

## Managerial Ethics

**Ethics** refers to the rules and principles that define right and wrong conduct. There are ethical dimensions to managerial decisions and actions.

### Four Views of Ethics:

1. The **utilitarian view of ethics** states that ethical decisions are made solely on the basis of their outcomes or consequences.
2. The **rights view of ethics** says that ethical decisions are concerned with respecting and protecting individual liberties and privileges such as the rights of privacy, freedom of conscience, free speech, life and safety, and due process.
3. The **theory of justice view of ethics** states that decision makers seek to impose and enforce rules fairly and impartially.
4. Finally, the **integrative social contracts theory** proposes that ethical decisions should be based on empirical (what is) and normative (what should be) factors. This view is based on the integration of two “contracts”—the general social contract and a more specific contract among members of a specific community that might be affected by a decision.

### Toward Improving Ethical Behavior:

What can be done to improve ethical behavior? There are a number of things organizations can do to cultivate ethical behavior among members. Following suggestions will be explored.

1. The selection process for bringing new employees into organizations should be viewed as an opportunity to learn about an individual’s level of moral development, personal values, ego strength, and locus of control.
2. A **code of ethics** is a formal statement of an organization’s primary values and the ethical rules it expects employees to follow. Also, decision rules can be developed to guide managers in handling ethical dilemmas in decision making. Top management’s leadership and commitment to ethical behavior is extremely important because it’s the top managers who set the cultural tone.
3. Employees’ job goals should be tangible and realistic, because when goals are clear and realistic, they reduce ambiguity and motivate rather than punish. Job goals are usually a key issue in performance appraisal.

4. If an organization wants its employees to uphold high ethical standards, it must include this dimension in its appraisal process. Performance appraisals should be comprehensive and not just focus on economic outcomes.
5. Ethics training should be used to help teach ethical problem solving and to present simulations of ethical situations that might arise. If it does nothing else, ethics training should increase awareness of ethical issues.
6. Independent social audits evaluate decisions and management practices in terms of the organization's code of ethics and can be used to deter unethical behavior.
7. Finally, organizations can provide formal protective mechanisms so that employees with ethical dilemmas can do something about them without fear of reprisal.