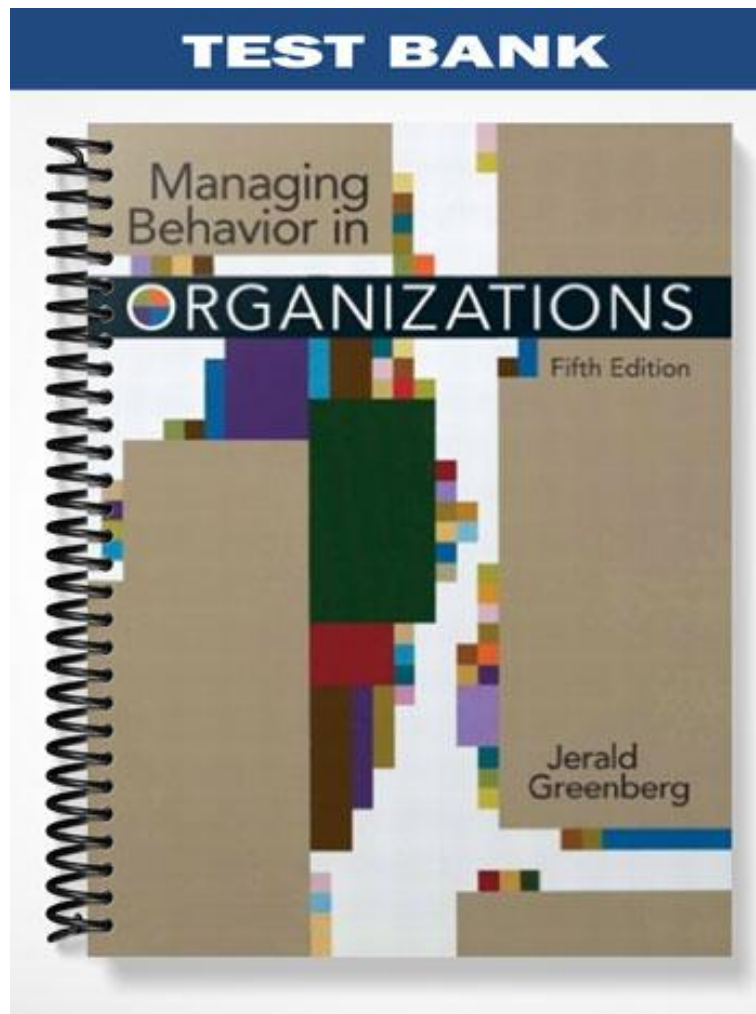


TEST BANK



Managing
Behavior in

ORGANIZATIONS

Fifth Edition

Jerald
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Organizational Justice, Ethics, and Corporate Social Responsibility

2

Lecture Outline

- Organizational Justice: Fairness Matters
 - Forms of Organizational Justice and Their Effects
 - Suggestions for Promoting Organizational Justice
- Ethical Behavior in Organizations
 - What Do We Mean by Ethics
 - Why Should Companies Care About Ethical Behavior
- Why Do Some People Behave Unethically?
 - Individual Differences in Cognitive Moral Development
 - Situational Determinants of Unethical Behavior
 - Using Corporate Ethics Programs to Promote Ethical Behavior
 - The Effectiveness of Corporate Ethics Programs
- Beyond Ethics: Corporate Social Responsibility
 - What Is Corporate Social Responsibility?
 - Profitability and Social Responsibility

The concept of organizational justice is introduced in this chapter. The forms of organizational justice (distributive justice, procedural justice, interpersonal justice, and informational justice) are explained. The relationships between the forms of organizational justice and tips for promoting justice in the workplace are discussed in detail. Suggestions for promoting organizational justice include: paying workers what they deserve, offering workers a voice, the importance of following fair procedures, and explaining decisions in ways that demonstrate dignity and respect. Ethical behavior in organizations is examined by highlighting crises that have gained the public's attention in recent years. Ethics are explained, in part, through the concept of moral values. A question is raised as to why companies should care about ethical behavior. The benefits for companies that practice good ethics include improved financial performance, reduced operating costs, enhanced corporate reputations, and an increased ability to attract and retain employees. The legal regulations that provide minimum acceptable standard that companies must adhere to are explored citing contemporary acts such as Sarbanes-Oxley and the Federal Prosecution of Business Organizations (2003). The discussion shifts to individual differences using cognitive moral development as the theoretical framework. The components of corporate ethics programs are described including the importance of ethics training and ethics audits. The chapter concludes with a discussion of corporate social responsibility and the virtuous circle of financial performance.

ANNOTATED OUTLINE

1. ORGANIZATIONAL JUSTICE: FAIRNESS MATTERS

Organizational justice is the study of people's perceptions of fairness in organizations.

A. Forms of organizational justice and their effects

1. **Distributive justice** is the form of organizational justice that focuses on people's beliefs that they have received fair amounts of valued work-related outcomes (e.g. pay, recognition, etc).
2. **Procedural justice** refers to people's perceptions of the fairness of the procedures used to determine the outcomes they receive.
3. **Interpersonal justice** refers to people's perceptions of the fairness of the manner in which they are treated by other people.
4. **Informational justice** refers to people's perception of the fairness of the information used as a basis for making a decision.

Self-Assessment Exercise

Assessing Organizational Justice Where You Work

Students should consider the following upon completion of the exercise.

1. On which type of fairness did you score highest? What specific experiences contributed to this assessment?
2. On which type of fairness did you score lowest? What specific experiences contributed to this assessment?
3. What kinds of problems resulted from any violations of any type of organizational justice you may have experienced? What could have been done to avoid these violations?

B. Suggestions for promoting organizational justice

1. Pay workers what they deserve
2. Offer workers a voice
 - a. **Fair process effect**—people will better accept outcomes when they have had some input into determining them than when they are not involved.
3. Openly follow fair procedures
4. Explain decisions thoroughly in a manner demonstrating dignity and respect
5. Train workers to be fair

2. ETHICAL BEHAVIOR IN ORGANIZATIONS

Growing intolerance of unethical behavior has inspired business leaders to become more ethical.

A. What do we mean by ethics?

1. **Moral values**—people's fundamental beliefs regarding what is right or wrong, good or bad
2. **Ethics**—standards of conduct (based on moral values) that guide people's decisions and behavior

- a. Companies should prescribe appropriate standards of conduct.
 - b. Top leaders recognize this as a fundamental part of good management.
 - B. Why should companies care about ethical behavior?
 - 1. Good ethics is good business: financial benefits
 - a. Improved financial performance
 - b. Reduced operating costs
 - c. Enhanced corporate reputation
 - d. Increased ability to attract and retain employees
 - 2. Legal regulations
 - a. False Claims Act (1986)
 - b. Foreign Corrupt Practices Act (revised 1988)
 - c. Federal Sentencing Guidelines for Organizations (1991)
 - d. Sarbanes-Oxley Act (2002)
 - e. Federal Prosecution of Business Organizations (2003)
3. WHY DO SOME PEOPLE BEHAVE UNETHICALLY—AT LEAST SOMETIMES—AND WHAT CAN BE DONE ABOUT IT?
- Individual factors (the person) and situational factors (external forces people confront in the workplace) determines unethical behavior.
- A. Individual differences in cognitive moral development
 - 1. **Cognitive moral development**—refers to differences between people in the capacity to engage in the kind of reasoning that enables them to make moral judgments.
 - 2. **Kohlberg’s theory of cognitive moral development**—people develop over the years in their capacity to understand what is right. Three levels of moral development:
 - a. Preconventional level of moral reasoning—haven’t developed the capacity to assume the perspective of others
 - b. Conventional level of moral reasoning—behavior is governed strongly by what’s expected of people by others.
 - c. Postconventional level—people judge right and wrong on complex philosophical principles of duty, justice, and rights.
 - B. Situational determinants of unethical behavior
 - 1. Some managerial values undermine integrity.
 - a. **Bottom line mentality**—only the financial success is considered
 - b. **Exploitative mentality**—using people to promote stereotypes and undermine empathy
 - c. **Madison Avenue mentality**—anything can be right if the public can be made to see it as right.
 - 2. Organizations sometimes encourage behavior that violates ethical standards.
 - a. **Stonewalling**—willingly hiding relevant information
 - 3. Workers emulate the unethical behavior of their superiors.
 - C. Using Corporate ethics programs to promote ethical behavior

1. Corporate ethics programs are efforts designed to create organizational cultures that both make people sensitive to potentially unethical behavior and discourage them from engaging in them.
2. Components of corporate ethics programs
 - a. **Code of ethics**—document describing what an organization stands for, and the general rules of conduct expected of employees
 - b. Ethics training
 - c. **Ethics audits**—assessment of the morality of employees' behavior so as to identify irregularities
 - d. **Ethics committee**—group of senior-level managers who assist the CEO in making decisions
 - e. **Ethics officer**—high ranking official expected to provide strategies for ensuring ethical conduct
 - f. **Ethics hotlines**—special phones employees can use to report ethics violations

Winning Practices | Excelon Excels at Managing Ethics

Use Winning Practices Case for class discussion on ethical practices.

4. BEYOND ETHICS: CORPORATE SOCIAL RESPONSIBILITY
 - A. What is **corporate social responsibility**?—business decision making linked to ethical values, compliance with legal requirements, and respect for individuals, the community at large, and the environment
 - B. Profitability and social responsibility: the virtuous circle
 1. Is there a correlation between financial performance and social responsibility?
 - a. **Virtuous Circle**—companies who are socially responsible tend to perform well financially.
 - b. Socially responsible companies are also philanthropic.

You Be the Consultant | Suggested Answers

1. *What form of justice appears to have been violated by the new pay policy? Explain your answer.*

Student answers will vary. Key points are presented in bullet form.

- This could be the result of either distributive, procedural, or informational justice concerns. Distributive would be the general perception of unfairness of the organization's policy change; procedural justice perceptions could arise due to the way in which the policy was changed; informational in that the policy was simply changed.

2. *In this case, the new pay policy was implemented without first discussing it with store managers. Do you think that the theft rate might have been lower had this been done? What else could be done to reduce the growing theft rate?*
 - Perhaps. Students might argue that if the policy had been discussed and reasons provided for it, informational justice would have been perceived as fair. Other actions the company may have considered would be to have a discussion with the store managers on ways in which to reduce costs and maintain productivity.

3. *The company's code of ethics expressly prohibits theft, but other than being handed a copy along with other company documents and forms upon being hired, hardly anyone pays attention to it. What do you think could be done, if anything, to enhance the effectiveness of the code of ethics as a weapon for combating the theft problem?*
 - Student answers will vary widely. An emphasis on ethics training may have enhanced the code and prevented the increased theft rate. According to the text, the absence of such training leads to the perception that the ethics code is window dressing and will be ignored if read at all.