

Ethical Decision Making and Ethical Leadership

I. A framework for ethical decision making in business

1. Ethical issue intensity

- The first step in ethical making is to recognize that an ethical issue requires a choice among several actions that various stakeholders inside or outside the firm will ultimately evaluate as right or wrong.
- This is defined as the perceived relevance or importance of an ethical issue to the individual, work group, and/or organization.
- Positive or negative incentives can affect the perceived importance of an ethical issue.
- Employees need education regarding potential problem areas

2. Individual factors

- How people resolve ethical issues in their daily lives is often based on values and principles learned through family socialization.
- Individual factors include:
 - Gender
 - Education
 - Work experience
 - Nationality
 - Age
 - Locus of control

3. Organizational Factors

- Corporate culture can be defined as a set of values, beliefs, goals, norms and ways to solve problems that members (employees) of an organization share.
- As time passes, stakeholders come to view the company or organization as a living organism.
- Those who have influence in a work, including peers, managers, coworkers, and subordinates, are referred to as significant others. They have more influence on daily decisions than any other factor
- Obedience to authority is another aspect of the influence that significant others can exercise. Obedience to authority helps to explain why many employees resolve business ethic issues by simply following the directives of a superior.
- Some corporate cultures support and reward unethical behavior.
- Ethical climate is a component of corporate culture.

4. Opportunity

- Relates to permitting ethical or unethical behavior

- Rewards and punishment play a key role
 - Can be eliminated by establishing formal codes, policies, and rules that are enforced by management
5. Business ethics evaluations and intentions
- An individual's intentions and the final decision regarding what action he or she will take are the last steps in the ethical decision-making process. One can eliminate some of the situational factors by quitting.
- The following are the usual justifications that will reduce and finally eliminate guilt:
- I need a paycheck and can't afford to quit right now.
 - Those around me are doing it so why shouldn't I? They believe that it's okay.
 - If I hadn't have done this, I may not be able to get a good reference from my boss or company when I leave.
 - This is not such a big deal, given the potential benefits.
 - Business is business with a different set of rules.
 - If not me, someone else would do it and get rewarded.

II. The roles of leadership in a corporate culture

1. Conduct a rigorous self-assessment of the firm's values and its existing ethics and compliance program.
2. Maintain commitment from top managers.
3. Publish, post, and make codes of ethics available and understandable.
4. Communicate ethical standards through multiple channels.
5. Provide timely training to reinforce knowledge.
6. Provide confidential resources.
7. Ensure consistent implementation.
8. Respond and enforce consistently, promptly, and fairly.
9. Monitor and assess using appropriate methods.
10. Revise and reform to ensure continuous improvement.

III. Leadership styles influence ethical decisions

1. The coercive leader demands instantaneous obedience and focuses on achievement, initiative, and self-control.
2. The authoritative leader considered to be one of the most effective styles inspires employees to follow a vision, facilitates change, and creates a strongly positive performance climate.
3. The facilitative leader values people, their emotions, and their needs and relies on friendship and trust to promote flexibility, innovation, and risk taking.
4. The democratic leader relies on participation and teamwork to reach collaborative decisions.
5. The pacesetter leader can create a negative climate because of the high standards that he or she sets.

6. The coaching leader builds a positive climate by developing skills to foster long term success, delegates responsibility, and is skillful in issuing challenging assignments.

IV. Habits of strong ethical leaders

1. Ethical leaders have strong personal character.
2. Ethical leaders have a passion to do right.
3. Ethical leaders are proactive.
4. Ethical leaders consider stakeholders' interests.
5. Ethical leaders are role models for the organization's values.
6. Ethical leaders are transparent and actively involved in organizational decision making.
7. Ethical leaders are competent managers who take a holistic view of the firm's ethical culture.