Chapter 5
Be Ethical at Work

You can fool some of the people all of the time, and all of the people some of the time, but you cannot fool all of the people all the time.

 - Abraham Lincoln

Integrity is doing the right thing, even if nobody is watching.

 - Unknown author

Unethical or the "Way We Do Business"?

As the assistant manager at an automotive parts department, Jeremy has lots of experience with cars and the automotive parts business. Everyone has their own preference for car part brand, including him. When he works with customers, he might show them the other brand but tends to know more about his favorite brands and shows those brands more often.

However, at the new product training seminar three weeks ago, all managers were told they will receive a bonus for every DevilsDeat brake pad they or their employees sell. Employees would also receive a bonus. Furthermore, it was recommended that managers train their employees only on the DevilsDeat products, so the managers and employees alike could earn a higher salary.

Personally, Jeremy feels DevilsDeat brake pads are inferior and has had several products malfunction on him. But the company ordered this to be done, so Jeremy trained his employees on the products when he returned to the store.

Last week, a customer came in and said his seventeen-year-old daughter had been in an accident. The store had sold a defective DevilsDeat brake pad, and his daughter was almost killed. Jeremy apologized profusely and replaced the part for free. Three more times that week customers came in upset their DevilsDeat products had malfunctioned. Jeremy replaced them each time but began to feel really uncomfortable with the encouragement of selling an inferior product.

Jeremy called to discuss with the district manager, who told him it was just a fluke, so Jeremy continued on as usual. Several months later, a lawsuit was filed against DevilsDeat and Jeremy's automotive parts chain because of three fatalities as a result of the brake pads.

This story is a classic one of conflicting values between a company and an employee. This chapter will discuss some of the challenges associated with conflicting values, social responsibility of companies, and how to manage this in the workplace.

5.1 An Ethics Framework

What Is Ethics?

Before we begin our conversation on ethics, it is important to note that making ethical decisions is an emotional intelligence skill, specifically self-management. We know that our emotional intelligence skills contribute to our career success, so learning how to make ethical decisions is imperative to development of this human relations skill.

First, though, what exactly is ethics? **Ethics** is defined as a set of values that define right and wrong. Can you see the challenge with this ambiguous definition? What exactly is right and wrong? That obviously depends on the person and the individual situation, which is what makes ethics difficult to more specifically define. **Values** are defined as principles or standards that a person finds desirable. So we can say that ethics is a set of principles that a person or society finds desirable and help define right and wrong. Often people believe that the law defines this for us. To an extent it does, but there are many things that could be considered unethical that are not necessarily illegal. For example, take the popularized case where a reality production crew was filming about alcoholism—a show called *Intervention*. They followed one woman who got behind the wheel to drive and obviously was in no state to do so. The television crew let her drive. People felt this was extremely unethical, but it wasn't illegal because they were viewed as witnesses and therefore had no legal duty to intervene. [1] This is the difference between something ethical and illegal. Something may not necessarily be illegal, but at the same time, it may not be the right thing to do.

Levels of Ethics: An Organizational Framework

While there may appear to be a difference in ethics between individuals and the organization, often individuals' ethics are shown through the ethics of an organization, since individuals are the ones who set the ethics to begin with. [2] In other words, while we can discuss organizational ethics, remember that individuals are the ones who determine organizational ethics, which ties the conversation of organizational ethics into personal ethics as well. If an organization can create an ethically oriented culture, [3] it is more likely to hire people who behave ethically. This behavior is part of human relations, in that having and maintaining good ethics is part of emotional intelligence. Of our four levels of ethics discussed next, the first two may not apply to us directly as individuals in the company. As possible leaders of an organization, however, presenting all four in this section is necessary for context.

There are four main levels of ethical levels within organizations. [4]

The first level is societal issues. These are the top-level issues relating to the world as a whole, which deal with questions such as the morality of child labor worldwide. Deeper-level societal issues might include the role (if any) of capitalism in poverty, for example. Most companies do not operate at this level of ethics, although some companies, such as Tom's Shoes, feel it is their responsibility to ensure everyone has shoes to wear. As a result, their "one for one" program gives one pair of shoes to someone in need for every pair of shoes purchased. Concern for the environment, for example, would be another way a company can focus on societal-level issues. This level of ethics involves areas of emotional intelligence we have discussed, specifically, an individual's empathy and social awareness. Many companies take a stand on societal ethics in part for marketing but also in part because of the ethics the organization creates due to the care and concern for individuals.

Our second level of ethics is stakeholder's issues. A **stakeholder** is anyone affected by a company's actions. In this level, businesses must deal with policies that affect their customers, employees, suppliers, and people within the community. For example, this level might deal with fairness in wages for employees or notification of the potential dangers of a company's product. For example, McDonald's was sued in 2010 because the lure of Happy Meal toys were said to encourage children to eat unhealthy food. [5] This is a stakeholder issue for McDonald's, since it affects customers. Although the case was dismissed in April 2012, [6] the stakeholder issue revolves around the need for companies to balance healthy choices and its marketing campaigns.

The third level is the internal policy issue level of ethics. In this level, the concern is internal relationships between a company and employees. Fairness in management, pay, and employee participation would all be considered ethical internal policy issues. If we work in management at some point in our careers, this is certainly an area we will have extensive control over. Creation of policies that relate to the treatment of employees relates to human relations—and retention of those employees through fair treatment. It is in the organization's best interests to create policies around internal policies that benefit the company, as well as the individuals working for them.

The last level of ethical issues is personal issues. These deal with how we treat others within our organization. For example, gossiping at work or taking credit for another's work would be considered personal issues. As an employee of an organization, we may not have as much control over societal and stakeholder issues, but certainly we have control over the personal issues level of ethics. This includes "doing the right thing." Doing the right thing affects our human relations in that if we are shown to be trustworthy when making ethical decisions,

it is more likely we can be promoted, or at the very least, earn respect from our colleagues. Without this respect, our human relations with coworkers can be impacted negatively.

One of the biggest ethical challenges in the workplace is when our company's ethics do not meet our own personal ethics. For example, suppose you believe strongly that child labor should not be used to produce clothing. You find out, however, that your company uses child labor in China to produce 10 percent of your products. In this case, your personal values do not meet the societal and stakeholder values you find important. This kind of difference in values can create challenges working in a particular organization. When choosing the company or business we work for, it is important to make sure there is a match between our personal values and the values within the organization.

Figure 5.1 *The Four Levels of Ethics in Organizations*

LEVELS OF ETHICAL QUESTIONS

Level 4
individual

Level 3
Internal policy

Level 2
stakeholders

Level 1
society

How important is it for you to work for an organization that has values and ethics similar to yours?

Sources of Personal Ethics

People are not born with a set of values. The values are developed during the aging process. We can gain our values by watching others, such as parents, teachers, mentors, and siblings. The more we identify with someone, say, our parents, the more likely we are to model that person's behavior. For example, if Jenny sees her father frequently speed when driving on the highway, there is a good chance she will model that behavior as an adult. Or perhaps because of this experience, Jenny ends up doing the exact opposite and always drives the speed limit. Either way, this modeling experience affected her viewpoint. Likewise, if Jenny hears her mother frequently speak ill of people or hears her lying to get out of attending events, there is a good chance Jenny may end up doing the same as an adult—or the opposite. Besides our life models, other things that can influence our values are the following:

1. **Religion.** Religion has an influence over what is considered right and wrong. Religion can be the guiding force for many people when creating their ethical framework.
2. **Culture.** Every culture has a societal set of values. For example, in Costa Rica living a "pure life" (Pura Vita) is the country's slogan. As a result of this laid back attitude, the culture focuses on a loose concept of time compared to the United States, for example.

Similar to our models, our culture tells us what is good, right, and moral. In some cultures where corruption and bribery is the normal way of doing business, people in the culture have the unspoken code that bribery is the way to get what you want. For example, in India, China, and Russia, exporters pay bribes more often than companies from other countries, according to the *New York Times*. [7] In Europe, Italian businesses are more apt to pay bribes compared to other European Union countries. While bribery of a government official is illegal in many countries, it can happen anyway. For example, the government officials, such as police, may view themselves as underpaid and therefore find it acceptable to accept bribes from people who have broken the law.

3. **Media.** Advertising shows us what our values "should" be. For example, if Latrice watches TV on a Thursday night, advertisements for skin creams and hair products might tell her that good skin and shiny hair are a societal value, so she should value those things, too.

4. **Models.** Our parents, siblings, mentors, coaches, and others can affect our ethics today and later in life. The way we see them behave and the things they say affect our values.

5. **Attitudes.** Our attitudes, similar to values, start developing at a young age. As a result, our impression, likes, and dislikes affect ethics, too. For example, someone who spends a lot of time outdoors may feel a connection to the environment and try to purchase environmentally friendly products.

6. **Experiences.** Our values can change over time depending on the experiences we have. For example, if we are bullied by our boss at work, our opinion might change on the right way to treat people when we become managers.

Our personality affects our values, too. For example, in Chapter 3 "Manage Your Stress", we discussed type A personalities and their concern for time. Because of this personality trait, the type A person may value using their time wisely.

Why Human Relations?

While companies may have codes of ethics and policies in place, there is no doubt that behaving ethically—with or without these codes—is a key ingredient to successful human relationships with others. As we have discussed so far throughout the book, emotional intelligence is a key component to career success. Aspects of emotional intelligence, which relate to ethics, include self-management, social awareness, and empathy. **Lacking social awareness and empathy when it comes to ethics can have disastrous effects.** For example, after the 2010 BP oil spill in the Gulf, former CEO of BP Tony Hayward said, "I'd like my life back," [8] but later watched yacht races, showing a lack in social awareness (how our actions affect others) and empathy. As he said this, thousands of gallons of oil leaked into the Gulf, affecting thousands of people living in the area. Even though Hayward apologized later, the damage had been done, as he showed his lack of social awareness and empathy for the situation. This can be taken for a sign of lack of ethics. Learning how to make ethical decisions

makes us more trustworthy, honest, and caring of how our decisions affect others. When we make ethical decisions and are viewed as ethical individuals, our career can begin to grow and so can our relationships with others.

Sources of Company Ethics

Since we know that everyone's upbringing is different and may have had different models, religion, attitudes, and experiences, companies create policies and standards to ensure employees and managers understand the expected ethics. These sources of ethics can be based on the levels of ethics, which we discussed earlier. Understanding our own ethics and company ethics can apply to our emotional intelligence skills in the form of self-management and managing our relationships with others. Being ethical allows us to have a better relationship with our supervisors and organizations.

For example, companies create **values statements**, which explain their values and are tied to company ethics. A values statement is the organization's guiding principles, those things that the company finds important. The following are examples:

Coca-Cola [9]

- Leadership: The courage to shape a better future
- Collaboration: Leverage collective genius
- Integrity: Be real
- Accountability: If it is to be, it's up to me
- Passion: Committed in heart and mind

- Diversity: As inclusive as our brands
- Quality: What we do, we do well

Whole Foods [10]

- Selling the highest quality natural and organic products available
- Satisfying and delighting our customers
- Supporting team member happiness and excellence
- Creating wealth through profits and growth
- Caring about our communities and our environment
- Creating ongoing win-win partnerships with our suppliers
- Promoting the health of our stakeholders through healthy eating education

Banner Bank's Values: [11] "Do The Right Thing"

- Honesty and integrity
- Mutual respect
- Quality
- Trust
- Teamwork

Examples of Ethical Situations

Have you found yourself having to make any of these ethical choices within the last few weeks?

- Cheating on exams
- Downloading music and movies from share sites
- Plagiarizing
- Breaking trust
- Exaggerating experience on a resume

- Using Facebook or other personal websites during company or class time
- Taking office supplies home
- Taking credit for another's work
- Gossiping
- Lying on time cards
- Conflicts of interest
- Knowingly accepting too much change
- Calling in sick when you aren't really sick
- Discriminating against people
- Taking care of personal business on company or class time
- Stretching the truth about a product's capabilities to make the sale
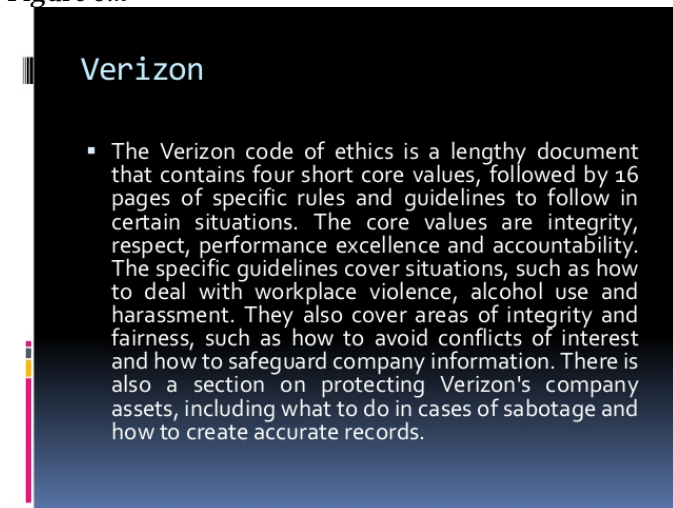- Divulging private company information

A company publicizes its values statements but often an internal **code of conduct** is put into place in order to ensure employees follow company values set forth and advertised to the public. The code of conduct is a guideline for dealing with ethics in the organization. The code of conduct can outline many things, and often companies offer training in one or more of these areas:

- Sexual harassment policy
- Workplace violence
- Employee privacy
- Misconduct off the job
- Conflicts of interest
- Insider trading
- Use of company equipment
- Company information nondisclosures

- Expectations for customer relationships and suppliers
- Policy on accepting or giving gifts to customers or clients
- Bribes
- Relationships with competition

Some companies have 1-800 numbers, run by outside vendors, that allow employees to anonymously inform about ethics violations within the company. Someone who informs law enforcement of ethical or illegal violations is called a **whistleblower**. For example, Dr. Mitchell Magid worked as an oral surgeon for Sanford Health in North Dakota. When he reported numerous safety violations, he claimed he was fired from his job. In an initial ruling, Dr. Magid was awarded $900,000 for the firing, although Sanford Health claims he was fired for other reasons and will appeal the case. [12] In the United States, several laws protect whistleblowers. For example, the Occupational Health and Safety Act (OSHA) protects whistleblowers when they report safety violations. The Sarbanes-Oxley Act of 2002 has a whistleblower statute, which protects employees who whistleblows on wrongful financial dealings within an organization. [13]

Figure 5.2

Verizon

- The Verizon code of ethics is a lengthy document that contains four short core values, followed by 16 pages of specific rules and guidelines to follow in certain situations. The core values are integrity, respect, performance excellence and accountability. The specific guidelines cover situations, such as how to deal with workplace violence, alcohol use and harassment. They also cover areas of integrity and fairness, such as how to avoid conflicts of interest and how to safeguard company information. There is also a section on protecting Verizon's company assets, including what to do in cases of sabotage and how to create accurate records.

Verizon, for example, has a forty-page code of conduct that outlines ethical expectations. This is an excerpt from that code of conduct. [14]

Like a person, a company can have ethics and values that should be the cornerstone of any successful person. Understanding where our ethics come from is a good introduction into how we can make good personal and company ethical decisions. Ethical decision making ties into human relations through emotional intelligence skills, specifically, self-management and relationship management. The ability to manage our ethical decision-making processes can help us make better decisions, and better decisions result in higher productivity and improved human relations. We will discuss ethical decision making and self-management in .

KEY TAKEAWAYS

- *Ethics* is defined as a set of values that define right and wrong. *Values* are standards or principles that a person finds desirable.
- There are four levels of ethical issues. First, societal issues deal with bigger items such as taking care of the environment, capitalism, or embargos. Sometimes companies get involved in societal-level ethics based on their company policies—for example, not using child labor in overseas factories.
- The second level of ethical issues is stakeholder issues. These are the things that a stakeholder might care about, such as product safety.
- Internal policy issues are the third level of ethical issues. This includes things like pay and how employees are treated.
- Personal issues, our last level of ethical issues, refer to how we treat others within our organization.
- There are sources of personal ethics and sources of company ethics. Our personal sources of ethics may come from the models we had in our childhood, such as parents, or from experiences, religion, or culture. Companies use values statements and *codes of ethics* to ensure everyone is following the same ethical codes, since ethics vary from person to person.

EXERCISES

1. Provide an example of each level of ethical issue and describe.
2. Create a personal values statement. This should include five to ten things you find important. Now assess your close relationships. Do they match? What

can occur when your personal values do not match the values of another person?

3. Find a code of conduct online and write three paragraphs on some of the main areas of focus. Be prepared to present in small groups.

4. In our opening case, what do you think Jeremy should do and why?