Today's Agenda

1. **Cross-Cultural Ethics (from Week 4)**

    - **Discussion of Beyond Borders vignettes (John, Roberto, Kay)**

2. **Confucian Ethics (from Week 4)**

3. **Writing Codes of Behaviour**

>

Today's handouts

1. Lecture overheads.

2. A blurb of the PBS doco, Black Money, available on-line.

Remaining Work for BE:

1. Individual essays due by Tuesday, November 10 (Week 9).

2. Team presentations in-class on Tuesday, November 24 (Week 11), and handed in by the end of that week. (I'm still missing 5 names.)

< >

Codes of Ethical Behaviour

Broadly, such codes can be written as:

- — **either** *rules:* **as explicit as the law,
  e.g. "Thou shalt not commit adultery."**

- — **or** *principles:* **broad statements of the
  organisation's values and how these should inform
  employee behaviour
  e.g. "We value the family and its welfare."**

**Which — rules or principles — is best might depend on
the purpose of the code.**

< >

Rules or Principles?

How might these differ?

To deter wrong behaviour or to encourage right, rules might be better:
— readily understood and easily seen when broken

To improve practice, to educate or train, without expecting the worst, principles might be better:
— less legalistic, more initiative left for the individual, less searching for "loopholes".

At any rate, employee "ownership" (through bottom-up development, rather than top-down imposition) is more effective for either way.

< >

Writing Codes of Behaviour

(from M. Schwartz: The Nature of the Relationship between Corporate Codes of Ethics and Behaviour, *JBE* vol 32, 247–262, 2001)

1. **Do they work?**
2. **If so, why?**
3. **If not, why not?**
4. **Lessons?**

< >

Codes of ethics

A written, distinct and formal document consisting of moral standards used to guide employee or corporate behaviour.

AKA: codes of conduct, codes of practice, corporate credos, mission statements, values statements.

More US companies (> 90% large), than Canadian (86% large), than UK (57%), than German (51%), than French (30%).

Used for:

- Provision of consistent normative ("should") standards for employees
- Avoidance of legal consequences.
- Promotion of public image.

< >

How effective are codes?

Codes work: several (8/19) studies

Codes don't really work: some (2/19) studies

Codes irrelevant: other studies (9/19)

Three questions:
  1. **Do codes influence behaviour?**
  2. **Why are codes effective or not?**
  3. **How do codes influence behaviour?**

< >

Penetration of codes

Four questions:

1. Do you believe that others know of your organisation's code?
    (all did)

2. Have you read your organisation's code?
    (some)

3. Where is your copy of the code? Have you bookmarked its URL?
    (half knew)

4. Do you remember what's in the code?
    (usually only 1 or 2 of 5–7 core values recalled)

< >

Behaviour to reduce/prevent

Violations:

> **stealing**
> **fraud**
> **accepting bribes**
> **paying kickbacks**
> **sexual harrassment**
> **conflict of interest**
> **misappropriation of company funds**
> **breach of confidentiality**
> **abusing expense accounts**
> **falsifying records**
> **drinking/drug use on the job**
> **racism**
> **downloading porn**
> **etc**

1. Do codes influence employee behaviour?

Sometimes not:

- "I believe I know what is right and wrong already."

- "After all, the code is merely common sense."

- "I don't believe I've ever had to face an ethical dilemma"

< >

But sometimes yes …

But sometimes yes, as evidenced by:

- people's examples of their own changed behaviours:
  - disparaging the competition
  - avoiding conflicts of interest
  - avoiding business in restricted countries
  - releasing information
  - public discussions as an employee
- the number of questions received by ethics officers from employees regarding the code. Assuming that these were not idle queries, the guidance must have been acted on sometimes.

2. Why are codes effective or not?

When not — five reasons:

- **self-interest (i.e. greed, becoming a star via cut-throat rivalry, financial distress, avoid harassment)**
- **dissatisfaction (i.e. with one's job or level of reimbursement)**
- **environment (i.e. peer pressure, supervisors' behaviour, opportunity)**
- **the company's perceived best interest**
- **ignorance (i.e. never aware, didn't perceive, forgot)**

< >

Reasons for effectiveness …

When compliance occurred:

- personal values, upbringing
- fear of discipline, loss of job
- loyalty to the company

Some of these might be related.

So: stronger personal values might strenthen resistence to peer pressure.

Or the absence of personal values etc might increase non-compliance.

< >

3. How do codes influence behaviour?

Eight metaphors (following Schwartz *JBE* 2001): to comply with the code's provisions.

1. **a *rule book*:** clarifies **behaviour expected**

2. **a *sign-post*:** consult **to determine whether certain behaviour is appropriate**

3. **a *mirror*: to** confirm **whether behaviour is acceptable to the organisation**

4. **a *magnifying-glass*:** cautions **employees to be more careful or be more reflective before action**

< >

5. a *shield*: **helps employees to better** challenge **and resist moral temptation**

6. a *smoke detector*: **leads employees to be abel to** convince **others of the inappropriateness of their behaviour**

7. a *fire alarm*: **helps employees to** contact **appropriate authorities and report violations**

8. a *club*: **the potential enforcement of the code induces employees to** comply **with the code's provisions.**

Practical implications

Reasons for non-compliance:

self-interest, dissatisfaction, environment, company's interest, ignorance.

Reasons for code compliance:

personal values, fear of discipline, loyalty to the organisation.

The eight code metaphors reveal that the process by which a code influences behaviour is diverse, convoluted, and indirect: senior management should be aware of the different ways in which the code is perceived and reacted to.