

## Ethical Role of the Manager

In a broad construction of the ethical role of the manager, managing and leading can be said to be inherently ethics-laden tasks because every managerial decision affects either people or the natural environment in some way—and those effects or impacts need to be taken into consideration as decisions are made. A narrower construction of the ethical role of the manager is that managers should serve only the interests of the shareholder; that is, their sole ethical task is to meet the fiduciary obligation to maximize shareholder wealth that is embedded in the law, predominantly that of the United States, although this point of view is increasingly accepted in other parts of the world. Even in this narrow view, however, although not always recognized explicitly, ethics are at the core of management practice.

The ethical role of managers is broadened beyond fiduciary responsibility when consideration is given to the multiple stakeholders who constitute the organization being managed and to nature, on which human civilization depends for its survival. Business decisions affect both stakeholders and nature; therefore, a logical conclusion is that those decisions have ethical content inherently and that managerial decisions, behaviors, and actions are therefore inherently ethical in nature. Whenever there are impacts due to a decision, behavior, or action that a leader or manager makes, there are ethical aspects to that decision or situation. While some skeptics claim that business ethics is an oxymoron, the reality is that decisions and actions have consequences, and that reality implies some degree of ethics, high or low. Thus, ethics and the managerial role cannot realistically be teased apart.

## Ethical Leadership

The ethical role of managers, or what the business ethicist Linda Treviño and her colleagues call ethical leadership, is a combination of being a moral person and being a moral manager. Being a moral person rests on a combination of key traits such as integrity, honesty, and trustworthiness. Integrity involves not only forthrightness and honesty or truthfulness but also consideration for the soundness of the whole entity that one manages as well as of the society in which the organization is located. Integrity also means firm adherence to a code, such as an ethical code of conduct. Thus, being a moral person suggests that the individual has integrity and can be trusted.

In addition to these traits, being a moral person also involves behaviors such as doing the right thing, concern for people, being open, and standards of personal integrity. The essence of ethics, of course, is doing the right thing, especially under difficult circumstances, and that involves being able to reason well about what the right thing to do actually is. To be able to reason well about a difficult ethical situation, a person needs to be open to learning from multiple sources about the situation while taking care not to harm people and actually attempting to treat people well in the decisionmaking process or when decisions are being implemented. To be able to make good decisions ethically, an individual needs to have thoughtfully developed his or her personal set of standards or values, a personal code of conduct or integrity. Personal standards allow an individual to think through a decision with a clear rationale in mind.

When decisions involving ethical considerations need to be made, Treviño and her colleagues argue, the moral person sticks to her or his core values, tries to be objective and fair, exhibits concern for society and the welfare of those in society, and follows ethical decisionmaking rules. But being a moral person is not the only

requirement for becoming a moral leader. Moral leadership also includes being a moral manager, which involves recognition that the leader or manager serves as a role model for others in all his or her duties. It also means providing rewards and discipline around the ethical and unethical decisions made by others, so that a clear message is sent about what behaviors are and are not acceptable in the organization or situation. In addition, moral management means communicating openly, explicitly, and frequently about ethics and values.

One question that frequently arises in considering the ethics of management is whether individuals can be considered moral leaders or managers in their work lives if they act unethically in their personal lives or vice versa. Considering that an individual's character is reflected in all his or her decisions and actions, such an inconsistency would reflect badly on the individual as a whole. The branch of ethical theory called virtue ethics explores this relationship in depth.

## **Ethical Decisionmaking Frameworks**

Managers in both large and small enterprises face difficult ethical situations daily as they attempt to do their jobs. Since management decisions inherently involve ethical considerations, however, it is important that managers recognize the ethical elements that are embedded in their day-to-day job functions. They need to be able to reason through ethical decisions, just as they would reason through any managerial problem facing them. Many times, ethics-laden situations involve issues that are clearly right or wrong when judged by the manager's or organization's values or code of conduct. Furthermore, most managerial decisions and actions are legal, although there are occasions when a certain decision would clearly go beyond legal boundaries and be illegal. Assuming that the law itself is just, these decisions are not really ethically problematic in that what to do to make an ethically sound decision is quite clear. In these cases, making a decision to break the law or to do something that disagrees with a code of conduct or set of values is clearly unethical. It is not difficult to know what the right thing to do is in such situations.

Ethical decisionmaking problems arise for managers and leaders when decisions involve a moral conflict—that is, a moral situation in which a person must choose between at least two equally bad choices, or when there are multiple ethical considerations, some of which conflict with each other. In such circumstances, which are common in business, the manager has to be able to think through the consequences and ethical implications of the decision thoroughly and mindfully so that the best possible decision can be made given the constraints, implications, and ethical considerations. If the decision itself cannot be reframed as a situation in which all parties can benefit—that is, a win-win situation—then the manager needs a decisionmaking framework to help.

To help managers think through ethical moral conflicts, the business ethicists Gerald Cavanagh and his colleagues have developed a decisionmaking framework that relies on the ideas of philosophers and ethicists and applies those ideas to business decisions. This approach combines four methods of ethical reasoning—rights and duties, utilitarianism, justice, and the ethics of care—into a framework that helps managers and leaders step through a logical thinking process to sort out the ethical dimensions of a difficult and inherently conflictual situation.

### ***Rights and Duties***

Rights are justifiable claims or entitlements, frequently based on the law or other authoritative documents, such as treaties and international declarations, that allow people to pursue their own interests. Rights can be viewed as the positive things that people are allowed to do, but they come with an obverse side as well, in the form of duties or obligations that go along with the rights. For example, in democracies, one right is the ability to vote. Along with that right comes the duty to exercise that right by actually voting. In many countries, employees are granted certain rights, such as the right to safe working conditions or a minimum wage, and employers have corresponding duties to ensure that these conditions are met. These rights are based on laws and regulations. Other rights are based on moral grounds and are frequently written into international treaties, such as the

United Nations Declaration of Human Rights and the Natural Environment. Such rights include respect for human dignity, which enables communities, organizations, and societies to thrive. In using Cavanagh's ethical decisionmaking framework to assess a moral conflict, one question that needs to be asked involves rights and duties: Would this decision respect the rights and duties of the individuals involved?

### ***Utilitarianism***

A second way of reasoning through a moral conflict involves using utilitarian analysis, or assessment of the greatest good of the greatest number. This type of cost-benefit analysis is a very common management approach, but as the framework suggests, it may not be a sufficient basis by itself to make an ethical decision in a moral conflict. In a utilitarian analysis, the harms and benefits of a decision to the different parties that would be affected by the decision are evaluated, with some sort of weight given to the various harms and benefits that assesses their degree. Most utilitarian analysis focuses on the good of the group or collective as a whole over that of any given individual, unless the most serious harm is to the individual—for example, if the decision would be fatal to the individual. Putting the collective, which can include an organization's interest, over that of the individual avoids the problem of self-interest. A second question in the ethical decisionmaking framework for managers, then, would be as follows: Who will be affected by the decision and to what extent will the various parties affected by this decision be harmed or benefited?

### ***Justice***

Principles of justice are a third way for managers to reason about ethical decisions. Just decisions require fairness, equity, and impartiality on the part of decision makers, particularly with respect to the ultimate burdens and benefits that will accrue from the decision. The philosopher John Rawls has discussed the justice criterion in terms of a concept of what he terms distributive justice, which invites decision makers to make a decision behind a veil of ignorance that suggests that they do not know where in the system they will be after the decision is made. This veil-of-ignorance consideration forces managers to take into account the fairness of the decision to any party that will be affected. Similarly, the philosopher Immanuel Kant suggests that justice can be taken into account using the concept of "categorical imperative"; that is, one should only act a given way or make a given decision if the decision maker can agree that it would be all right if any person in a similar situation acted that way. Alternatively, one can think of the categorical imperative as asking the decision maker whether this action or decision would be all right if it became a universal law. In considering justice, then, decision makers have to ask, How does this decision square with the canons of justice?

### ***Ethic of Care***

In addition to assessing a moral conflict from the perspective discussed above, ethical managers and leaders also need to look at the impact of a decision on the network of relationships that will be affected. This perspective is called the ethic of care. Based on feminist writings, the ethic of care proposes that one's moral responsibilities vary according to how closely one is linked to other people. That is, if a person is very close to another person, say, a family member, there will be more moral responsibility for ensuring the well-being of the family member than the well-being of an unrelated person. In an organizational context, using an ethic of care, more consideration might be given to the impact of a decision on long-term employees, who are more tightly connected to the organization and its goals, than to its impact on newly hired employees.

### ***Making Ethical Managerial Decisions***

Managers, according to Gerald Cavanagh, can use a combination of ways of moral reasoning based on rights, justice, utility, and care when they face a moral conflict and when these different ways of reasoning conflict, as they often do. To decide effectively, managers need to take several factors into consideration as they weigh decisions based on the principles of rights, justice, utility, or care. For example, they can consider whether there are overriding factors in the decision. If a decision might result in the death of a person made one way and the unemployment of a group of persons made another way, then the overriding factor might be the life-death

decision. There are, however, no clear rules for making such decisions, and the judgment of the decision maker is needed to determine which of the relevant factors should carry the most weight.

Another consideration is whether one criterion is more important in a particular situation than others. For example, if the rights of a whole group of people are to be overrun by a decision, that factor might override the fact that one or two individuals would not be treated fairly when the decision is made. Similarly, a consideration might be whether there are incapacitating factors (such as force or violence) that would come into play in making the decision—for instance, to stop a strike, which might violate a person's right to strike but forestall the destruction and injury if the strike turned violent. The decision can be considered ethical when there is no intent to make an unethical decision, when a bad effect is simply a by-product, and when the good outcome is sufficiently good that it outweighs the bad.

Other decisionmaking aids for managers include thinking about whether they would want their decision made public—for example, to appear on the front page of a newspaper or on television. If they are uncomfortable with such transparency, it would be well to apply an ethical analysis to the decision. For managers operating in different countries around the world, it is useful to remember that virtually every nation of the world has at its core some version of the Golden Rule: Do unto others as you would have others do unto you. By keeping some of these principles in mind, managers can avoid the problem of relativism in their decision making. Relativism suggests that a decision is all right if it is apparently culturally acceptable, irrespective of the consequences or harms.

## **Moral Development**

The ethical decision making framework for managers relies on reasoning using the principles of rights, justice, utility, and care. It presupposes that managerial decision makers have the capacity to reason from principles in making an ethical decision. Unfortunately, not everyone reasons from moral principles in making ethical decisions. A good deal of research on individual development suggests that people develop their cognitive reasoning skills over time and to different levels, generally termed preconventional, conventional, and postconventional.

Research on moral reasoning in men by Lawrence Kohlberg and on women by Carol Gilligan indicates that moral reasoning passes through similar stages, lagging behind cognitive development, which must come first. At the preconventional stage of development, the rationale for ethical decision making is rewards and punishments or self-interest. Most managers have passed beyond the preconventional stage to the conventional stage of development. In the early stages of conventional reasoning, individuals use their peer group as a reference point for determining what is right and wrong. At the later stages of conventional reasoning, individuals focus on the rules, regulations, and norms of society as bases for their ethical decisions. Only at the postconventional stages of development, which only about 20% of adults reach, does reasoning from principles emerge.

Reasoning from moral principles is a relatively high-level or postconventional skill. The fact that only about 20% of adults reach the postconventional level of development highlights the need for ethical leaders and managers who are able to reason not just from society's or their peer group's norms but also from core principles such as those discussed above so that decisions can be made with multiple stakeholders' needs and interests in mind. Some of the needed principles are laid out in organizational or more generalized codes of conduct, which can also help managers in their decisionmaking roles.

## **Codes of Conduct**

Most large corporations today have developed codes of conduct internally, which are intended to provide guidance for managers confronting ethical situations and moral conflicts. Such codes of conduct need to be supplemented by internal systems, such as reward and information systems, promotion and hiring practices, recognition systems, and organizational culture and communication systems, that support their implementation.

Strong top management commitment to and communication about values and ethical conduct is a core element of ethical leadership from the top of the organization. Ethical leadership is essential to managers and employees at all levels of the enterprise when they are faced with difficult ethical decisions and moral conflicts. Codes of conduct alone can seldom be sufficient for managers to come to good decisions unless they are supported by these other aspects of the organization.

In addition to company or organizational codes of conduct, many of which have been developed internally by companies to articulate their own value systems, a number of codes and principles have emerged globally to help managers think about their ethical responsibilities. Some of these are quite spare and lay out fundamental principles, based on globally agreed documents signed by many nations, such as the United Nations Global Compact with its 10 core principles or the OECD Guidelines for Multinational Enterprises. Others are more elaborate and have been developed by business groups or multisector alliances to help guide business decision making. Again, as with internal codes of conduct, these principles are helpful guides but cannot address every unique situation. As a result, codes need to be supported by the organization's managerial decision making, its culture, its reward systems, and the communication that exists about ethical practices within the firm.

### ***Managers and Ethics in Organizations***

Many managers find it difficult to speak about and sometimes even recognize ethical issues, a difficulty that the management theorists James Waters and Frederick Bird called the moral muteness of managers. Recognizing that management is an inherently ethical task and that the practices of the company embody a set of values or ethics, the management scholar Jeanne Liedtka suggests that there does exist a set of ethically based management practices that can help managers lead their companies effectively and so that they are competitive. By examining numerous organizational improvement initiatives, she determined that they shared common practices and common sets of values that could help an organization achieve its goals most effectively.

The ethics of effective and competitive business practices identified by Jeanne Liedtka include creating a shared sense of meaning, vision, and purpose that connect the employees to the organization and are underpinned by valuing the community without subordinating the individual and seeing the community's purpose as flowing from the individuals involved. A second characteristic that ethical leadership can provide is developing in employees a systems perspective, which is linked to the postconventional stages of cognitive and moral reasoning discussed above, so that a value of serving other community members and related entities in the broader ecosystem emerges. Another theme is that of emphasizing business processes rather than hierarchy and structure, which is based on valuing work itself intrinsically and focusing on both ends and means in decision making, not just the ends. Localized decision making, particularly around work processes, provides a value of responsibility for individual actions, and using information within the system is supported by values of truth telling, integrity, and honesty, the characteristics of moral persons, as well as transparency about and access to needed information.

Organizations with these types of ethically based approaches also focus on development for both employees and the organization as a whole, which means valuing individuals as ends, not as means to ends (a key ethical principle), and focusing on learning and growth. Such approaches also encourage dialogue and related freedom of expression with a commitment to seek common ground when there are differences of opinion. Ethical leaders can also foster the capacity of others and themselves to take multiple perspectives simultaneously—in other words, to move toward postconventional levels of reasoning so that they can understand other points of view and make better decisions. The final element that managers can think about in their roles as ethical leaders is creating a sense of commitment and ownership among organizational members by emphasizing promise keeping, instilling a sense of urgency about the tasks of the enterprise, and encouraging engagement rather than detachment among organizational members.

—Sandra Waddock

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## Further Readings

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