LEARNING OBJECTIVES

- Distinguish between the five primary types of ethical climates.
- Clarify the relationship between respect for persons, inclusion, and justice.
- Summarize the six signs of healthy ethical climates.
- Outline strategies for discovering an organization’s core ideology.
- Defend the use of codes of ethics as ethical tools.
- Identify steps for preventing destructive behaviors and collective corruption.
- Describe how ethical leaders can make the most of the socialization process.
- Evaluate an ethics training program using the five guidelines for effective training.

WHAT’S AHEAD

Healthy ethical climates are marked by inclusion, trust, justice, integrity (ethical soundness, wholeness, and consistency), structural and symbolic reinforcement, and organizational citizenship. Important tools for building an ethical, inclusive organizational climate include core ideology, codes of ethics, preventing and eliminating destructive behaviors, fostering diversity, socialization, and training.

ETHICAL CLIMATES

In the introduction to this text, I argued that ethics is at the heart of leadership. When we become leaders, we assume the ethical responsibilities that come with that role. Nowhere is this more apparent than in the organizational context. Examine nearly any corporate scandal—Volkswagen’s faulty emissions tests, Wells Fargo’s bogus accounts, Theranos Labs’ fabricated test results—and you’ll find leaders who engaged in immoral behavior and encouraged their followers to do the same. The same pattern can be found in the nonprofit and governmental sectors (e.g., money scandals at the National Rifle Association, inflated college ranking data at Temple University, lead poisoning in Flint, Michigan). On a more positive note, leaders are largely responsible for creating the organizations we admire for their ethical behavior. They create positive ethical climates that promote moral behavior by leaders and followers alike.

Ethical climate is best understood as part of an organization’s culture. From the cultural vantage point, an organization is a tribe. As tribal members gather, they develop their own language, stories, beliefs, assumptions, ceremonies, and power structures. These elements combine to form a unique perspective on the world called the organization’s culture. How an organization responds to ethical issues is a part of this culture. Every organization faces a special set of ethical challenges, creates its...
own set of values and norms, develops guidelines for enforcing its ethical standards, honors particular ethical heroes, and so on. Ethical climate, in turn, determines what members believe is right or wrong and shapes their ethical decision making and behavior.

Management professors Bart Victor and John Cullen argue that ethical climates can be classified according to the criteria members use to make moral choices and the groups that members refer to when making ethical determinations. Victor and Cullen identify five primary climate types. **Instrumental** climates follow the principle of ethical egotism. Ethical egotists make decisions based on selfish interests that serve the individual and his or her immediate group and organization. **Caring** climates emphasize concern or care for others. **Law and order** climates are driven by external criteria such as professional codes of conduct. **Rules** climates are governed by the policies, rules, and procedures developed in the organization. **Independence** climates give members wide latitude to make their own decisions. (Complete Self-Assessment 10.1 to determine the type of ethical climate at your company or organization.)

Leaders would do well to know the particular ethical orientation of their organizations. To begin, each of the five climate types poses unique ethical challenges. Members of instrumental organizations often ignore the needs of others, whereas those driven by a care ethic are tempted to overlook the rules to help out friends and colleagues. Leaders and followers in law and order cultures may be blind to the needs of coworkers because they rely on outside standards for guidance. On the other hand, those who play by organizational rules may be blinded to societal norms. Independence produces the best results when members have the knowledge and skills they need to make good decisions.

Studies using the Victor and Cullen climate types suggest that self-interest poses the greatest threat to ethical performance. Rates of immoral behavior are highest in work units and organizations with instrumental climates, which are more common in for-profit organizations and those directed by authoritarian leaders. Members of these groups are also less committed to their organizations and less satisfied with their jobs. Caring (benevolent) climates promote employee loyalty and contentment. Rules climates discourage ethical misconduct but don’t encourage attachment to the organization. External laws and codes that are internalized into an organization’s climate are positively linked with such outcomes as job satisfaction and psychological well-being. Climate has a similar impact on ethical and unethical behavior in a variety of cultural settings, including North America, Europe, Africa, and Asia.

### SIGNS OF HEALTHY ETHICAL CLIMATES

There is no one-size-fits-all approach to creating an ethical climate. Rather, we need to identify principles and practices that characterize positive ethical climates. Then we have to adapt these elements to our particular organizational setting. Key markers of highly ethical organizations are inclusion, trust, justice, integrity, structural reinforcement, and organizational citizenship.

#### Inclusion

Ethical organizations recognize that we are living in the “age of diversity.” Globalization (see Chapter 11), immigration, gender equality, civil, gay and disability rights, and other forces contribute to an increasingly diverse society. Ethical groups embrace these trends,
seeking to foster diversity. They undertake diversity initiatives designed to recruit, train, retain, and promote diverse members while reducing biases, practices and systems that act as barriers to diversity. However, they don't stop at diversity but make inclusion their end goal. Inclusion means helping all members, no matter what their differences—racial, ethnic, gender, sexual orientation, physical abilities—feel valued and engaged. Put another way, “Diversity is getting a seat at the table. Inclusion is sharing your views and being heard.”5 (Complete Self-Assessment 10.2 to determine the level of inclusion in your organization.)

Diversity and inclusion (D&I) efforts pay off. Evidence suggests that diverse organizations gain market share, generate higher financial returns, boost their reputations, retain the best talent, and so on.6 However, leaders of ethical organizations appear to be motivated by more than the bottom line. They are also driven by the recognition that every person has dignity and deserves respect.7 If each person has intrinsic value, then every effort should be made to make sure that every voice is heard. Inclusive leaders address the individual, relational, and system levels of the organization. As individuals, they are humble and curious. They recognize that they don't have all the answers when it comes to diversity. Instead, they have a learning orientation, seeking to understand the perspectives of diverse followers and drawing on their insights. They also demonstrate courage when, for example, changing discriminatory policies or confronting sexism and racism. They have the self-understanding and emotional stability to cope with complexity as well as with the strong emotions that can come when members of diverse groups interact. To demonstrate inclusive leadership at the personal level,8

- take responsibility for your own learning and actions.
- have trusted advisors from different identity groups.
- recognize and explore your own identity and cultural orientation and how they relate to the values and orientations of other groups and individuals.
- expect to have your current assumptions challenged and invite these interactions; make this an expectation of your team.
- be bold in addressing both blatant and subtle forms of exclusion. Use these as opportunities for organizational learning.

At the relational level, inclusive leaders build connections with followers based on authenticity. They keep the focus on shared goals and collective outcomes. They invest time and energy building alliances and partnerships with a variety of groups and individuals. They force themselves to extend their relational boundaries, reaching out to those who are significantly different from them. To demonstrate inclusive leadership at the relational level,

- seek opportunities to mentor and be mentored.
- accept different work and communication styles; allow for differences in problem solving, leading, and getting the work done.
- recognize intergroup fault lines (significant divisions that cause tension between groups).
- recognize existing and implicit norms; examine and revise as needed to address bias.
provide tools and build skills to help diverse teams address conflict, value differences, and communicate clearly.

involve a wide range of people and diverse perspectives. Ask, “Whose voices or perspectives might we be missing?” when addressing issues.

consider your possible blind spots and unquestioned assumptions.

increase alignment, direction, and commitment across organizational groups to shared outcomes.

At the organizational or system level, inclusive leaders define the boundaries and rules for acceptable behavior. They create conditions and opportunities that encourage members to explore and build on their differences. (See Box 10.1 for a description of one set of behaviors that prevent members from capitalizing on diversity.) They act as role models, demonstrating (and communicating) that they understand and value diversity. To act as an inclusive leadership at the organizational level,

- establish a clear business case (the financial and performance benefits) for valuing differences and communicate this message across the organization.
- develop a vision of an inclusive culture that recognizes the added value of differences.
- be explicit about norms and behaviors that build an inclusive climate for all members.
- address exclusionary organizational structures, practices and behaviors.
- review policies and procedures to eliminate biases.
- provide educational opportunities to build knowledge of diverse identities.
- create an accountability system to hold leaders and employees for practicing inclusion.
- supply incentives for best practices.

Box 10.1
Microaggressions

*Microaggressions* describe the everyday slights or snubs that put down members of marginalized groups: people of color, women, religious minorities, lesbian/gay/bisexual/transgendered individuals, the poor, those with disabilities, and so forth. These verbal and nonverbal behaviors and environmental cues invalidate the group identity of recipients, suggest that they don’t
belong, and relegate them to an inferior position. In organizations, they can come from above (supervisors), below (subordinates), and the side (coworkers). According to Columbia University professor Derald Wing Sue, microaggressions take three forms:

1. **Microassaults** have the most in common with traditional forms of discrimination. Often conscious, they threaten and intimidate the members of marginalized groups. Examples of microassaults include displaying a Confederate flag in an office cubicle, painting a Nazi swastika in a bathroom, using racial or sexual slurs, and telling ethnic jokes.

2. **Microinsults** communicate insensitivity, rudeness, and insults. Generally unintentional, they cover up bias and prejudice in the perpetrator while allowing him or her to escape guilt. Examples of microinsults include praising someone for being a “credit to their race,” expressing surprise that a woman can do a man’s job, and posting pictures of white male CEOs (which sends the message that women and minorities don’t belong and have no chance at advancement).

3. **Microinvalidations** deny the thoughts, feelings, and experiences of socially devalued groups. Professor Sue considers these behaviors (which also operate at the unconscious level) to be the most destructive because they deny the reality of targets. Examples of microinvalidations include whites claiming that they “don’t see color” or male employment interviewers telling female applicants that they hire the most qualified candidates “regardless of gender.” Denying differences allows dominant groups to retain their power and status.

Microgressions, while they often appear trivial, have a significant impact on receivers. To begin, targets struggle with the ambiguity of such messages. They have to determine if a microaggression has occurred and how to react in a limited time. They may believe that confronting the aggressor won’t do any good or may bring retaliation. Microaggressive stressors generate health-related problems like high blood pressure, heart disease, and lower resistance to disease. These stressors also appear to be linked to depression and anxiety and disrupt cognitive functioning. Victims in the workplace may dread going to work, withdraw, lose confidence in their ability to evaluate others, and believe they have nothing to offer to their organizations.

Members of marginalized groups may respond to microaggressions by mistrusting majority groups, playing along with the dominant group, acting in rage and anger, and feeling hopeless and helpless. Yet, targets aren’t passive. Many take a proactive approach to microaggressions through what Sue calls “strength through adversity.” These individuals are better able to discern reality than majority group members and are more skilled at reading nonverbal cues. Multicultural, they are able to maintain their own identity while working effectively in the majority setting. Much of their strength comes from relying on other group members to validate their sense of identity and to help them cope with oppressive environments.

Leaders reduce the frequency of microaggressions by raising awareness of these behaviors in themselves and others, noting when they occur. Helping employees drop their “color-blind” attitudes is particularly important to addressing race-based microaggressions. Those who believe that race doesn’t matter don’t recognize these subtle forms of discrimination. Leaders should encourage members to be color aware instead, acknowledging and discussing racial dynamics. Embracing racial, as well as cultural, sexual, and other differences, helps create an inclusive environment that reduces the frequency of microaggressions.
Trust

Ethical organizations, like ethical groups and teams, are marked by a high degree of trust. Not only do members trust one another, but also, together, they develop a shared or aggregate level of trust that becomes part of the group’s culture. Organizational trust describes the collective set of positive expectations members hold about the intentions and behaviors of other stakeholders (coworkers, superiors, followers, other departments), which are based on their experiences and interactions as organizational members. These expectations shape how vulnerable individuals and groups are when interacting with one another and with the organization as a whole. For example, a follower who trusts her supervisor is more likely to take the risk of admitting that a project isn’t going well. Two team leaders who trust each other are more likely to cooperate to carry out a new change initiative. On the other hand, employees who don’t believe that the organization carries through on its commitments aren’t likely to put forth their best efforts.

Over the past several decades, trust has moved from the periphery to the center of organizational studies, primarily because it has been linked to so many positive outcomes. Trust binds group members together, fostering collaboration and communication; lowering costs; reducing turnover; encouraging organizational learning, innovation, and work effort; and generating employee satisfaction and commitment. High-trust organizations make higher-quality decisions, operate more efficiently, and are more productive and profitable. They also behave in a more ethical manner. That’s because trust involves vulnerability and obligation or duty. Those who trust believe that the other party—individual, group, or organization—will carry through on promises and commitments. They put themselves in a vulnerable position because they are depending on others and will suffer if these parties break their commitments. High-trust organizations fulfill their moral obligation or duty by protecting the rights and interests of members and outsiders.

Collective trust is made up of several factors or dimensions. According to one classification system, members judge an organization to be trustworthy if the group (1) makes good-faith efforts to keep its commitments, (2) is honest when negotiating such commitments, and (3) does not take unfair advantage of members even when provided with the opportunity to do so. Other researchers identify five dimensions of organizational trust: competence, openness, concern, reliability, and identification.

Competence is the collective perception that leadership—both supervisory and top management—is effective and that the organization can survive. Organizational survival depends on such factors as the ability to create new products rapidly, meet competitive
pressures, and find new markets. *Openness* or honesty is the belief that management shares information and is sincere. *Concern* reflects caring and empathy. Concerned leaders (and followers) don’t take advantage of the vulnerability of others. *Reliability* describes perceptions of consistent and dependable behavior. Those organizations that match their words and actions generate trust; those that fail to walk the talk undermine trust. *Identification* is the feeling of affiliation and association with the organization.

Leaders are key to the development of organizational trust. Moral leaders lay the foundation for collective trust by acting in a trustworthy manner. They demonstrate the character traits described in Chapter 3 (e.g., compassion, humility, courage). They also communicate a clear sense of mission and vision, foster an atmosphere that encourages openness and sharing, are consistent in their behavior, demonstrate caring, follow through on promises and commitments, and so forth.

**Justice**

Treating people fairly or justly is another hallmark of an ethical organizational climate. Justice in the workplace takes three forms: distributive, procedural, and interactional. Ethical organizations strive to distribute outcomes like pay, office space, time off, and other organizational resources as fairly as possible. They use fair procedures or policies to make these determinations. Further, moral leaders treat people with dignity and respect (see our earlier discussion of inclusion) and share information about how decisions are made.\(^\text{13}\)

Perceptions of justice or injustice have been found to have powerful effects on the attitudes and behaviors of organizational members.\(^\text{14}\) Those who believe that their organizations are just are generally more satisfied, committed, trusting, and accepting of authority. They are also more likely to engage in such moral behaviors as helping out other employees and reporting ethical violations to management. In contrast, perceptions of unfair treatment increase such withdrawal behaviors as neglecting job responsibilities, absenteeism, and quitting. Those who believe they have experienced injustice are also more likely to engage in dark-side behaviors like sexual harassment, incivility, and exacting revenge on coworkers or the organization as a whole. In addition, they are less likely to report ethical problems to management.

Strategies for promoting fairness or justice include the following:

- Distribute pay and other benefits according to a well-structured system; explain how pay raises are granted.
- Provide other benefits (training, time off) to employees when they are asked to do more but the budget doesn’t allow for raises.
- Offer clear explanations for how resources like budgets and space are distributed; tie decisions to organizational values and purpose.
- Base performance appraisal on job-related criteria; clarify standards and expectations in advance and allow for feedback.
- Involve followers in decision-making processes (grant them a significant voice).
- Allow employees to challenge or appeal job decisions.
• Deal truthfully with organizational members.
• Supply rationales for layoffs and firings; express sincerity, kindness, and remorse.
• Follow through on reports of ethical violations; punish wrongdoers.
• Offer public apologies for injustices and offer compensation to victims of injustice.

**Integrity**

Integrity is ethical soundness, wholeness, and consistency. All units and organizational levels share a commitment to high moral standards, backing up their ethical talk with their ethical walk. Consistency increases the level of trust, encouraging members and units to be vulnerable to one another.

According to business ethicist Lynn Paine, managers who act with integrity see ethics as a driving force of an enterprise. These leaders recognize that ethical values largely define what an organization is and what it hopes to accomplish. They keep these values in mind when making routine decisions. Their goal? To help constituents learn to govern their own behavior by following these same principles. Paine believes that any effort to improve organizational integrity must include the following elements.

- **There are sensible, clearly communicated values and commitments.** These values and commitments spell out the organization’s obligations to external stakeholders (customers, suppliers, neighbors) while appealing to insiders. In highly ethical organizations, members take shared values seriously and don’t hesitate to talk about them.

- **Company leaders are committed to and act on the values.** Leaders consistently back the values, use them when making choices, and determine priorities when ethical obligations conflict with one another. For example, former Southwest Airlines president Herb Kelleher put a high value both on the needs of his employees and on customer service. However, it’s clear that his workers came first. He didn’t hesitate to take their side when customers unfairly criticized them. Such principled leadership was missing at Uber under the leadership of founder Travis Kalanick. The firm operated under a culture described as “toxic,” “aggressive,” and “unrestrained.” Male managers routinely harassed female employees, workers reportedly snorted cocaine at a company retreat, top managers battled one another for power, and the firm routinely operated in cities that had outlawed the ride-sharing service. YouTube video captured CEO Kalanick berating an Uber driver. He was forced to resign and the new CEO appeared in a series of television ads touting the firm’s commitment to changing its culture and improving going forward.

- **The values are part of the routine decision-making process and are factored into every important organizational activity.** Ethical considerations shape such activities as planning and goal setting, spending, gathering and sharing information, evaluation, and promotion.
Systems and structures support and reinforce organizational commitments. Systems and structures, such as the organizational chart, how work is processed, budgeting procedures, and product development, serve the organization’s values. (I’ll have more to say about the relationship between ethics and structure below.)

Leaders throughout the organization have the knowledge and skills they need to make ethical decisions. Organizational leaders make ethical choices every day. To demonstrate integrity, they must have the necessary skills, knowledge, and experience. Ethics education and training must be part of their professional development.

Paine and other observers warn us not to confuse integrity with compliance. Ethical compliance strategies are generally responses to outside pressures such as media scrutiny, the U.S. Sentencing Commission guidelines, or the Sarbanes–Oxley Act. Under these federal guidelines, corporate executives can be fined and jailed not only for their ethical misdeeds but also for failing to take reasonable steps to prevent the illegal behavior of employees. Although compliance tactics look good to outsiders, they frequently don’t have a lasting impact on ethical climate. Large firms typically have formal ethics strategies in place, including ethics codes and policies, ethics officers, and systems for registering and dealing with ethical concerns and complaints. However, all too often, these programs have minimal influence on company operations. Policies may not be enforced; some complaint hotlines are rarely used; compliance efforts might be underfunded; CEOs may fail to communicate to employees about ethics.

Structural Reinforcement

An organization’s structure and policies shouldn’t undermine the ethical standards of its members. Instead, as I noted in our discussion of integrity, structure should encourage higher ethical performance on the part of both leaders and followers. Four elements of an organization’s structure have a particularly strong impact on moral behavior:

1. Monetary and nonmonetary reward systems. Organizations often encourage unethical behavior by rewarding it. A software firm headquartered in Korea gave large incentives to salespeople for making lofty sales targets. This encouraged employees to misrepresent sales by reporting that customers had paid when they had not and by having fellow workers pose as clients. In one 9-month period, 70% of reported sales were fictitious. A visit to the local 10-minute oil change shop provides another case of the impact of misplaced rewards. Some lube and oil franchises pay managers and employees based in part on how many additional services and parts they sell beyond the basic oil change. As a consequence, unscrupulous mechanics persuade car owners to buy unneeded air filters, transmission flushes, and wiper blades. It is not always easy to determine all the consequences of a particular reward system. However, ethical leaders make every effort to ensure that desired moral behaviors are rewarded, not discouraged.

2. Performance and evaluation processes. Performance and evaluation processes must monitor both how and whether goals are achieved. In far too many organizations,
leaders set demanding performance goals but intentionally or unintentionally
generate how these objectives are to be reached. Instead, they pressure employees
to produce sales and profits by whatever means possible. Followers then feel
powerless and alienated, becoming estranged from the rest of the group.
Sociologists use the term anomie to refer to this sense of normlessness and
unease that results when rules lose their force. Anomie increases the likelihood
that group members will engage in illegal activities and reduces their resistance
to demands from authority figures who want them to break the law. Loss of
confidence in the organization may also encourage alienated employees to
retaliate against coworkers and the group as a whole. Leaders can address the
problem of anomie by making sure that goals are achieved through ethical
means. False promises cannot be used to land accounts, all debts must be fully
disclosed to investors, kickbacks are prohibited, and so on. They can also make a
stronger link between means and ends through ethics programs that address all
aspects of organizational ethical performance.

Ethically insensitive monitoring processes fail to detect illegal and immoral
behavior and may actually make such practices more likely. When poor behavior
goes unpunished, followers may assume that leaders condone and expect such
actions. Former giant brokerage house Salomon Brothers is a case in point.
In the early 1990s, a government securities trader at the firm violated U.S.
Treasury Department regulations and confessed to then-CEO John Gutfreund.
Gutfreund took no action against the rogue trader, in part because he was a star
performer. Failure to swiftly punish this star employee enabled him to continue
his illegal behavior and cost Salomon Brothers millions in fines and much of its
stock and bond business.

3. Decision-making rights and responsibilities. Ethical conduct is more likely when
workers are responsible for ethical decisions and have the authority to choose
how to respond. Leaders at ethical organizations do all they can to ensure that
those closest to the process or problem can communicate their concerns about
ethical issues. These managers also empower followers to make and implement
their choices. Unfortunately, employees with the most knowledge are often
excluded from the decision-making process or lack the power to follow through
on their choices. Such was the case in the Columbia space shuttle disaster.
Lower-level managers were concerned that a piece of foam had damaged the
shuttle’s protective shield during liftoff. However, higher-ranking National
Aeronautics and Space Administration (NASA) officials dismissed their worries.
During reentry, superheated gas entered a 6- to 10-inch hole, triggering an
explosion that killed seven astronauts.

4. Corporate governance. Boards of directors occupy the top of the organizational
structure. They select and oversee the managers who run the company or
nonprofit while protecting the interests of the stockholders or supporters. Their
ethical duties include (1) ensuring that the CEO and senior management
operate in an ethical fashion, (2) guaranteeing that top leadership establishes a
culture of integrity and compliance, (3) producing accurate financial statements,
(4) listening to shareholders, and (5) treating employees and outsiders fairly.
Weak boards fail to carry out these responsibilities. Effective boards, on the other hand, are made up of independent members who have the expertise as well as the time and energy to devote to their duties. They are actively engaged in the life of the organization by gathering information from employees and lower-level managers, regularly visiting store locations, and so on. Directors on effective boards prevent groupthink by welcoming dissent rather than punishing those who threaten the group’s cohesion.26

Organizational Citizenship

Concern for those outside the organization is another sign of a healthy ethical climate. Ethical organizations act as good citizens. They acknowledge their obligations to their communities and use their influence to improve society. Organizational citizenship is made of four components. The first is stakeholder focus. Organizational citizens recognize that their responsibilities extend to all groups who have an interest or stake in their policies and operations. Stakeholder theorists argue that organizational leaders have an ethical obligation to consider such groups because they have intrinsic value and ought to be treated justly. Reaching out to these parties contributes to the common good of society.27 Organizational stakeholders might include shareholders, suppliers, competitors, customers, creditors, unions, social activists, governments, local communities, and the general public.28 Good corporate and organizational citizens seek to be accountable to these groups, cooperating with them whenever possible and minimizing the negative impact of organizational activities. When needed, these organizations engage in dialogue with their critics.

Corporate social responsibility (CSR) is the second component of organizational citizenship. CSR describes the activities of companies and other organizations aimed at improving the welfare of society.29 CSR can take many different forms. Good corporate citizens send volunteers to work on Habitat for Humanity building projects, sponsor food drives, provide free dental clinics in developing countries, set up philanthropic organizations to give money to worthy causes, and so forth. The public increasingly demands that corporations behave responsibly. Eighty-one percent of consumers surveyed in the world’s top 10 economies wanted firms to focus on more than profits, addressing social and environmental issues as well. Over half said that they would purchase a lesser quality product if was more socially or environmentally responsible.30 Companies that engage in social responsibility efforts frequently benefit, building their reputations while attracting loyal customers. Their employees are more committed to the business, perform better, and are more likely to engage in organizational citizenship behaviors. CSR also makes firms more attractive as potential employers.31 CSR would be ethically justified even if it didn’t pay practical dividends, however. CSR behaviors are altruistic, recognize the dignity of others and promote justice.

Sustainability or environmental care makes up the third element of organizational citizenship. Sustainable organizations try to protect the environment, doing business in a way that protects future generations.32 They address environmental problems by taking such steps as capping plant emissions, using recycled components, creating less toxic products, reducing oil consumption, and buying from environmentally friendly suppliers. Sustainability is woven into the corporate DNA of New Belgium Brewing, the maker of Fat Tire Amber Ale. The firm became the first wind powered brewery in the United States
and uses the heat from fermentation to warm water for brewing and cleaning tanks. Started by avid cyclists (a bike is on the company logo), New Belgium gives a bicycle to every employee on the first anniversary of employment, and provides lots of bike parking and on-site showers for those who peddle to work. Sustainable organizations are constantly seeking to improve, as in the case of manufacturers that plan for all the environmental impacts over the life cycle of a product. Patagonia, for example, encourages customers to only buy what they need and to return their items to be recycled. The clothing manufacturer claims to recycle 100% of its polyester goods.

Responsible corporate citizens engage in “triple bottom line” accounting. They evaluate their success based not just on financial results but also on their social and environmental performance. The vast majority of the world’s largest corporations report such information. Coca Cola, for example, describes its progress toward a variety of social and environmental objectives, including sustainable agricultural sourcing, climate protection, recycling, contributions, water use and reuse, and empowering women.

Corporate (CEO) activism is the fourth and newest component of organizational citizenship. In corporate activism, firms take moral stances on social-political issues like gun control, gay marriage, race relations, climate change, immigration bans, and trans rights. Past CEOs were reluctant to take positions on social issues for fear of alienating their customers. They generally only took positions directly related to their business interests, such as when a cereal company opposes restrictions on the use of genetically modified (GMO) grains. Now corporate leaders are speaking out. They are motivated by their commitment to social responsibility, pressure from the public and employees, access to social media, and their conviction that they have a moral duty to voice their concerns. According to Bank of America CEO Brian Moynihan, “Our jobs as CEOs now include driving what we think is right.” Business leaders signed letters protesting President Trump’s ban on Muslim immigrants and his decision to withdraw from the Paris climate agreement. The President’s Economic Council disbanded after members, led by Merck CEO Kenneth Frazier, resigned in protest of Trump’s sympathetic comments about white supremacists. PayPal, the National Basketball Association, Deutsche Bank, and other organizations vowed to curtail investments in North Carolina after the state passed a law requiring transgender individuals to use the bathrooms that match the sex listed on their birth certificates. Major airlines refused to transport immigrant children separated from their parents under the Trump administration’s “zero tolerance” immigration policy.

CEO activists can have an impact. Hobby Lobby successfully fought to prevent the government from requiring birth control coverage under the Affordable Care Act. The “bathroom bills” in North Carolina and Indiana were repealed or modified in response to corporate pressure and business opposition kept Georgia from adopting a similar law. By speaking out, leaders reinforce corporate values, particularly their firms’ commitment to diversity. They are more likely to retain employees, particularly millennials, who want their leaders to speak out. But taking social positions is risky. Companies can become classified as red (Republican) or blue (Democrat). A Weber Shadwick study found that those who support the CEO’s position are more likely to buy the firm’s products while those who disagree intend to buy less. Many surveyed remain skeptical about the motivation of corporate leaders, believing that they are acting in order to get media attention or to sell more products and services.

Every social stance seems to generate a counter stance. When Target announced it would allow transgender individuals to use bathrooms and dressing rooms of their gender identity,
over 1.2 million people signed an online petition protesting the decision. In response, the company spent $20 million building single-occupancy bathrooms in its stores. When liberals boycotted Chick-fil-A after its CEO condemned homosexuality, conservative commentator Mike Huckabee organized a “Support Chick-Fil-A Day, which resulted in 125,000 diners flocking to the chain's outlets. Nevertheless, despite the risks, more CEOS are likely to take public social stances. Early indications are that corporate activism is following in the path of CSR, which at one time was voluntary but now is expected of all firms.

**CLIMATE-BUILDING TOOLS**

To build or create ethical organizational climates, leaders rely heavily on five tools: core ideology, codes of ethics, enforcement, socialization, and ethics training.

**Discovering and Communicating Core Ideology**

Management experts James Collins and Jerry Porras use the term *core ideology* to refer to the central identity or character of an organization. The character of outstanding companies remains constant, even as these firms continually learn and adapt. According to Collins and Porras, “Truly great companies understand the difference between what should never change and what should be open for change, between what is genuinely sacred and what is not.”38 (Case Study 10.1 describes how universities are struggling to maintain what they view as sacred.)

Core values are the first component of core ideology. (See Box 10.2 for some examples.) One way to determine whether a value is central to your organization is to ask, “What would happen if we were penalized for holding this standard?” If you can’t honestly say that you would keep this value if it cost your group market share or profits, then it shouldn’t show up on your final list. To determine core values, Collins and Porras recommend the Mars Group technique. In this approach, participants imagine they have been asked to re-create the very best attributes of their organization (school, business, nonprofit) on another planet. Groups are limited to five to seven people, since space on the rocket ship is scarce. Group members work from personal to organizational values by considering these questions:

- What core values (values that you would hold regardless of whether they were rewarded) do you personally bring to your work?
- What values would you tell your children that you hold at work and that you hope they will hold as working adults?
- If you woke up tomorrow morning with enough money to retire, would you continue to live with those core values? Can you envision them being as valid for you 100 years from now as they are today?
- Would you want to hold these core values even if one or more of them became a competitive disadvantage?
- If you were to start a new organization in a different line of work, what core values would you build into the new organization, regardless of industry?
Groups summarize their conclusions and present them to others in the organization, comparing their values with those of other groups traveling on other spaceships. Identifying common themes can be useful at this stage. Look for groups of related descriptors (i.e., integrity, honesty, transparency) and choose the word that best represents that values cluster. Then determine which values (generally three to five) that are sacred to your organization.

Appreciative inquiry (AI) is another effective tool for developing a shared understanding of ethical values. Participants in the AI process set out to discover the organization’s positive core and use the group’s strengths to guide individual and collective action. AI begins by choosing an affirmative topic, based on the assumption that what organizational members study will determine the kind of organizations they create. Asking positive questions (“What are our values?” “What do ethics mean to us?”) elicits positive examples and achievements. Once the affirmative topic is selected, AI moves through four stages: discovery, dream, design, and destiny.

The discovery phase identifies the best of what has been and what is. Interviews and brainstorming sessions highlight organizational achievements and important traditions. These could include stories of organizational heroes and how the organization lived up to its commitments during tough times or descriptions of the group’s tradition of social responsibility. In the dream phase, participants look to the future to ask, “What might be?” They develop a vision of the organization’s ethical future, focusing on the group’s ultimate purpose (“What is the world calling us to become?”). The design stage incorporates both the discovery and dream phases by describing exactly how the organization will look and act if it lives up to its values. This ideal organization integrates the positive core elements of the group into the dream created by participants. For example: a place where everyone can voice his or her concerns about unethical behavior without fear of punishment or a place where commitment to the community takes precedence over short-term profits. In the last stage—destiny—participants collectively commit themselves to building the desired organization. They might design tactics for encouraging dissent, for instance, or develop new community outreach programs.

Box 10.2
Core Values

Levi Strauss
- Empathy—Walking in other people’s shoes
- Originality—Being authentic and innovative
- Integrity—Doing the right thing
- Courage—Standing up for what we believe

Amgen
- Be science based
- Compete intensely and win
- Create value for patients, staff, and stockholders
- Be ethical

(Continued)
Core purpose is the second part of an organization’s ideology. Purpose is the group’s reason for being that reflects the ideals of its members. Here are some examples of corporate purpose or mission statements from some of the largest corporations in four English-speaking nations.40

**United States**

Advancing the health of the health care system by advancing the health of our partners. (McKesson)

To give people the power to build community and bring the world closer together. (Facebook)

Use our pioneering spirit to responsibly deliver energy to the world. (ConocoPhillips)

**Boys & Girls Clubs of America**

- Integrity—authentic, honest, transparent
- Collaboration—work effectively within and across teams
- Accountability—do what we say, stewards of resources
- Respect—honor diversity and inclusion
- Excellence—in service delivery

**Kroger**

- Honesty: Doing the right things, telling the truth
- Integrity: Living our values in all we do
- Respect for Others: Valuing opinions, property and perspectives of others
- Diversity: Including a variety of people from different backgrounds and opinions
- Safety: Watching out for others, being secure and safe in your workplace
- Inclusion: Your voice matters, encouraging everyone’s involvement

**Arby’s**

- Dream Big
- Work Hard
- Get it Done
- Play Fair
- Have Fun
- Make a Difference

**First Horizon National Corporation**

- Accountability—ask questions, raise issues, and see things to completion
- Adaptability—champion change
- Integrity—exercise judgment and understanding to do the right thing
- Relationships—work inclusively with colleagues

Sources: Adapted from organizational websites.
**Australia**

To provide exceptional quality in every product we sell and every experience we deliver, to our customers and our people. (National Australia Bank)

To deliver to customers the right shopping experience each and every time. (Woolworths)

To create the best places; places that inspire and enrich the lives of people around the world. (Lendlease)

**Canada**

To be the institution of choice in the financial sector, providing superior products and services, and being a good corporate citizen to the benefit of our customers, shareholders and staff. (Scotiabank)

To be the world’s best gold mining company by finding, acquiring, developing, and producing quality reserves in a safe, profitable, and socially responsible manner. (Barrick Gold Corporation)

To be the world’s leading manufacturer of planes and trains. (Bombardier)

**Britain**

Serving Britain’s shoppers a little better every day. (Tesco)

To be the most trusted retailer, where people love to work and shop. (J Sainsbury)

To give our customers an essential edge, helping them protect what matters most, and deliver shareholder value. (BAE Systems)

Your organization’s purpose statement should inspire members. (Don’t make high profits or stock dividends your goal because these don’t motivate people at every level of the organization.) Your purpose should also serve as an organizational anchor. Every other element of your organization—business plans, expansion efforts, buildings, products—will come and go, but your purpose and values will remain. Asking the “Five Whys” is one way to identify organizational purpose. Start with a description of what your organization does and then ask why that activity is important five separate times. Each “Why?” will get you closer to the fundamental mission of your group.

Once your organization has identified its core values and purpose, use both formal and informal communication channels to transmit them to members and outside groups. Formal channels are officially recognized and recorded by the organization and include, for example, websites, recruitment materials, annual reports, and stockholder meetings. Your group’s purpose and values should regularly appear in all of these forums. Informal channels are generally not part of the organization’s official records. Two informal channels—rituals and stories—play a particularly important role in shaping ethical climate. Rituals are repeated patterns of behavior that occur at regular intervals. FedEx demonstrates how one type of ritual—the award ceremony—can be a powerful tool for transmitting core
beliefs. The Purple Promise Award honors employees’ commitment and unselfish service. One winner, whose truck broke down, convinced the tow truck driver to take her (with her vehicle in tow) to the last delivery of the day. Another winner strapped packages to his back and delivered them in 90-degree heat by bicycle when his van died. The company also honors humanitarian heroes, like the employee who saved a toddler wandering down a highway and the courier who revived a nearly drowned child.42

In Chapter 4, we noted that narratives play a critical role in shaping our character. Stories also play a significant role in communicating shared values. For example, since its beginning Northwest Mutual Insurance has relied on vignettes to capture its values, which include integrity and building long-term relationships with clients. Members continue to tell the story of the company’s founder who, when two policy holders were killed, borrowed $1500 to pay the difference between what the company had in cash and what he owed the beneficiaries. A recent CEO refused to cancel an interview on the day that the stock market plunged, saying to staff, “No, we’re not going to behave any differently whether this reporter is here or not.” Following the 911 attacks, company executives were determined to do “the right thing.” They decided to accept nontraditional evidence of death, sent SWAT teams of claims adjusters to New York and Washington, and streamlined the company’s claim website. The insurer paid out $125 million in benefits in an average of just 5 days.

Codes of Ethics

Codes of ethics are among the most common ethics tools. Companies listed on the New York Stock Exchange and the NASDAQ are required to have them, and under the Sarbanes–Oxley Act, public firms must disclose whether they have such codes for their senior executives.43 Many government departments, professional associations, social service agencies, and schools have developed codes as well. Nevertheless, formal ethics statements are as controversial as they are popular. Skeptics make these criticisms:44

- Codes are too vague to be useful.
- Codes may not be widely distributed or read.
- Most codes are developed as public relations documents designed solely to improve an organization’s image.
- Codes don’t improve the ethical climate of organizations or produce more ethical behavior.
- Codes often become the final word on the subject of ethics.
- Codes are hard to apply across cultures and in different situations.
- Codes often lack adequate enforcement provisions.
- Codes often fail to spell out which ethical obligations should take priority, or they put the needs of the organization ahead of those of society as a whole.
- Adherence to codes often goes unrewarded.

The experience of Enron highlights the shortcomings of formal ethical statements. Company officials had a “beautifully written” code of ethics that specifically prohibited
the off-the-books financial deals that led to its bankruptcy. Unfortunately, these same executives convinced the board of directors to waive this prohibition.

Defenders of ethical codes point to their potential benefits. First, a code describes an organization’s ethical stance both to members and to the outside world. Newcomers, in particular, look to the code for guidance about an organization’s ethical standards and values. They learn about potential ethical problems they may face in carrying out their duties. Second, a formal ethics statement can improve the group’s image while protecting it from lawsuits and further regulation. In the case of wrongdoing, an organization can point to the code as evidence that the unethical behavior is limited to a few individuals and not the policy of the company as a whole. Third, referring to a code can encourage followers and leaders to resist unethical group and organizational pressures. Fourth, a written document can have a direct, positive influence on ethical behavior. Students who sign honor codes, for example, are significantly less likely to plagiarize and cheat on tests. Employees in companies with formal codes of ethics judge themselves, their coworkers, and their leaders to be more ethical than do workers in companies that don’t have codes. Members of code organizations believe that their organizations are more supportive of ethical behavior and express a higher level of organizational commitment.

There’s no doubt that a code of ethics can be a vague document that has little impact on how members act. A number of organizations use these statements for purposes of image, not integrity. They want to appear concerned about ethical issues while protecting themselves from litigation. Just having a code on file doesn’t mean that it will be read or used, as in the case of Enron. Nonetheless, creating an ethical statement can be an important first step on the road to organizational integrity. Although a code doesn’t guarantee moral improvement, it is hard to imagine an ethical organization without one. Codes can focus attention on important ethical standards, outline expectations, and help people act more appropriately. They have the most impact when senior executives make them a priority and follow their provisions while rewarding followers who do the same.

Communication ethicists Richard Johannesen, Kathleen Valde, and Karen Whedbee believe that many of the objections to formal codes could be overcome if organizations followed these guidelines:

- Distinguish between ideals and minimum conditions. Identify which parts of the statement are goals to strive for and which are minimal or basic ethical standards.
- Design the code for ordinary circumstances. Members shouldn’t have to demonstrate extraordinary courage or make unusual sacrifices in order to follow the code. Ensure that average employees can follow its guidelines.
- Use clear, specific language. Important abstract terms such as reasonable, distort, and falsify should be explained and illustrated.
- Be logically coherent. Prioritize obligations. Which commitments are most important: The client? The public? The employer? The profession?
- Protect the larger community. Don’t protect the interests of the organization at the expense of the public. Speak to the needs of outside groups.
Focus on issues of particular importance to group members. Every organization and profession will face particular ethical dilemmas and temptations. For instance, lawyers must balance duties to clients with their responsibilities as officers of the court. Doctors try to provide the best care while the health insurers pressure them to keep costs down. The code should address the group’s unique moral issues.

Stimulate further discussion and modification. Don’t file the code away or treat it as the final word on the subject of collective ethics. Use it to spark ethical discussion and modify its provisions when needed.

Provide guidance for the entire organization and the profession to which it belongs. Spell out the consequences when the business or nonprofit as a whole acts unethically. Who should respond, and how? What role should outside groups (professional associations, accrediting bodies, regulatory agencies) play in responding to the organization’s ethical transgressions?

Outline the moral principles behind the code. Explain why an action is right based on ethical standards (deontology, utilitarianism, altruism) like those described in Chapter 5.

Encourage widespread input. Draw on all constituencies, including management, union members, and professionals, when developing the provisions of the code.

Back the code with enforcement. Create procedures for interpreting the code and applying sanctions. Ethics offices and officers should set up systems for reporting problems, investigating charges, and reaching conclusions. Possible punishments for ethical transgressions include informal warnings, formal reprimands that are entered into employment files, suspensions without pay, and terminations.

Most codes of ethics address the following:

- **Conflicts of interest.** Conflicts of interest arise when an employee benefits at the expense of the organization or can’t exercise independent judgment because of an investment, activity, or association. Even the appearance of a conflict of interest is problematic.

- **Records, funds, and assets.** Organizations must keep accurate records and protect funds and other assets. Such records (including financial statements) have to meet state and federal regulations.

- **Information.** In for-profit organizations, employees can be liable if they or even their families reveal confidential information that undermines performance or competitive advantage. In the public sector, codes of ethics encourage employees to share information rather than to withhold it from the public.

- **Outside relationships.** This category addresses contact with customers, suppliers, competitors, contractors, and other outside individuals and organizations and includes prohibitions against bad-mouthing the competition, price-fixing, and the sharing of sensitive information.
• Employment practices. This category covers discrimination, sexual harassment, drug use, voluntary activities, and related human resource issues.

• Other practices. This category sets policies related to a variety of other topics, including health and safety, the use of technology, the environment, political activities, and the use of organizational assets for personal benefit.

If you’re interested in developing or refining a code of ethics, you can use the examples in Box 10.3 as a model.

Box 10.3
Ethics Codes: A Sampler

Conflicts of Interest (Cummins Inc.)
Employees cannot have improper relationships with suppliers or other third parties and must be vigilant in ensuring that personal or family relationships do not pose even an appearance of a conflict of interest. Employees also cannot accept favors, gifts or other gratuities from suppliers or consumers in exchange for securing business or other favorable treatment.

Records, Funds, and Assets (PepsiCo)
Business records, including our financial statements, contracts and agreements, must always be accurate and reflect a forthright presentation of the facts.

Our investors and the general public rely on our company, and the law obligates us, to report accurately on our business, our earnings and our financial condition.

Protecting Information (Citigroup)
You are expected not to disclose personal, proprietary, or confidential information about any client, supplier, vendor, distributor, shareholder, business partner, former colleague, Citigroup’s workforce, or Citigroup to any unauthorized person, including another Citigroup employee.

Outside Relationships (Rockwell Collins)
Human rights.

We believe that all human beings should be treated with dignity, fairness and respect.

Our company will only engage suppliers and agents who demonstrate a serious commitment to the health and safety of their workers, and operate in compliance with human rights laws and regulations.

Employment Practices
Treatment of Other Workers (Cummins Inc.)
We strictly forbid discrimination, harassment and retaliation and strive to provide equal opportunity and fair treatment for all. Cummins prohibits discrimination or harassment based on an individual’s race, color, religion, gender, gender identity and/or expression, national origin, disability, union affiliation, sexual orientation, age, veteran status, citizenship or other status protected by applicable law.

Other Practices
Personal Political Activity (Boeing)
All political activities, including holding public office, must be on employee’s personal time, vacation time or leave of absence. Employees may not (Continued)
Preventing and Eliminating Destructive Behaviors

As we saw earlier, inclusive leaders set clear boundaries and rules for acceptable behaviors. When it comes to fostering diversity and inclusion, sexual harassment and discrimination are particularly damaging. Sexual harassment is a form of aggression based on biological sex, gender identity, or sexual orientation. Quid pro quo harassment occurs when targets are coerced into providing sexual favors in return for keeping their jobs or getting promoted. Hostile work environment harassment exists when job conditions interfere with job performance. Components of hostile working conditions include demeaning comments, suggestive gestures, threats, propositions, bribes, and sexual assault. The work performance of victims declines, and they may quit their jobs. Targets also suffer physically (headaches, sleep loss, nausea, eating disorders) and psychologically (depression, fear, a sense of helplessness). (Case Study 10.2 describes a firm that was slow to respond to sexual harassment by top company leaders.) Over 80% of women report being victims of sexual harassment at work or in public.

Discrimination (negative bias) is putting members of selected groups, such as women, minorities, disabled employees, older workers, and homeless people, at a disadvantage. Such negative treatment is generally based on stereotypes and prejudice (e.g., older workers can’t learn new skills, Hispanics are lazy). Because of the passage of antidiscrimination laws and changes in societal values, employment discrimination is generally expressed subtly through such behaviors as dismissing the achievements of people of color and women, avoiding members of low-status groups, and hiring and promoting those of similar backgrounds. (See our earlier discussion of microaggressions). The impact of discrimination can be seen in the fact that the unemployment rate for African Americans is almost double that of Caucasians. Middle-income white households own eight times more wealth than middle-income black households and ten times as much as middle-income Latino families.

In addition to sexual harassment and discrimination, researchers have also identified other destructive or antisocial actions that cause harm. Those who engage in such unethical behaviors are driven to meet their own needs at the expense of coworkers and the group as a whole. Workplace incivility and aggression are common dark side behaviors. Incivility consists of rude or discourteous actions that disregard others and violate norms for respect. They include leaving a mess for the maintenance staff to pick up, sending a “flaming” e-mail, claiming credit for someone else’s work, making fun of a peer, and inadvertently ignoring a team member on the way into the office. Incivility reduces
employee job satisfaction, task performance, motivation, loyalty, performance, creativity, and willingness to cooperate. Twenty percent of the sample in one study reported being the targets of uncivil messages in a given week.

Aggression refers to deliberately trying to hurt others or the organization itself. Aggressive behaviors can take a variety of forms, ranging from refusing to answer e-mails to swearing at coworkers to murder. Such behaviors can be categorized along three dimensions. They can be physical–verbal (destructive words or deeds), active–passive (doing harm by acting or failing to act), or direct–indirect (doing harm directly to the other person or indirectly through an intermediary and attacking something that the target values). Aggression does extensive damage to individuals and organizations. Victims may be hurt; experience more stress, which leads to poor health; become fearful, depressed, or angry; lose the ability to concentrate; and feel less committed to their jobs. Observers of aggressive incidents also experience more anxiety and have a lower sense of well-being and commitment. Performance at the organizational level drops as a product of the aggressive actions of employees. Workplace aggression reduces productivity while increasing absenteeism and turnover. Organizations become the targets of lawsuits and negative publicity. In the United States, there were 16,890 incidents of violence resulting in time away from work in 2016 and 500 workplace homicides.

Moral leaders significantly reduce the rate of sexual harassment, discrimination, incivility, aggression, and other destructive behaviors when they do the following:

1. Create zero-tolerance policies that prohibit antisocial actions. They insist on employee-to-employee civility, forbid aggression and sexual harassment, and prohibit discrimination. These policies also outlaw other unethical practices like lying to customers or paying kickbacks.

2. Obey guidelines. As noted earlier, leaders are powerful role models. Zero-tolerance policies will have little effect if leaders do not follow the rules they set. Ironically, leaders are most likely to violate standards because they believe that they are exceptions to the rules (see the discussion of unhealthy motivations in Chapter 2). Furthermore, because they are in positions of power, leaders are freer to act uncivilly, to bully others, or to offer favors in return for sex.

3. Constantly monitor for possible violations. Destructive behavior may be hidden from the view of top leaders. Some managers are good at “kissing up and kicking down,” for example. They act respectfully toward superiors while bullying employees and treating them with disrespect. Ethical leaders actively seek feedback from employees further down the organizational hierarchy. They conduct 360-degree reviews that allow employees to rate their supervisors and provide channels—human relations departments, open-door policies—for reporting misbehaviors. Those who come forward with complaints are protected from retribution. (The “Focus on Follower Ethics” box outlines the reasons why employees keep silent about misbehavior.)

4. Move quickly when standards are violated. Ethical leaders recognize that failing to act sends the wrong message, undermining ethical climate. If left unchecked, incivility escalates into aggression. A culture of aggression forms when abusive members are allowed to act as role models. Victims of sexual harassment
won’t come forward if they think that their leaders won’t respond. Patterns of
discrimination perpetuate themselves unless leaders intervene. The U.S. military
has been accused of moving slowly to address sexual assaults of both women and
men. Officers often discourage victims from reporting sex crimes. Commanding
officers, not legal personnel, determine if charges should be brought. Decisions
are generally made in secret.56

5. **Address the underlying factors that trigger destructive actions.** Ethical leaders try
to screen out potential employees who have a history of destructive behavior.
They also try to eliminate situational elements that produce antisocial action.
Important contextual triggers include unpleasant working conditions, job stress,
oppressive supervision, perceived injustice, and extreme competitiveness.57

Moral leaders also move quickly to address the destructive actions of groups of employ-
ees. In **collective corruption**, two or more individuals cooperate in unethical behavior.58
They abuse their organizational positions and authority to benefit themselves, their work
units, or their organizations. Examples of collective corruption include accounting fraud,
price-fixing, kickbacks, inflating test results, bribery, covering up criminal behavior, graft,
and nepotism. Observers note that corruption is a slippery slope where the corrupt
behaviors of a few individuals can rapidly become part of the organization’s culture and
ethical climate. First, an individual or group—often encouraged by a leader—decides
to engage in an unethical behavior, like bribing a local official to secure a construction
contract. If the corrupt decision or act is successful (the bribe leads to a significant
profits), then this information is stored in organizational memory and the destructive
behavior (bribery) is more likely to be used again in the future. Corruption then becomes
the normal routine.

Those participating in corrupt activities use a variety of rationalizations to defend their
behavior. For instance, they deny that anyone was harmed, claim that they were forced to
go along, and appeal to group loyalty to defend their choices. FIFA, the governing body of
international soccer, is one prominent organization that apparently normalized corruption.
A number of top FIFA officials have been arrested on charges of taking bribes. They are
accused of accepting money from media outlets, sports equipment companies, and gov-
ernments in return for granting broadcast and equipment rights and selecting World Cup
host countries. (Turn to the “Leadership Ethics at the Movies” case on the student study
site for another example of a corrupt sports organization.)

Leaders need to set forth clear ethical expectations and punish offenders before their
isolated misbehaviors become part of the organization’s memory and operations. If cor-
ruption does become part of the group’s normal way of doing business, more drastic steps
are called for, such as those taken by Siemens Global. For many years, employees at the
German engineering firm channeled payments to government officials, primarily in devel-
oping countries, to secure contracts. For example, Siemens paid as much as $60 million
to produce Argentina’s national identity cards and $20 million to build power plants in
Israel. When the illegal payment scheme was unearthed in 2006, new CEO Peter Loescher
rooted out the corruption by instituting a zero-tolerance policy, removing half the manage-
ment board, hiring a chief ethics officer, starting an anticorruption training program, and
increasing the compliance staff from 86 to 500. The firm, which had to pay $1.6 billion
in fines, earned praise from U.S. regulators who cited it as a model for other companies
charged with corruption.59
Focus on Follower Ethics

Employee Silence

Leaders can’t punish destructive behaviors until they are brought to their attention. All too often, employees who witness sexual harassment, bullying, theft, fraud, and other immoral and illegal behaviors remain silent. By not expressing their concerns to leaders who can correct the situation, they put their organizations at risk. Employees maintain their silence for a variety of reasons. German professors Michael Knoll and Rolf van Dick identify four kinds of employee silence. *Acquiescent silence* is the passive withholding of information motivated by the belief that supervisors and top management aren’t interested in what workers have to say. Employees have given up any hope of improvement and are disengaged. *Quiescent silence* is actively withholding information to protect the self. Workers fear punishment for bringing bad news. Though still engaged with their jobs and organizations, they suffer quietly. *Prosocial silence* is motivated by the desire to benefit others and the organization. Employees driven by altruistic or cooperative motives may decide to overlook negative behaviors by, for example, failing to report the medical mistakes of a fellow doctor or going along with shady sales practices that boost the bottom line. *Opportunistic silence* is the withholding of information to gain personal advantage. Members keep quiet to damage the organization, to keep their power and status, or to avoid additional work.

Knoll and van Dick discovered that acquiescent and quiescent silence have the most negative impact on employees. Those withholding information for passive or defensive reasons report the lowest job satisfaction, the lowest sense of well-being, and the most strain (stress). These individuals are also most likely to leave the organization. Yet, even those engaged in prosocial and opportunistic silence report negative effects. They, too, are more dissatisfied, have lower well-being, experience more stress, and feel less attachment to their organizations. Apparently, followers who keep silent for any reason pay a price. Encouraging employees to speak up through suggestion boxes, employee-management meetings, and ombudsmen programs can break the silence of disengaged or fearful workers. However, these strategies aren’t likely to break the silence of members acting out of prosocial or selfish motivations.

Sources


See also


Ethical Socialization Processes

Socialization describes how individuals make the transition from outsiders to organizational members. During this process, they learn how to perform their individual roles and, at the same time, absorb information about the organization’s culture. There are a number...
of reasons why an organization’s socialization efforts can help create a positive ethical climate. Newcomers are generally anxious about how to perform in a new environment. This makes them more open to influence and instruction about ethical behavior. Their values are being formed and, once in place, these principles will shape their behavior for the rest of their organizational careers. When newcomers become established organizational members, they then communicate and model important values and behaviors to the next generations of members.

Socialization occurs in three phases. *Anticipatory socialization* begins before an individual joins a new organization or organizational unit and is shaped by past work experiences, friends, families, and other factors. You probably had expectations about what college would be like well before you completed high school, for example. You then formed impressions of your particular school based its website, talking with alums, and, probably most importantly, speaking with a representative and visiting campus. Your college experiences, in turn, are shaping your expectations of the profession you’ll enter after graduation.

*Encounter socialization* takes place after newcomers begin their membership. This phase includes formal training and orientation sessions (such as freshmen orientation) designed to integrate newcomers into the organization. Rookies also come under the influence of socializing agents. These include veteran coworkers, supervisors, and mentors. In the college setting, resident assistants, peer advisors, student life staff, upperclassmen, and others act as socializing agents. *Metamorphosis socialization* marks the end of the transition to organizational life. At this point, the individual has mastered basic skills and organizational knowledge and is considered a group member. If you are a sophomore or a second-year graduate student, chances are you have entered this phase. (You can evaluate your ethical socialization process as a student or employee by completing Item #11 under “For Further Exploration, Challenge, and Self-Assessment.”)

Ethical leaders make the most of the socialization process by clearly describing the organization’s values and ethical climate in recruitment materials and during face-to-face interviews. They ask applicants about their ethical experiences and standards. Ethics is a top priority in orientation and training sessions (see the discussion of training below). Managers present the group’s core ideology and code of ethics, introduce ethics officers and procedures, and so on. Newcomers are placed with socializing agents who reinforce values and standards and are given channels for expressing their concerns about current practices.

Ethical theorists Blake Ashforth and Vikas Anand argue that, unfortunately, organizational newcomers can be socialized into corrupt activities as well as ethical ones. (See our discussion of contextual pressures in Chapter 2.) These individuals accept unethical and illegal behavior as part of becoming a group member. They can be corrupted through three different avenues: co-optation, incrementalism, and compromise. In *co-optation*, leaders offer rewards that reduce newcomers’ discomfort with unethical behavior. Followers may not realize that these incentives are skewing their judgment, making it easier to rationalize destructive behavior. For example, health maintenance organization (HMO) doctors earning cost-reduction bonuses may convince themselves that they are justified in not ordering needed medical tests for patients.

*Incrementalism* gradually introduces newcomers to unethical practices, leading them up the “ladder of corruption.” New members are first persuaded to engage in a practice that is only mildly unethical, such as using private customer information to make additional sales. They then turn to rationalizations offered by peers (“Everybody does it.” “Nobody was
really hurt. “They got what they deserved.”) to relieve the cognitive dissonance produced by this act. After the initial practice becomes typical, acceptable behavior, individuals are then encouraged to move to increasingly corrupt activities. Eventually, they find themselves engaging in behaviors (e.g., secretly selling private customer information to other companies) they would have rejected when they first joined the organization.

Compromise backs individuals into corruption as they try to solve difficult problems and resolve conflicts. Politicians, for example, make lots of compromises as they try to keep and expand their power. Cutting deals and forming alliances makes it harder for them to maintain their ethical principles. Police detectives also find themselves making compromises. To gather the information they need to solve crimes, they may compromise with informants. First, they overlook minor crimes committed by their sources. Later, they may excuse their informants when they engage in much more serious crimes. Boston Federal Bureau of Investigation (FBI) agent John Connolly fell victim to compromise when he enlisted childhood friend Whitey Bulger as an informant to crack down on the Italian mafia. Bulger, convicted of murdering 11 people, ran his own crime syndicate. Connolly protected Bulger instead of prosecuting him. He gave Bulger information that led to the death of one potential witness and warned the gangster that he was about to be arrested, allowing Bulger to remain free for another 16 years.

The danger of dysfunctional socialization is greatest when followers join social cocoons. A social cocoon is a strong culture that holds values and norms very different from those held by the rest of the organization or society as a whole. New employees who strongly identify with the group tend to compartmentalize their lives, holding one set of values while at work and another outside the job.

Ashforth and Anand believe that recognizing the routes to corruption can equip followers to resist their influence, as can considering the perspective of suppliers, community members, and others outside the group. These investigators encourage organizations to have periodic “introspection days,” when organizational members take a careful look at all of their activities and determine the ethical implications of their actions. External facilitators can help employees determine if they are using rationalizations to excuse corrupt behavior.

**Ethics Training**

Formal ethics training can play an important role in creating and maintaining ethical, inclusive climates. As noted above, ethics instruction can help promote ethical behavior in newcomers. Training sessions for experienced employees can heighten sensitivity to moral danger signs and barriers to inclusion, reduce destructive behaviors, foster trust, promote organizational integrity, reinforce shared purpose and values, and clarify ethical standards and expectations. Ethics training plays a critical role in helping large organizations meet compliance guidelines set by the U.S. Sentencing Commission. Of course, training efforts do not guarantee that participants will make better moral choices or behave ethically. Nevertheless, effective ethics training can make a positive difference. Effective training does the following:

1. **Focuses on the organization’s unique ethical problems.** Every organization faces a unique set of ethical problems and issues. Issues that accountants face (audits, tax advice, financial statements, earning projections, quarterly earnings statements) are different from those faced by sales professionals (product safety, pricing,
product placement, advertising claims), for instance. Every organization will have its own blend of diverse groups and face unique challenges to fostering inclusion. Introduce examples drawn directly from the organization, industry, and profession. Then equip trainees with the tools they need to address these topics.

2. *Taps into the experiences of participants.* Encourage trainees to reflect on their own values and decision-making strategies as well as on important moral moments or episodes in their lives. They can also reflect on what inclusion means to them and what it takes to create an inclusive climate. Solicit their input when selecting issues and cases to discuss. Ask participants to provide dilemmas and insights from their own experiences. They then become instructors, teaching one another. They also receive valuable feedback that enables them to better manage their dilemmas.

3. *Actively engages participants.* Key concepts can be presented in lectures and handouts but you should spend most class time in dyadic, small-group, and large-group discussion, acting as a facilitator. Introduce case studies that raise significant issues and engage the emotions of participants (See the discussion of dual processing in Chapter 6.) Ask questions and debate issues. Make sure the training space can be adapted to a variety of teaching strategies. Use online tools to augment—not replace—classroom interaction. (Case Study 10.3 describes how one organization engaged participants in its attempts to address bias.) Even though web-based ethics/diversity training is becoming increasingly popular because it is cheap and convenient, online-only programs don’t appear to be as effective as classroom training. That’s because online instruction doesn’t facilitate in-depth consideration of complex ethical cases and issues.

4. *Reinforces the organization’s ideology and standards.* Training sessions ought to support other components of the group’s ethical climate. Trainers, supervisors, and executives should highlight the group’s commitment to inclusion, purpose and core values, tell stories about the organization’s ethical heroes, discuss the code of ethics, provide information about reporting systems, and so on.

5. *Is integrated into the entire curriculum.* Ethics instruction shouldn’t be limited only to stand-alone sessions but should be woven throughout organization’s training program. For example, discussion of bribery and price-fixing can be integrated into sales instruction. Raising awareness of microaggressions and subtle bias can be included into workshops on hiring and performance evaluation. Incorporating ethics in a variety of workshops increases the likelihood that moral concerns will become part of the organization’s fabric, helping it to act with integrity.

**IMPLICATIONS AND APPLICATIONS**

- Organizations have varying ethical orientations or ethical climates that affect their ethical decision making and behavior. Climates marked by self-interest are most likely to encourage unethical behavior.
- Moral leaders foster diversity and inclusion. They promote diversity initiatives with the end goal of making all members, whatever their differences, feel valued and included. To demonstrate inclusive leadership, you will need to address the
individual, relational, and system levels of your organization.

- Build organizational trust—collective perceptions of competence, openness, concern, reliability, and identification—by acting in a trustworthy manner and encouraging others to do the same.

- Create perceptions of organizational justice by distributing resources fairly, following equitable processes, and treating others with dignity and respect.

- Recognize that organizational integrity develops through clearly communicated values and commitments, leaders who are committed to these values, application of the values to routine decisions, systems and structures that support organizational commitments, and members who are equipped to make wise ethical choices.

- Don’t confuse compliance with integrity. Compliance protects an organization from regulation and public criticism but often has little impact on day-to-day operations. Integrity is at the center of an organization’s activities, influencing every type of decision and activity.

- Reinforce ethical commitments in your organization through the design of monetary and nonmonetary reward systems, performance and evaluation processes, allocation of decision-making authority, and effective governance.

- Ethical organizations recognize their responsibilities to their communities. They honor their ethical obligations to stakeholder groups, actively work to better society, seek to operate in an environmentally sustainable fashion, and take stands on important social and political issues.

- Core ideology is essential to any healthy ethical climate. Encourage your organization to identify and communicate its values and purpose through both formal and informal channels (ritual and stories).

- Useful codes of ethics can play an important role in shaping ethical climate. Make sure they define and illustrate important terms and address the problems faced by the members of your particular organization. View ethics statements as discussion starters, not as the final word on the topic of organizational morality.

- Act quickly to eliminate sexual harassment, discrimination, incivility, aggression, and other destructive behaviors. Set forth clear expectations and punish offenders so that isolated misbehaviors don’t result in collective corruption.

- Socialization processes introduce ethical standards and values to new members and reinforce their importance to organizational veterans. Use the website, brochures, interviews, training, orientation sessions, and socialization agents to promote ethical socialization. Beware of co-optation, incrementalism, and compromise that socialize newcomers into immoral behavior.

- Effective ethics training can promote a positive ethical, inclusive climate if it is adapted to the ethical problems of the organization, taps into the experiences of participants, and actively engages them. Instruction should reinforce other elements of the organization’s ethics strategy and be integrated into the entire training program.

FOR FURTHER EXPLORATION, CHALLENGE, AND SELF-ASSESSMENT

1. Analyze the ethical climate of your organization. In your paper, consider the following questions:
   How would you classify the organization’s ethical orientation based on Self-Assessment 10.1?
   Overall, would you characterize the climate as positive or negative? Why? What factors shape the moral atmosphere? What role have leaders played in its formation and maintenance?
What steps does the organization take to deal with misbehaviors? Does the organization consider both means and ends? How does the group’s structure reinforce (or fail to reinforce) espoused values and ethical behavior? What inconsistencies do you note?

2. Complete Self-Assessment 10.2. What accounts for differences in your scores between system levels and inclusion dimensions? What steps can you, your colleagues, and your leaders take to create a more inclusive climate?

3. Discuss each of the following statements in a group or, as an alternative, argue for and against each proposition in a formal debate. Your instructor will set the rules and time limits. Refer to the discussion of argumentation in Chapter 7 for more information on constructing effective arguments.
   - Pro or con: Organizations are less ethical now than they were 10 years ago.
   - Pro or con: Subtle forms of discrimination are impossible to eliminate.
   - Pro or con: Formal codes of ethics do more harm than good.
   - Pro or con: Being good is good business.
   - Pro or con: Organizational values can’t be developed; they must be uncovered or discovered instead.
   - Pro or con: An organization’s purpose has to be inspirational.
   - Pro or con: An organization can change everything except its core values and purpose.
   - Pro or con: CEOs should take public stances on social and political issues.

4. Write a research paper on one form of individual or collective destructive behavior in the workplace. Conclude with suggestions to help leaders curb this type of behavior.

5. Compare and contrast an organization that has a climate of integrity with one that pursues ethical compliance.

6. Create a CEO activism case study. Provide background on the issue and describe how CEOs responded. What motivated these leaders to take action? What impact did they have on public policy and opinion? What pushback did the companies face for taking a stance? What conclusions can you draw about the effectiveness and consequences of CEO activism based on your analysis?

7. Develop a shared set of values for your class using strategies presented in this chapter.

8. Conduct an analysis of the purpose or mission statements of 10 different companies or organizations. Which are most effective? Why?

9. Evaluate an ethical code based on the guidelines presented in this chapter. What are its strengths and weaknesses? How useful would it be to members of the organization? How could the code be improved? What can we learn from this statement?

10. Design an ethics or diversity/inclusion training program for your organization using the guidelines presented in this chapter.

11. Describe your socialization into your school or some other organization from an ethical vantage point. Then evaluate the process. What did the organization do well? What could it have done better? What suggestions would you make to improve the ethical socialization process for future newcomers? As an alternative, describe how your college major is preparing you for your profession from an ethical vantage point, answering the questions above.

STUDENT STUDY SITE

Visit the student study site at https://study.sagepub.com/johnsonmecl7e to access full SAGE journal articles for further research and information on key chapter topics.
Case Study 10.1
When Donors Call the Shots on Campus

College and university officials are often caught between the proverbial rock and a hard place when it comes to funding. Schools turn to private donors to pay for faculty, buildings, and programs as the federal government reduces money for research and state governments cut back on education spending. But those giving millions may want to direct how the money is spent, demanding that they have a voice in decisions typically made by faculty and administrators.

Billionaire energy moguls Charles and David Koch have been able to exert unprecedented control over how their higher-education gifts are distributed. The politically conservative brothers are out to promote libertarian, free market principles, hoping to create a “talent pipeline” filled with students who then will occupy powerful political positions in the future. They use a set of related charities to reach this goal. Between 2005 and 2015 they contributed an estimated $150 million to 300 schools. (David Koch recently retired from Koch Industries and related organizations due to ill health.)

Koch grants often come with detailed stipulations and are dispersed over a period of years, so the money can be cut off if conditions aren’t met. At Florida State (FSU), the Charles Koch Foundation pledged $6.6 million to hire five professors and to establish two new educational programs for undergraduates. In return, the foundation required that FSU create an advisory board made up of members it selected. The board then determined which faculty would be funded, reviewed applicants for faculty positions, and evaluated the work of current faculty to determine if it met the “objectives and purposes” of the foundation. Koch officials were also given control over any university publicity that mentioned the foundation.

The BB&T Charitable Foundation, which shares the conservative values of the Koch brothers, also contributed to FSU. It spelled out, among other things, that the Department of Economics create a new course. Every undergraduate business student would receive a copy of libertarian Ayn Rand’s *Atlas Shrugged* and discuss the book in groups. The gift funded a distinguished speakers’ series focused on the ethical foundations of capitalism with the stipulation that the Ayn Rand Institute be consulted about speakers. The BB&T Foundation also made similar demands when it awarded $1 million for business education at Western Carolina University.

Concern over the growing influence of the Koch brothers on college campuses produced the UnKoch My Campus campaign. UnKoch My Campus is out to “expose and expel undue donor influence in academia.” Students and faculty protested Koch-funded programs and professorships at Wake Forest, Montana State University, the University of Utah, and elsewhere. Protests at Virginia’s George Mason University, which has received the most money from the Koch brothers ($50 million), generated the most publicity. Koch money was used to fund economics positions and to create the Mercatus Center, a think tank that studies markets and government regulations. Transparency GMU (an UnKoch My Campus affiliate) successfully sued the university for the release of documents that revealed the extent of donor influence on campus. At George Mason, as at FSU, conservative givers were involved in selecting professors. The GMU law school was named for conservative Supreme Court justice Antony Scalia after a receiving $10 million donation from the Koch Foundation and $20 million from an anonymous donor.

(Continued)
Those worried about restrictive gifts argue that they undermine the academic freedom, considered a sacred value by many in academe. Outsiders with political agendas are setting curriculum, determining what students read and hear, and limiting discussion and debate. And they are doing so largely in secret. As one George Mason student noted, “You should know, if you’re going into a classroom, that $30 million is going into your school from someone who wants you to think a certain way.” Donor influence can result in biased research findings. Tainted research can be particularly damaging in the field of economics because findings can have a significant impact on tax policy and federal regulation. Research funded by Koch contributions has been used to support their political positions. Then, too, the Koch brothers oppose causes favored by many students, including expanded access to health care, workers’ rights, and protecting the environment.

Defenders of the Kochs point out that the brothers also give heavily to less partisan causes like medical research, the Smithsonian, and music scholarships. They argue that donors should have the right to control how their gifts are spent. Conservatives see investment in higher education as one way to counteract the left-leaning bias of colleges and universities. An official at the Koch foundation notes that many of the original restrictive agreements at FSU, George Mason, and elsewhere are no longer in effect. For their part, some university officials aren’t bothered by gift restrictions. A FSU dean was quoted as saying he didn’t see a problem if a donor wanted to give money to get students to read a book.

Intrusive donor influence can be troubling no matter what the political agenda of the funder. Concerns have been raised about massive gifts from liberal billionaire George Soros, who gives heavily to Bard College, and the Susan Thompson Buffett foundation, which supports reproductive health research at the University of Texas. Republican Senator Ted Cruz warned Texas universities that gifts from a Hong Kong foundation might fund communist propaganda. Australian officials believe that Chinese state-backed companies giving money to the country’s universities might pressure them into producing research that will support the communist party.

Public outcry is forcing colleges and universities to rethink their donor policies. The presidents of FSU and George Mason called for a review and tightening of gift agreements. Faculty senates at both institutions have demanded a role in overseeing donor requirements. Representatives of the American Association of University Professors urge faculty to be more involved in grant writing and to encourage more transparency about donor restrictions. However, financial need may give donors the upper hand. Writing about the UnKoch GMU protests, New York Times writers Erica Green and Stephanie Saul note:

Following a period of deep cuts in public funding, the [GMU] documents and related emails raised broad questions about whether universities that rely heavily on private donors can remain free from influences of contributors who may be pursuing a commercial, political or philosophical agenda.3

Discussion Probes

1. Can you identify the major donors to your college or university? What impact have they had on your faculty, facilities, and programs?

2. Should colleges and universities reveal the details of donor agreements even if the donors object? Why or why not?

3. Do you think that donor influence can undermine academic freedom and bias research findings? Why or why not?
4. What guidelines should colleges and universities follow when deciding whether to accept donations? What role should faculty and students play in this process?

5. How much voice should donors have in how their money is spent? What limits should be placed on their influence?

Notes


Sources


Barakat, M. (2018, May 1). Documents show ties between university, conservative donors. AP.


Case Study 10.2

Nike’s Boys-Club Culture

The sudden departure of a group of high-level executives signaled that all was not well at Nike, the world’s largest sportswear company. Those retiring or resigning included Trevor Edwards, president of the Nike brand and the company’s second in command; the vice president and general manager of global brands; and vice presidents and directors of North American operations, diversity, running, and sports marketing.

The executives were forced out after a group of female employees submitted the results of an informal survey to CEO and Board Chair Mark Parker. The women reported being marginalized in meetings and denied advancement in favor of less qualified men. In interviews with *The New Times* and *The Wall Street Journal*, female employees described a number of instances of sexual harassment. In one case, a male supervisor called a woman a “stupid bitch” and threw his car keys at her. Another executive cornered a female in a bathroom and tried to kiss her. Another bragged about carrying condoms in his backpack. Still another referred to a female employee’s breasts in his e-mails to her. Off-site meetings were sometimes followed by visits to strip clubs. A top executive signed off on an ad that featured a stripper and male athletes dressed in sports bras. (Company founder Phil Knight nixed the commercial.)

Officials at Nike’s human resources department frequently ignored complaints, communicating that the women were the problem. At other times, they treated their concerns causally, as in the case of a woman who was asked to meet an HR representative at the company’s café, a public open space. Offenders kept their positions and one, who was reported to human resources for berating women in meetings,
was promoted. (The head of HR was let go after being accused of creating a hostile work environment.)

The boys-club atmosphere wasn’t the only problem with Nike’s corporate culture. Workers complained that it wasn’t what you knew (your expertise) but who you knew that was the key to success at the company. Mid-level officials bragged about being “Friends of Trevor” (FOT), the ousted exec who was slated to become the next CEO. Males inside this group saw themselves as rising stars; females and males outside the clique could expect to be passed over for promotion. Older employees complained of ageism, noting that senior workers were most likely to be laid off. Others spoke of being “fired by PowerPoint.” When Nike stopped making golf equipment, employees came to a meeting where their names appeared on a big screen telling them to go to different rooms where many were let go.

The executive purge was part of CEO Parker’s efforts to address Nike’s broken culture. In a memo to staff, he noted that complaints had identified behaviors that “do not reflect our core values of inclusivity, respect and empowerment.” He went on to declare that he was committed “to making a Nike a place where everyone can thrive in an environment of respect, empathy, and equal opportunity for all.” In a company-wide meeting the CEO apologized to employees for allowing a culture that excluded some workers while failing to take their complaints seriously. He pledged to foster an atmosphere of collaboration, where “every voice is heard, not just the loudest.” Two women were named to succeed departing male executives and the diversity and inclusion office was elevated to a C-level position. The company revised its grievance reporting systems and pledged to be more transparent about its diversity results. Ten thousand managers must now undergo diversity and unconscious bias training. An initiative has been launched to improve diversity in hiring. Mentorship programs for women will be developed. (Currently, while nearly half of all staff are women, they make up just 29% of company vice-presidents. Only 16% of those serving as vice-presidents are non-white.) Eliminating the boys-club culture will be critical for the company’s future. Nike set an ambitious goal of increasing revenue from $36 to $50 billion by 2022. Meeting this objective depends in large part on selling more products to women. Yet, sales to women have faltered. Some employees believe that the company’s male-dominated culture and lack of female leadership have hindered its outreach to female consumers.

**Discussion Probes**

1. How should HR departments respond to complaints like those made at Nike?
2. What elements of an unhealthy ethical climate do you see at Nike?
3. What additional steps should Nike take to change its culture?
4. How should the company measure its progress in making cultural change?
5. Do you think Nike’s culture has hindered its ability to market to women?

**Notes**

3. Low, E. (2018, May 9). Here’s what Nike execs were getting away with as bullying culture ran deep. *Investor’s Business Daily*. 

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Sources

Case Study 10.3
Tackling Implicit Bias at Starbucks

Starbucks has a reputation for being one of the world’s most socially conscious companies. The coffee retailer’s progressive image makes it particularly vulnerable when employees fail to live up to its standards. When two black men were arrested and detained for trespassing at a Philadelphia Starbucks, the media took note. The store manager called police after Rashon Nelson and Donte Robinson, who were waiting to start a meeting, failed to order drinks or food. Officers cuffed the two men and took them to jail where they were later released without being charged.

Starbucks CEO Kevin Johnson apologized to Nelson and Robinson and reached a financial settlement with the two that includes free college tuition through the Starbucks College Achievement Plan. The firm loosened its requirement that those entering its stores must purchase items. In addition, executives decided to close 8,000 U.S. company-owned stores to conduct a 4-hour racial bias training session for 175,000 employees. Company founder Howard Schultz called the training “a transformational moment in the history of Starbucks.”

To create the training session, which focused on implicit or unconscious bias, Starbucks officials consulted with former U.S. attorney general Eric Holder and representatives from the NAACP and other social justice organizations. Course materials were pretested in selected stores and then modified based on employee feedback. The training included nearly two dozen videos featuring rapper Common, filmmaker Stanley Nelson, Starbucks officials, and others discussing experiences of blacks in public spaces, bias and brain science, company mission and values, and other topics. Videos were followed by self and group reflection. (Employees received notebooks in which to record their thoughts.) One exercise asked participants to reflect on their experience of racial identity, considering, for example, when they altered a communication style to avoid activating stereotypes or if they felt their race (Continued)
affected their ability to establish rapport with a manager. In another exercise, staffers were asked to rate how easy or hard it would be for them to talk to people of their race and of a different race in a series of situations.

Experts worry that the Starbucks training session, like other diversity training, could backfire. Participants who feel forced to attend diversity workshops can become defensive. Any benefit often fades after a few days. Starbucks may have overlooked key components of effective training, like concrete goals and assessments, in order to respond quickly to the Philadelphia incident. But company officials recognize that overcoming implicit racial bias will take more than one training session. According to the firm’s executive vice president of U.S. retail, “May 29 [the training day] isn’t a solution—it’s a first step.2 Starbucks plans to hold additional sessions in coming years to further address bias and inclusion.

Discussion Probes
1. Did the Philadelphia incident generate more publicity because it involved Starbucks instead of another, less socially responsible company?
2. What elements of an effective ethics training program do you see in the Starbucks workshop? Are there any elements missing?

3. Do you think the Starbucks training session will reduce implicit bias and prevent future incidents of racial profiling at its stores?
4. What additional steps should Starbucks take to improve its relationships with diverse customers?
5. How should Starbucks assess the effectiveness of this and other anti-bias efforts?

Notes

Sources

SELF-ASSESSMENT 10.1

Ethical Climate Questionnaire

Instructions: Indicate whether you agree with each of the following statements about your company or organization. Use the scale below and write the number that best represents your answer in the space next to the item.

<table>
<thead>
<tr>
<th>Completely False</th>
<th>Mostly False</th>
<th>Somewhat False</th>
<th>Somewhat True</th>
<th>Mostly True</th>
<th>Completely True</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

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1. In this company (organization), people are mostly out for themselves.  
2. The major responsibility for people in this company (organization) is to control costs.  
3. In this company (organization), people are expected to follow their own personal and moral beliefs.  
4. People are expected to do anything to further the company’s (organization’s) interests, regardless of the consequences.  
5. In this company (organization), people look out for each other’s good.  
6. There is no room for one’s personal morals or ethics in this company (organization).  
7. It is very important to follow strictly the company’s (organization’s) rules and procedures here.  
8. Work is considered substandard only when it hurts the company’s (organization’s) interests.  
9. Each person in this company (organization) decides for himself or herself what is right and wrong.  
10. In this company (organization), people protect their own interests above other considerations.  
11. The most important consideration in this company (organization) is each person’s sense of right and wrong.  
12. The most important concern is the good of all the people in the company (organization).  
13. The first consideration is whether a decision violates any law.  
14. People are expected to comply with the law and professional standards over and above other considerations.  
15. Everyone is expected to stick to company (organization) rules and procedures.  
16. In this company (organization), our major concern is always what is best for the other person.  
17. People are concerned with the company’s (organization’s) interests—to the exclusion of all else.  
18. Successful people in this company (organization) go by the book.  
19. The most efficient way is always the right way in this company (organization).  
20. In this company (organization), people are expected to strictly follow legal or professional standards.  
21. Our major consideration is what is best for everyone in the company (organization).  
22. In this company (organization), people are guided by their own personal ethics.  
23. Successful people in this company (organization) strictly obey the company (organization) policies.  
24. In this company (organization), the law or ethical code of one’s profession is the major consideration.  
25. In this company (organization), each person is expected, above all, to work efficiently.  
26. It is expected that you will always do what is right for the customer and public.
### Scoring

#### Caring Climate Score
Add up scores on items
5, 12, 16, 21, 26 = (Range 0–25) ______

#### Law and Code Climate Score
Add up scores on items
13, 14, 20, 24 = (Range 0–20) ______

#### Rules Climate Score
Add up scores on items
7, 15, 18, 23, 24 = (Range 0–25) ______

#### Instrumental Climate Score
Add up scores on items
1, 2, 4, 6, 8, 10, 17, 19, 25 = (Range 0–45) ______

#### Independence Climate Score
Add up scores on items
3, 9, 11, 22 = (Range 0–20) ______


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### SELF-ASSESSMENT 10.2

#### The Climate for Inclusion-Exclusion Scale (MBIE)

**Instructions**
Respond to each of the following items on the following scale.

1 = Strongly Disagree 2 = Moderately Disagree 3 = Slightly Disagree 4 = Slightly Agree 5 = Moderately Agree 6 = Strongly Agree

1. I have influence in decisions taken by my work group regarding our tasks.
2. My coworkers openly share work-related information with me.
3. I am typically involved and invited to actively participate in work-related activities of my work group.
4. I am able to influence decisions that affect my organization.
5. I am usually among the last to know about important changes in the organization. (R)
6. I am usually invited to important meetings in my organization.
7. My supervisor often asks for my opinion before making important decisions.
8. My supervisor does not share information with me. (R)
9. I am invited to actively participate in review and evaluation meetings with my supervisor.
10. I am often invited to contribute my opinion in meetings with management higher than my immediate supervisor.
11. I frequently receive communication from management higher than my immediate supervisor (i.e., memos, e-mails)
12. I am often invited to participate in meetings with management higher than my immediate supervisor.
13. I am often asked to contribute in planning social activities not directly related to my job function.
14. I am always informed about informal social activities and company social events.

15. I am rarely invited to join my coworkers when they go to lunch or drinks after work. (R)

Scoring

This scale measures five work-organization system levels (work group, organization, supervisor, higher management, social/informal) intersected by three inclusion dimensions (decision making, information networks, and participation/involvement).

Levels

1. Work group (items 1–3)
2. Organization (items 4–6)
3. Supervisor (items 7–9)
4. Higher management (items 10–12)
5. Social/informal (items 13–15)

Inclusion Dimensions

a. The decision-making process (items 1, 4, 7, 10, 13)
b. Information networks (items 2, 5, 8, 11, 14)
c. Level of participation/involvement (items 3, 6, 9, 12, 15)

Reverse your scores on items 5, 8, and 15 (indicated by the letter R). Total your scores for each of the five levels and each of the inclusion dimensions to determine where you feel least and most included. Add up your responses to the 15 items to create a total score. The higher score (top score 90), the higher your sense of inclusion.


NOTES

6. Fulp.


30. Study: 81% of consumers say they will make personal sacrifices to address social, environmental issues. (n.d.). Sustainable Brands.


Influences.


63. Ashforth & Anand.