

Business Ethics

Ethical Decision Making and Cases, Seventh Edition

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Chapter 5

Ethical Decision Making and Ethical Leadership

The Ethical Decision Making Process

- The first step is to recognize that an ethical issue requires a choice among several actions that various stakeholders inside or outside the firm will ultimately evaluate as right or wrong.

Ethical Issue Intensity

- This is defined as the perceived relevance or importance of an ethical issue to the individual, work group, and/or organization.
- Positive or negative incentives can affect the perceived importance of an ethical issue.
- Employees need education regarding potential problem areas.

Individual Factors

- How people resolve ethical issues in their daily lives is often based on values and principles learned through family socialization.
- Individual factors include:
 - Gender
 - Education
 - Work experience
 - Nationality
 - Age
 - Locus of control

Organizational Factors

- Corporate culture: a set of values, beliefs, goals, norms and ways to solve problems that members (employees) of an organization share.
- Some corporate cultures support and reward unethical behavior.
- Ethical climate is a component of corporate culture.

Ethical Climate

- Defined as the character or decision processes used to determine whether actions are ethical or unethical
- Consists of corporate codes of ethics, top management actions, ethical policies, coworker influence, and the opportunity for unethical behavior

Significant Others

- The work group, which includes people such as peers, managers, and subordinates
- Have more influence on daily decisions than any other factor

Opportunity

- Relates to permitting ethical or unethical behavior
- Rewards and punishment play a key role
- Can be eliminated by establishing formal codes, policies, and rules that are enforced

The Role of Leadership in Corporate Culture

- Leadership is the ability or authority to guide and direct others toward achievement of a goal
- Leaders are key to influencing an organization's corporate culture and ethical posture

Leadership Styles

- Coercive leaders
- Authoritative leaders
- Affiliative leaders
- Democratic leaders
- Pacesetting leaders
- Coaching leaders

Leadership

- The most successful leaders do not rely on one style of leadership but alternate their technique based on the characteristics of the situation.

Types of Leaders

- Transactional
- Transformational
- Transformational ethical
 - Best suited for organizations that have higher levels of ethical commitment among employees and strong stakeholder support for an ethical culture

Habits of Strong Ethical Leaders

1. Ethical leaders have a strong personal character.
2. Ethical leaders have a passion to do right.
3. Ethical leaders are proactive.
4. Ethical leaders consider stakeholders' interests.
5. Ethical leaders are role models for the organization's values.
6. Ethical leaders are transparent and actively involved in organizational decision-making.
7. Ethical leaders are competent managers who take a holistic view of the firm's ethical culture.