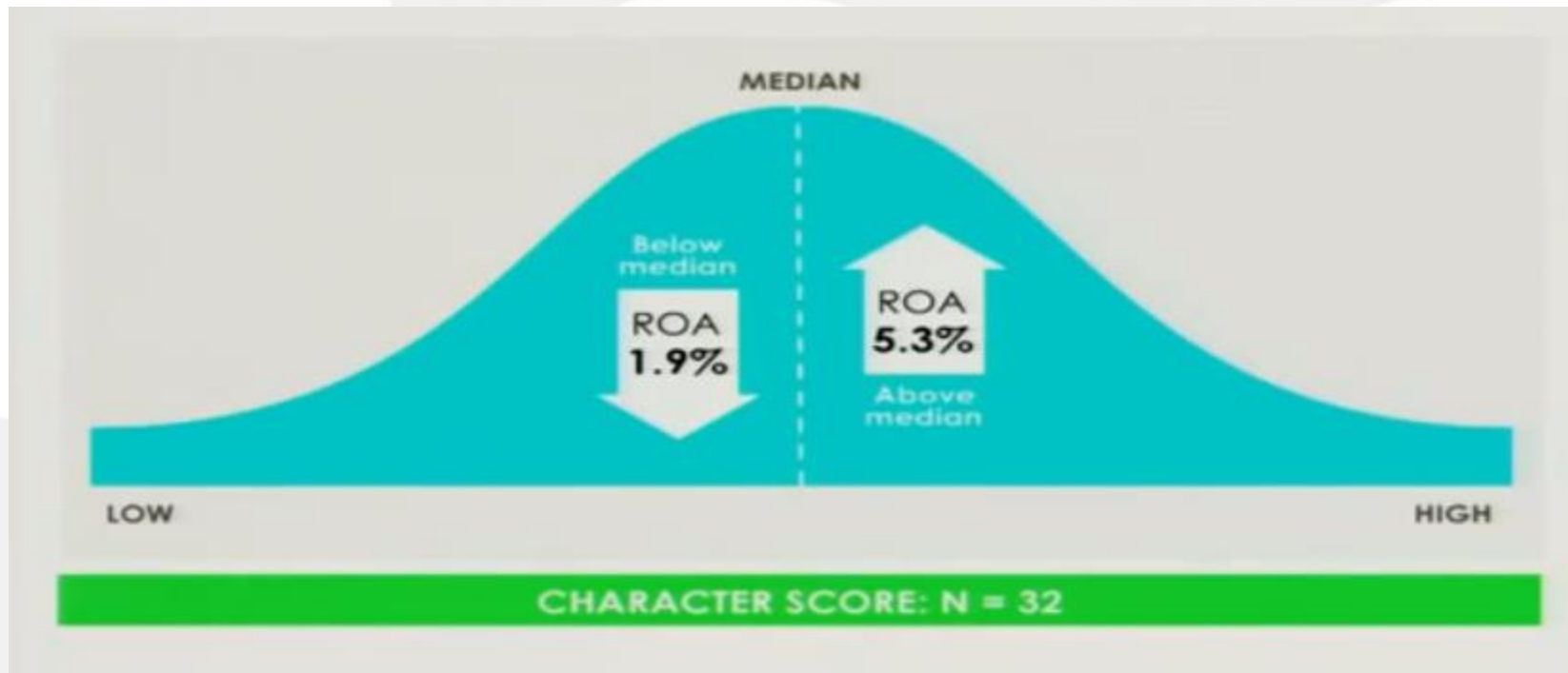
Personal Implications	Organizational Implications
Fulfilling interpersonal relationships	Strong innovation, engagement, confidence, loyalty, productive conflict
Positive energy & high motivation	Efficient & open communication
Positive impact on self-esteem	High collaboration and partnering
The focus is on work	Mistakes seen as learning opportunities and quickly forgiven
Energy-draining and joyless interactions	Bureaucratic rules and procedures, unnecessary hierarchy
Communications colored by fear, uncertainty, doubt, and worry	Climate of silence
Negative attributions and interpretations of behaviors and events	Intense political atmosphere with clear camps and parties
Psychological & physiological symptoms (e.g., insomnia, depression, burnout)	High costs, slow approvals, slow to market. Unhappy stakeholders.

Building Trust

- Cohesion at the top
- Create clarity
- Overcommunicate clarity
- Reinforce clarity
- Personal Integrity
- Organizational Justice
- Profiling
- Vulnerability
 - Personal histories exercise
 - The leader goes first
 - Too much vulnerability?

Character curve





8.39%



High Character CEOs

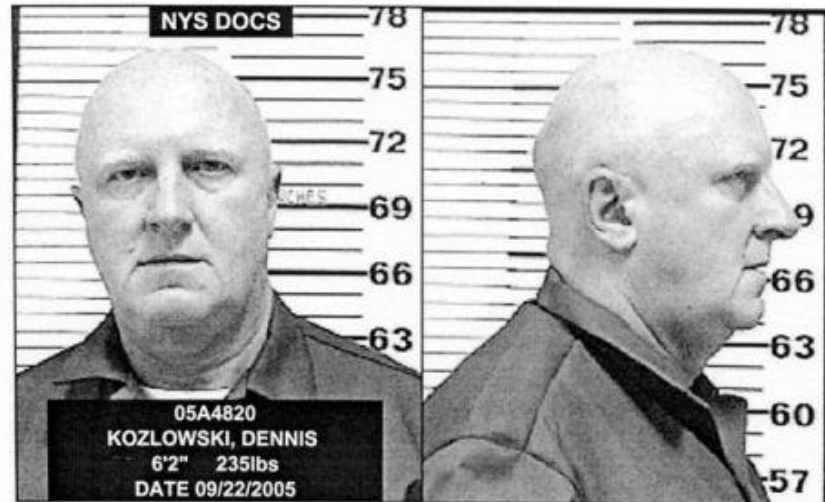
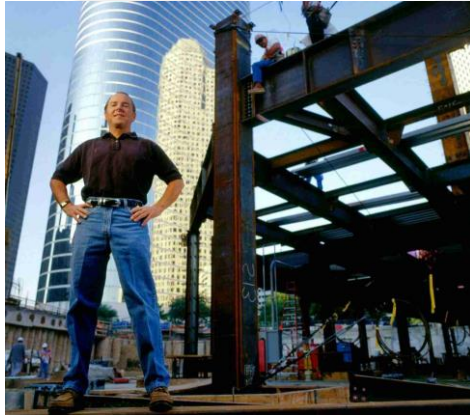
Low Character CEOs

-0.57%

Where are they now?



AP Photo / Michael Stravato



Sex - MALE Race - WHITE Hair - BLD/GY Eyes - BLUE DOB - 11/26/1946
SCAR RS FACE, LT. WRIST

NYSID # - 1959351J

ID CARD # - 00086723

The purpose of business?

Maximize shareholder wealth

e.g., Peter Drucker “to maximize the long-term wealth generating capability of the organization” (how is this different than maximize shareholder wealth?)

Balanced scorecard approach

Balance the need of multiple stakeholders.

Who are these multiple stakeholders?

e.g., P & G (A.G. Lafely) doing away with the stock price indices in the offices.

Implications / research findings

Many Examples of Corporate Unethical Behavior



AOL Time Warner





"I'm neither a good cop nor a bad cop, Jerome. Like yourself, I'm a complex amalgam of positive and negative personality traits that emerge or not, depending on circumstances."

Individual level

- Bad apples
- Confirmation/egocentric bias
- Overconfidence bias
- Escalation of commitment
- Fundamental attribution error
- Obedience to authority
- Diffusion of responsibility

Organizational level

- Incentive schemes
- Abuses tolerated at the top
- Status differences
- Organizational culture (e.g., culture of silence)
- Severe pressure to perform
- Lack of oversight
- Groupthink

Socio/political level

- Perception that corruption is widespread
- Inherent in a free market
- Insufficient regulation and oversight
- Lack of opportunity
- Perceptions of injustice
- Cultural values
- Others?

How to manage an ethical dilemma?

- Create clarity, overcommunicate, reinforce
- Systems thinking
- Don't tolerate abuses at the top level
- Training (implications for behavior and litigation)
- Build transparency into the culture and systems
- Treat people fairly.....(see organizational justice)
- Carefully consider the role of incentives
- Hiring the right type of people

Questions/Discussions

The End