FIFTH EDITION

Meeting the Ethical Challenges of Leadership

CASTING LIGHT OR SHADOW

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CHAPTER 9

Creating an Ethical Organizational Climate

Corruption is a durable and adaptable virus.

—Management professor Yadong Luo

Bad ethics is bad business.

—Anonymous

What's Ahead

Leaders act as ethics officers for their organizations by exercising influence through the process of social learning and by building positive ethical climates. Healthy ethical climates are marked by humility, zero tolerance for individual and collective destructive behaviors, justice, integrity (ethical soundness, wholeness, and consistency), trust, concern for process as well as product, structural reinforcement, and social responsibility. Important tools for building an ethical organizational climate include core ideology, codes of ethics, and ethics training.

The Leader as Ethics Officer

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—News Corporation, Massey Energy, Enron, New England Compounding Center, Peanut Corporation of America—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., ACORN, the Vatican, Detroit city hall). On a more positive note, leaders are largely responsible for creating the organizations we admire for their ethical behavior.

Leaders are the ethics officers of their organizations, casting light or shadow in large part through the example they set.[1] Michael Brown and Linda Trevino draw on social learning theory to explain why and how ethical organizational leaders influence followers.[2] Social learning theory is based on the premise that people learn by observing and then emulating the values, attitudes, and behaviors of people they find legitimate, attractive, and credible. When it comes to ethics, followers look to their leaders as role models and act accordingly. Leaders are generally seen as legitimate, credible, and attractive because they occupy positions of authority with power and status. Ethical leaders build on this foundation. They increase their legitimacy by treating employees fairly and boost their attractiveness by expressing care and concern for followers. They enhance their credibility—particularly perceptions of their trustworthiness—by living up to the values they espouse. Such leaders are open and honest and set clear, high standards that they follow themselves.

Moral leaders make sure that ethics messages aren't drowned out by other messages about tasks and profits. They focus attention on ethics through frequent communication about values, mission, corporate standards, and the importance of ethical behavior. They reinforce follower learning by using rewards and punishments to regulate behavior, which makes it clear which actions are acceptable and which are not.

Trevino, Brown, and their colleagues distinguish between ethical leaders and those who are unethical, hypocritical, or ethically neutral.[3] The *unethical leader* falls short as both a moral person and a moral influence agent. This person casts one or more of the shadows described in Chapter 1 by bullying others, deceiving investors, acting irresponsibly, and so on. At the same time, the unethical leader clearly communicates that ethics don't matter; only results do. "Chainsaw" Al Dunlap was one such leader. As CEO of Sunbeam he drove up the company's stock price by eliminating thousands of jobs while inflating sales figures. The *hypocritical leader* talks a lot about ethical values but doesn't live up to the rhetoric. Prominent pastor Ted Haggard is an example of a hypocritical leader. As leader of the National Association of Evangelicals, he led public efforts to condemn homosexuality while he was carrying on an affair with a male prostitute.

The *ethically neutral leader* is not clearly seen as either ethical or unethical. This person doesn't send out strong messages about ethics and leaves followers unsure about where he or she stands on moral issues. Ethically neutral leaders appear to be self-centered and focus exclusively on the bottom line. Sandy Weill, former Citigroup CEO, typifies the ethically neutral leader. Weill stayed on the sidelines when it came to ethics, rewarding his managers according to their results. It was during his tenure that star analyst Jack Grubman continued to promote WorldCom and other telecom companies even as they were heading for bankruptcy. Hewlett-Packard's past CEO, Carly Fiorina, is another a leader who appeared to focus more on financial performance than on ethics.[4] During her tenure at HP the company lost its outstanding ethical reputation. Salespeople adopted questionable tactics to make their numbers, and financial analysts began to doubt the company's quarterly reports. Conflict over HP's merger with Compaq set the stage for a scandal involving board members after Fiorina departed. Under the direction of the board chair, private investigators spied on company directors and obtained information about journalists under false pretenses.

From their analysis of the three categories of ethical leadership, Trevino and her colleagues conclude that acting ethically is not enough. Executives must also ensure that employees know that they care (aren't just neutral) about ethics. Otherwise, followers will continue to focus on financial results without concern for ethics. Ethical leaders make ethical considerations a top organizational priority. They create positive ethical climates that promote moral behavior by leaders and followers alike. Identifying the characteristics of healthy ethical climates is the subject of the next section.

Ethical Climates

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.[5] 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.[6] 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. (To determine the ethical climate of your company or organization, complete Self-Assessment 9.1.)

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.[7] Rates of immoral behavior are highest in work units and organizations with instrumental climates. 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 with their jobs. Rules climates discourage ethical misbehavior 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.

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 include humility, zero tolerance for individual and collective destructive behaviors, justice, integrity, trust, a focus on process, structural reinforcement, and social responsibility.

Humility

Any attempt to foster a positive ethical climate must begin by acknowledging the reality that organizations, like individuals, have their "dark sides." (See "Leadership Ethics at the Movies: *Inside Job*" for a description of an entire industry that casts significant shadows.) In particular, organizations are likely to fall victim to success and self-centeredness. High-performance businesses are always in danger of accepting unethical behavior as the normal way of operating. Like Icarus of ancient Greek mythology, who fell to earth after soaring too close to the heat of the sun, modern-day highfliers are also likely to crash. In the Icarus syndrome, the same factors that contribute to the success of high-performing corporations like Salomon Brothers, WorldCom, Enron, and Tyco often lead to their downfall.[8] First, a culture of competition encourages members to break the rules to get a competitive advantage and to excuse their moral failings. Second, high-performance organizations are so focused on results (generally financial) that they tolerate wrongdoing if it achieves their objectives. Third, an exaggerated focus on mission encourages members to ignore the rules. Fourth, members tell stories that justify their poor behavior by, for example, demonizing their opponents. Fifth, the culture becomes isolated. As a consequence, group members accept behaviors like bribery, cheating, and deception that would be seen as unethical by society.

LEADERSHIP ETHICS AT THE MOVIES

Inside Job

Key Cast Members: George Soros, Ben Bernanke, Barney Frank, Larry Summers, Frederic Mishkin, Christine Lagarde, Eliot Spitzer

Synopsis: Narrated by Matt Damon, this Oscar-winning documentary examines the excesses of the U.S. financial services industry that led to the economic crisis of 2008. It includes interviews with many of those who played a part in the events leading up to and following the crash. The filmmakers highlight the role that politicians, rating services, and academics played in enabling greedy bankers and financial investors to enrich themselves while putting the world's economy at risk. Many Wall Street executives continued to receive lavish bonuses even after they had caused the financial disaster; none have been charged with crimes.

Rating: PG-13 for language and adult themes

Themes: greed, ethical danger signs, fraud, deception, abuse of power and privilege, leadership shadows

Discussion Starters

1. How was the financial crisis an "inside job"?
2. What ethical danger signs were present in the financial services industry before the crash? After the crash?
3. What steps, if any, should be taken to reform Wall Street?

Organizations can also be ensnared by narcissism. In organization narcissism, members believe that the group has special, unique qualities. They develop a great deal of pride (hubris), believing they have the power to control events. Leaders of narcissistic organizations are quick to dismiss other groups and to treat them with contempt. Long-Term Capital Management (LTCM) is a case in point.[9] The staff of this 1990s hedge fund included two Nobel Prize winners and a former vice chair of the American Federal Bank, as well as top Wall Street traders. The fund was highly profitable at first. However, its managers made increasingly large investments in markets where they had no experience. Worse yet, as the global economy soured in 1998, fund managers continued to take large risks even as other banks and investment funds were becoming more cautious. LTCM officials apparently hoped to demonstrate their superiority by making money when their competitors could not. Instead, LTCM had to be bailed out by the federal government and closed shortly thereafter.

Ethical leaders play a critical role in alerting followers and other leaders to the dangers of success and self-centeredness. They promote humility as a collective virtue as they nurture this character trait in themselves (see the discussion of humility in Chapter 3). They encourage the group to be aware of its strengths and limitations, to be open to new ideas and knowledge, and to acknowledge the importance of serving a higher power. Humility prevents hubris and the disdainful treatment of outsiders. Humble organizations are also sensitive to the signs of ethical trouble described in Box 9.1.

BOX 9.1 SIGNS OF ETHICAL COLLAPSE

Arizona State University professor Marianne Jennings identifies seven signs that a company may be at risk for moral failure. Recognizing and responding to these symptoms can help you and your organization avoid disaster.

Sign 1: Pressure to Maintain Numbers

The first sign of ethical trouble is obsession with meeting quantifiable goals. Driven by numbers, companies overstate sales, hide expenses, make bad loans, and ship defective products. Nonprofits also feel the pressure to reach their goal numbers. Universities want to be ranked highly by *U.S. News & World Report* and other publications, so they may lie about graduation and placement rates. Atlanta public school administrators are charged with altering standardized test scores in order to earn performance bonuses. Charities, driven to achieve their fund-raising objectives, may make false claims about how many people they serve.

Sign 2: Fear and Silence

In every moral meltdown, there are indications that something is seriously amiss. For example, employees at Enron circulated a list titled "Top Ten Reasons Enron Restructures So Frequently." Item 7 on the list said, "To keep the outside investment analysts so confused that they will not be able to figure out that we don't know what we're doing." However, few challenge the status quo because those who do so are publicly shamed, demoted, or dismissed. Others don't want to believe that the organization is in trouble; still others are bribed into silence through generous salaries and loan packages.

Sign 3: Young 'Uns and a Bigger-Than-Life CEO

Some CEOs become icons who are adored by the community and the media (although often not by employees). Outsiders are loath to criticize the legendary CEO when everyone else is singing his or her praises. The iconic CEO also surrounds him- or herself with loyal supporters who are often young and inexperienced. For example, CEOs brought in their sons and daughters to help them run AIG, Archer Daniels Midland, and Adelphia, all companies that ran afoul of the law.

Sign 4: Weak Board

The boards of companies on the verge of moral collapse are weak for a variety of reasons. They may have inexperienced members, be made up of friends of the CEO, or be reluctant to reign in a legendary CEO. Members may fail to attend meetings or devote the necessary time to their board roles. The board of HealthSouth is a case in point. HealthSouth—which engaged in Medicare and accounting fraud—was made up of company officers and outsiders who had contracts and other financial relationships with CEO Richard Scrushy and the firm. The HealthSouth board ignored lawsuits and federal investigations that indicated that the company was in trouble.

Sign 5: Conflicts of Interest

Conflicts of interest arise when an individual plays two roles and the interests of one role are at odds with those of the other role. Officers of the company are then tempted to profit at the expense of stockholders, employees, and others. That was the case with CFO Andrew Fastow of Enron, who made millions from the entities he designed to hide company debt.

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Sign 6: Innovation Like No Other

Highly successful companies often believe that they can defy economic and business reality. They might have been the first in a new industry or be headed by an entrepreneurial leader who succeeded against all odds. Their arrogance convinces them that they can continually innovate themselves out of any tight spot. Instead, these groups and their leaders innovate themselves into moral trouble by inventing illegal accounting practices, tax evasion schemes, and faulty business models. Finova Group grew rapidly by making loans to small businesses and time-share properties turned down by other financial institutions. The firm could charge higher interest, generating greater margins. However, Finova soon had a portfolio full of bad loans. Rather than write these loans off, the company used creative accounting to hide these losses. In some cases, company officers even counted the poor loans as assets.

Sign 7: Goodness in Some Areas Atones for Evil in Others

A good many fallen organizations and leaders try to atone for their sins in one area by doing good in others. Tyco and Dennis Kozlowski, WorldCom and Bernie Ebbers, and Adelphia and John Rigas were all known for their charitable acts, giving to universities and local communities, contributing to disaster relief, encouraging employees to volunteer for service projects, and so on. In the case of endangered organizations, the motive for philanthropy is not serving the common good but soothing the consciences of those involved in fraud, insider trading, accounting tricks, and other misdeeds.

SOURCE: Jennings, M. M. (2006). *The seven signs of ethical collapse: How to spot moral meltdowns in companies . . . before it's too late.* New York: St. Martin's Press.

Zero Tolerance for Individual and Collective Destructive Behaviors

Dark-side behaviors are destructive or antisocial actions that deliberately attempt to harm others or the organization.[10] 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. Common categories of misbehaviors include incivility, aggression, sexual harassment, and discrimination.

Incivility consists of rude or discourteous actions that disregard others and violate norms for respect.[11] Such actions can be intentional or unintentional. 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.

Aggression refers to consciously trying to hurt others or the organization itself.[12] 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.

Sexual harassment is a form of aggression directed largely at women.[13] 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 drops, and they may quit their jobs. Targets also suffer physically (headaches, sleep loss, nausea, eating disorders) and psychologically (depression, fear, a sense of helplessness).

Discrimination 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.[14]

Destructive behaviors are all too common in modern organizations. In one study, 20% of the sample reported being the targets of uncivil messages in a given week. There were 15,000 incidents of violence resulting in time away from work in one 12-month period in the United States; assaults and suicides account for 13% of all deaths on the job; and an average of 564 work-related homicides occurred each year over a recent five-year span. Among female students and employees, 50–60% report being the targets of harassing actions. Unemployment rates are significantly higher for minorities, and people of color have accumulated only a fraction of the wealth of Whites.[15]

Fortunately, leaders can significantly reduce the rate of destructive behaviors by actively seeking to prevent and control them. Moral leaders do the following:

1. *Create zero-tolerance policies that prohibit antisocial actions.* (We'll take a closer look at codes of ethics later in the chapter.) 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.
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. Even if the defendant is convicted, the unit's commanding officer can throw out the verdict.[16]
5. *Address the underlying factors that trigger destructive actions.* Moral 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 (see the discussion below), and extreme competitiveness.[17]

Moral leaders also move quickly to address the destructive actions of groups of employees. In *collective corruption* two or more individuals cooperate in unethical behavior.[18] 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 and bribery, covering up criminal behavior, graft, and nepotism. (A more complete list of corrupt activities is found in Box 9.2.) 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. As new members join the group, they are socialized into the corrupt culture. (See "Focus on Follower Ethics: The Journey to Corruption" for a closer look at how the corrupt socialization process unfolds.)

BOX 9.2 CATEGORIES OF FRAUD AND MISCONDUCT ASSESSED IN KPMG FORENSIC SURVEY (2006)

KPMG, an accounting and consulting firm, periodically surveys top executives to determine their perceptions of fraud and misconduct in their organizations. KPMG categorizes misbehaviors according to how they affect important groups. The survey assesses the following categories of fraud and misconduct:

Compromising customer or marketplace trust by

- Engaging in false or deceptive sales practices
- Submitting false or misleading invoices to customers

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- Engaging in anticompetitive practices (e.g., market rigging)
- Improperly gathering competitors' confidential information
- Fabricating product quality or safety test results
- Breaching customer or consumer privacy
- Entering into customer contract relationships without proper terms, contracts, or approvals
- Violating contract terms with customers

Compromising shareholder or organizational trust by

- Falsifying or manipulating financial reporting information
- Stealing or misappropriating assets
- Falsifying time and expense reports
- Breaching computer, network, or database controls
- Mishandling confidential or proprietary information
- Violating document retention rules
- Providing inappropriate information to analysts or investors
- Trading securities based on "inside" information
- Engaging in activities that pose a conflict of interest
- Wasting, mismanaging, or abusing the organization's resources

Compromising employee trust by

- Discriminating against employees
- Engaging in sexual harassment or creating a hostile work environment
- Violating workplace health and safety rules
- Violating employee wage, overtime, or benefit rules

- Breaching employee privacy
- Abusing substances (drugs, alcohol) at work

Compromising supplier trust by

- Violating or circumventing supplier selection rules
- Accepting inappropriate gifts or kickbacks from suppliers
- Paying suppliers without accurate invoices or records
- Entering into supplier contracts that lack proper terms, conditions, or approvals
- Violating the intellectual property rights or confidential information of suppliers
- Violating contract or payment terms with suppliers
- Doing business with disreputable suppliers

Compromising public or community trust by

- Violating environmental standards
- Exposing the public to safety risk
- Making false or misleading claims to the media
- Providing regulators with false or misleading information
- Making improper political contributions to domestic officials
- Making improper payments or bribes to foreign officials
- Doing business with third parties that may be involved in money laundering
- Doing business with third parties prohibited under international trade restrictions and embargoes
- Violating international or human rights

General

- Violating company values and principles

SOURCE: KPMG Forensic. Fraud survey 2006. Retrieved from http://www.global/compliance.com. Used by permission.

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 corruption does become part of the group's normal way of doing business, more drastic steps, like those described in Case Study 9.1, are required.

Justice

Treating people fairly or justly is another hallmark of an ethical organizational climate.[19] 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 and share information about how decisions are made.[20]

Perceptions of justice or injustice have been found to have powerful effects on the attitudes and behaviors of organizational members.[21] 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.

FOCUS ON FOLLOWER ETHICS

The Journey to Corruption

Most people believe that they have high moral standards. If that's the case, then how do so many employees become actively involved in collective corruption? Ethical theorists Blake Ashforth and Vikas Anand argue that organizational newcomers are socialized into corrupt activities. They 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.

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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.

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.

SOURCES: Anand, V., Ashforth, B. E., & Joshi, M. (2004). Business as usual: The acceptance and perpetuation of corruption in organizations. *Academy of Management Executive, 18,* 39–53; Ashforth, B. E., & Anand, V. (2003). The normalization of corruption in organizations. *Research in Organizational Behavior, 25,* 1–52.

Integrity

Integrity is ethical soundness, wholeness, and consistency.[22] 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.[23]

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 Arthur Andersen, which used to be one of the largest accounting firms in the country. Andersen accountants certified the financial statements of Qwest, Waste Management, Boston Chicken, Global Crossing, WorldCom, and the Baptist Foundation of Arizona, which were all found guilty of accounting fraud. They were reluctant to challenge the accounting practices of clients because they didn't want to lose lucrative consulting contracts with these organizations. Andersen's managing partners dissolved the firm after executives were convicted for obstruction of justice for shredding Enron documents.[24]

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 later in the chapter.)

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.[25] 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.[26]

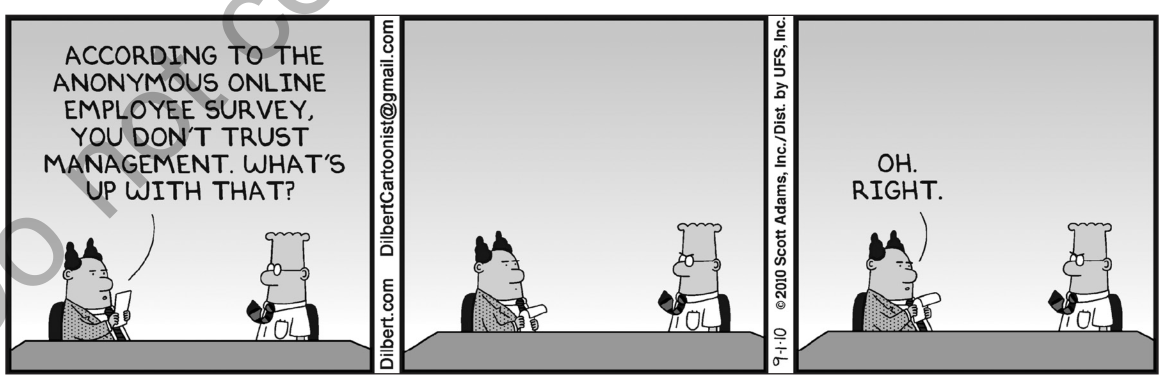
Trust

Ethical organizations 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.[27] 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 30 years trust has moved from the periphery to the center of organizational studies, primarily because it has been linked to so many positive outcomes.[28] 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 (1) the group 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.[29] (To determine your work group's degree of trust in another department, complete Self-Assessment 9.2, the Organizational Trust Inventory.) Other researchers identify five dimensions of organizational trust: competence, openness, concern, reliability, and identification.[30] *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, honesty, 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. (See Case Study 9.2 for an example of a CEO who may have lowered the trust level of her firm.)



Process Focus (Concern for Means and Ends)

Concern for how an organization achieves its goals is another important indicator of a healthy ethical climate. In far too many organizations, leaders set demanding performance goals but intentionally or unintentionally ignore 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.[31] 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.

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. Three 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.[32] Consider the case of the software company that paid programmers $20 for each software bug they found and corrected. Soon programmers were deliberately creating bugs to fix! Another 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.[33] 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 reflect the balance between means and ends described earlier, monitoring both *how* and *whether* goals are achieved. Ethically insensitive monitoring processes fail to detect illegal and immoral behavior and may actually make such practices more likely. As noted earlier, 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 criminal behavior and cost Salomon millions in fines and much of its stock and bond business.[34]

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 NASA officials dismissed their worries. During reentry, superheated gas entered a 6- to 10-inch hole, triggering an explosion that killed seven astronauts.[35] Case Study 9.3 provides another example of a situation in which frontline employees were not empowered to make ethical decisions.

Social Responsibility

Concern for those outside the organization is another sign of a healthy ethical climate. For example, ethical businesses recognize that they have several sets of responsibilities: (1) economic (produce needed goods to sell at fair prices, make profits, reward investors), (2) legal (obey laws and regulations), (3) ethical (avoid questionable activities and do what is "right, fair, and just"), and (4) philanthropic (be a good corporate citizen by giving back to the community).[36] As a result, responsible corporations engage in "triple bottom line" accounting.[37] They evaluate their success based not just on financial results but also on their social and environmental performance. Good corporate citizens send volunteers to work on Habitat for Humanity building projects, sponsor food drives, set up philanthropic organizations to give money to needy causes, and so forth.[38] At the same time, 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. For example, Starbucks incorporates social responsibility into its corporate values. Every April the company sponsors a global month of service, and it hopes to encourage employees and customers to donate a million volunteer hours by 2015. The coffee seller funds youth leadership programs, clean water initiatives, and education programs in China. In order to support its coffee, tea, and cocoa producers, Starbucks sponsors community projects in developing nations. Individual stores are free to promote local charities through volunteer hours, store products, and cash contributions. To measure its progress, the firm commissions an annual social responsibility report that indicates whether the company is reaching its social goals.[39] (More examples of socially responsible corporations can be found in the discussion of corporate values to follow.)

Recognizing the legitimate claims of stakeholders is key to social responsibility. Stakeholders are any group affected by or having a stake in the organization's policies and operations. Organizational stakeholders might include shareholders, suppliers, competitors, customers, creditors, unions, social activists, governments, local communities, and the general public.[40] 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.[41] Socially responsible organizations try to identify all stakeholders and their interests (stakes). They seek to be accountable to, and to engage with, 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, as Nike did after years of ignoring public outcry about conditions at the factories of its overseas suppliers. The firm invited human rights, labor, and environmental officials to company headquarters to discuss international worker issues.[42]

Climate-Building Tools

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

Discovering 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."[43]

Core values are the first component of core ideology. (See Box 9.3 for some examples.) One way to determine whether a value is sacred 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.

BOX 9.3 CORE VALUES

Eaton Corporation

- Make our customers the focus of everything we do
- Recognize our people as our greatest asset
- Treat each other with respect
- Be fair, honest, and open
- Be considerate of the environment and our communities
- Keep our commitments
- Strive for excellence

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 Inc.

- Be science-based
- Compete intensely and win
- Create value for patients, staff, and stockholders
- Be ethical
- Trust and respect each other
- Ensure quality

- Work in teams
- Collaborate, communicate, and be accountable

Denny's

- Giving our best
- Appreciating others
- A can-do attitude

First Horizon National Corporation

- Exceptional teamwork
- Individual accountability
- Absolute determination
- Knowing our customers
- Doing the right thing

Charles Stewart Mott Foundation

- Act honestly, truthfully, and with integrity
- Treat every individual with dignity and respect
- Be responsible, transparent, and accountable
- Benefit communities

SOURCES: Abrahams, J. (2007). *101 mission statements from top companies.* Berkeley, CA: Ten Speed Press; Kidder, R. M. (2004). Foundation codes of ethics: Why do they matter, what are they, and how are they relevant to philanthropy? *New Decisions for Philanthropic Fundraising, 45,* 75–83.

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/mission statements from some of the largest corporations in four English-speaking nations:[44]

United States

To provide comprehensive pharmacy solutions that improve productivity, profitability and result in superior patient care and satisfaction. (McKesson)

We are a global family with a proud heritage passionately committed to providing personal mobility for people around the world. (Ford Motor)

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

Australia

To help our customers fulfill their aspirations. (National Australia Bank)

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

To be the leading international property company. (Lend Lease)

Canada

To be the best at helping customers become financially better off. (Bank of Nova Scotia)

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)

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

Britain

To create value for customers to earn their lifetime loyalty. (Tesco)

Deliver an ever-improving quality shopping experience for our customers with great products at fair prices. (J. Sainsbury)

To be the Leading Systems Company, Innovating for a Safer World. (BAE Systems)

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.

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.

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.[45] Appreciative inquiry has been used in a variety of organizational settings to, for example, promote creativity and innovation, facilitate strategic planning, boost quality, and reduce employee turnover, as well as to improve ethical performance.

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 does ethics mean to us?") elicits positive examples and achievements. Once the affirmative topic is selected, appreciative inquiry 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.

South African industrial/organizational psychologists Leon van Vuuren and Freddie Crous describe how one university department used appreciative inquiry to develop "an ethical way forward."[46] After identifying core ethical values and experiences during the discovery phase, department members identified key themes during the dream stage. They then put these values in the form of propositions during the design phase. Their important propositions included "We are committed to personal growth and meaningful work," "We respect the uniqueness and contributions of others," and "We act with integrity supported by visible ethical leadership." Departmental members committed themselves to supporting these values, which were formalized in a code of ethics, during the destiny stage.

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.[47] 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:[48]

- 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.[49] 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.[50] 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.[51]

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, as in the case of Enron, doesn't mean that it will be read or used. 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:[52]

- 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 HMOs 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:[53]

- *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) must 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 9.4 as a model.

BOX 9.4 ETHICS CODES

A Sampler

Conflicts of Interest (Cummins Inc.)

All of Cummins's employees are expected to use nondiscriminatory practices throughout the supplier selection process. Every employee is expected to avoid any situation in which his or her interests (or those of his or her family) may conflict with the interests of the company. Every employee with a financial interest in any actual or potential supplier or customer must disclose that interest to his or her supervisor immediately and, if applicable, in his or her annual Ethics Certification Statement.

Records, Funds, and Assets (PPG Industries)

Every individual involved in creating, transmitting or entering information into PPG's financial records is responsible for doing so accurately, completely and with appropriate supporting documentation. Compliance with established accounting procedures and controls is necessary at all times. PPG's records, books and documents must accurately reflect the Company's transactions and provide a full account of the organization's assets, liabilities, revenues and expenses.

(Continued)

(Continued)

Protecting Information (Citigroup)

You must safeguard all personal and confidential information about our clients by ensuring that client information is used only for authorized purposes relating to your job, only shared with authorized persons and organizations, and is properly and securely maintained.

Outside Relationships (Hewlett-Packard)

We honor human rights.

- Support and respect the protection of human rights and ensure that our business partners and suppliers do the same.
- Ensure that child labor, prison or forced labor, and physical punishment are never permitted in any operation of HP or our business partners or suppliers.

Employment Practices (Cummins Inc.)

Treatment of Each Other at Work

Each employee will treat every other employee, every customer, every vendor, and all others met in the course of work with dignity and respect. Harassment of any type in the workplace will not be tolerated.

Other Practices (Coca-Cola)

Personal Political Activity

The Coca-Cola Company encourages personal participation in the political process in a manner consistent with all relevant laws and Company guidelines.

- The Company will not reimburse employees for personal political activity.
- Do not use the Company's reputation or assets, including your time at work, to further your own political activities or interests.

SOURCES: Center for the Study of Ethics in the Professions at Illinois Institute of Technology. (2013). *Index of codes.* Retrieved from http://ethics.iit.edu/codes; Citigroup, Coca-Cola, Cummins, Eaton, Hewlett-Packard, and PPG corporate websites.

Ethics Training

Formal ethics training can play an important role in creating and maintaining ethical climates. When part of the socialization process, ethics instruction can help prevent newcomers from joining in corrupt activities. Training sessions for experienced employees can heighten sensitivity to moral danger signs, 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:[54]

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, earnings projections, quarterly earnings statements) are different from those faced by sales professionals (product safety, pricing, product placement, advertising claims), for instance. Introduce examples drawn directly from the organization, industry, and profession. Then equip trainees with the tools they need to address these dilemmas.
2. *Taps into the experiences of participants.* Encourage trainees to reflect on their own values and decision-making strategies as well as important moral moments or episodes in their lives. 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 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. Even though Web-based ethics 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 should reinforce other components of the group's ethical climate. Trainers, supervisors, and executives should highlight the group's 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 integrated throughout the organization's training program. For example, discussion of bribery and price-fixing can be integrated into sales instruction. 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

- As a leader, you will serve as an ethics officer of your organization, exercising influence by the example you set for followers and by making sure that ethical messages aren't drowned out by messages about tasks and profits.

- Recognize the dangers posed by organizational success and narcissism. Foster humility as a collective virtue and be alert to signs that the organization may be headed for moral failure.

- 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.

- Combat the shadow side of organizational life by creating zero-tolerance policies for individual (incivility, aggression, sexual harassment, discrimination) and collective (fraud, bribery, price-fixing) destructive actions.

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

- 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.

- 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.

- Pay close attention to how your organization achieves its goals. Failure to do so will create anomie and undermine ethical performance.

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

- Ethical organizations recognize their obligations to their communities, demonstrating concern for social and environmental performance. Help your organization act in a socially responsible manner by honoring its ethical duty to stakeholder groups.

- Core ideology is essential to any healthy ethical climate. Encourage your organization to identify and communicate its values and purpose.

- 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.

- Effective ethics training can promote positive ethical 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. Select a well-known senior executive and determine whether this person should be classified as ethical, hypocritical, ethically neutral, or unethical. Provide evidence to support your conclusion.

2. 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 9.1, the Ethical Climate Questionnaire? 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?

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 and Box 8.2 ("Common Fallacies") in the previous chapter for

more information on constructing effective arguments.

- Pro or con: Organizations are less ethical now than they were 10 years ago.
- Pro or con: Formal codes of ethics do more harm than good.
- Pro or con: Ethical businesses are more profitable over the long term.
- 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.

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. Describe a time when you experienced anomie in an organization. What factors led to your feelings of powerlessness and alienation? How did anomie influence your behavior? As an alternative, reflect on a time when you felt you were treated unjustly in an organization. What factors led you to believe you were being treated unfairly? How did experiencing injustice influence your behavior?

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

8. Conduct an analysis of the 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 training program for your organization using the guidelines presented in this chapter.

STUDENT STUDY SITE

Visit the student study site at **www.sagepub.com/johnsonmecl5e** to access full SAGE journal articles for further research and information on key chapter topics.

CASE STUDY 9.1

Rooting Out Corruption at Siemens Global

For many years offering bribes was business as usual at Siemens Global, the giant German engineering firm. Siemens employees channeled payments to government officials, primarily in developing countries, in order to secure contracts. For example, Siemens paid as much as $60 million in bribes to win the right to produce Argentina's national identity cards, $20 million to build power plants in Israel, $14 million to supply medical equipment in China, $14 million to construct rail lines in Venezuela, and $5 million to supply phone equipment in Bangladesh. The company also made secret payments to Saddam Hussein's Iraqi government to participate in the United Nations–sponsored oil-for-food program. Bribes typically ranged from 5% to 6% of a contract's value, although they could go as high 40% in highly corrupt nations. Money that could have gone to roads, schools, and hospitals in needy areas went to dishonest government officials instead. Residents of poor countries paid more than they should have for power plants, highways, railways, and phone equipment.

Siemens executives covered up illegal payments by transferring money to foreign accounts in countries with lax banking regulations. They also funneled money to phony companies in nations where they were bidding for contracts. Local "consultants" then delivered the payoffs to officials, often using suitcases or bags stuffed with cash. Between 2001 and 2006, one midlevel executive supervised the payoff program—with an annual budget of $40 million to $60 million—to make sure that the payments were disguised and that employees didn't siphon off funds designated for foreign officials. Noted a spokesperson for German federal prosecutors: "Bribery was Siemens' business model. Siemens had institutionalized corruption."[1]

The illegal payment scheme was unearthed in 2006. Siemens, with more than 400,000 employees and annual sales in excess of 72 billion euros, paid $1.6 billion in fines in Germany and the United States (where it is listed on the New York Stock Exchange) and must spend another $1 billion to monitor its compliance to antibribery statutes. (The penalties would have been much higher, but the firm cooperated with U.S. investigators.) Siemens also had to pay $100 million to the World Bank to support anticorruption work and was banned from bidding on World Bank contracts for two years. Several German employees of the firm, including a former board member, have been convicted of fraud and other crimes. Six former executives are charged with providing payments to former Argentine presidents.

CEO Peter Loescher, appointed as the firm's first non-German chief executive in 2007, spearheaded the task of rooting out corruption at Siemens and restoring the company's reputation. The first step he took was to announce a zero-tolerance policy: "The approach was very simple—zero tolerance. From Day One, what I have clearly communicated to everyone is that we have a Zero-Tolerance policy that there is absolutely no grey zone and that Siemens stands for clean business everywhere, and at all times."[2] To implement this policy, Loescher hired a chief ethics officer and

- removed half of the management board,
- selected the company's general counsel to be chief compliance officer and made him a member of the board,
- fired offenders even if they didn't violate local laws,
- centralized business functions to make it harder for individuals and divisions to operate illegally,
- established an amnesty program so that employees could come forward with information without fear of punishment,
- adopted new antibribery rules,
- hired outside legal and financial investigators to identify suspicious payments,
- hired the cofounder of Transparency International to develop an anticorruption training program for employees,
- increased the compliance staff from 86 to 500, and
- created a Web portal that employees can use to ethically evaluate their interactions with customers and consultants.

The anticorruption campaign apparently succeeded. Siemens received the highest possible rating on the Dow Jones Sustainability World Index. U.S. regulators praised the firm for its anticorruption initiatives, holding it up as a model for other companies charged with corruption. And good models are needed. Prosecutions under the U.S. Foreign Corrupt Practices Act (FCPA) have surged. Foreign firms are subject to the provisions of the FCPA (which prohibits bribes) if they are listed on a U.S. stock exchange. Mercedes-Benz maker Daimler, French telecommunications company Alcatel-Lucent, Japanese consulting company UGC, U.S. contractor KBR, and other firms have paid more than $3.2 billion in settlements. At last count, 78 companies, including Alcoa, Avon, Goldman Sachs, Pfizer, and Wal-Mart, were under investigation.

Discussion Probes

1. Given the company's massive size and the scale of its corrupt activities, did Siemens get off too easy? Should it have faced additional financial penalties?
2. What should be the elements of a zero-tolerance ethics policy? Are any of these elements missing at Siemens Global?
3. What lessons do you take away from Siemens's efforts to eliminate corruption?
4. Should the United States prosecute companies headquartered in other countries for violating its Foreign Corrupt Practices Act?
5. What steps can multinational firms take to prevent their employees from offering bribes, particularly to government officials in poor nations?

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CASE STUDY 9.2

Trust and Telecommuting

Yahoo! CEO Marissa Mayer surprised observers when she told workers that they could no longer work from home. She issued a memo to employees stating: "To become the absolute best place to work, communication and collaboration will be important, so we need to be working side-by-side. Speed and quality are often sacrificed when we work from home."[1] Not only is Yahoo! a high-tech company, but Mayer is also a working mother who broke the glass ceiling in a male-dominated industry. Immediately after being hired at Yahoo!, she had her first child. Mayer went back to work after only two weeks of maternity leave but had a nursery built next to her office so she could work longer hours. Her return-to-the-office decree seemed to be a setback for work–life balance, particularly for working women who telework, or telecommute, to stay close to their children. Mayer appeared to be trying to reverse a national trend in which 10% of workers report that they work from home at least one day a week. To make the office more enticing for employees, however, Mayer added perks like free lunches and Android devices.

Reaction to Mayer's memo was sharply divided. Supporters praised her for taking a bold step to help save the company, which had lost much of its stock value. According to a Stanford researcher:

> Yahoo is one messed-up company right now. The culture is in awful shape—values, loyalty, you name it. Marissa inherited a complete mess. By bringing everyone in-house, she'll be able to reprogram the company's work culture while also easily jettisoning a lot of deadwood.[2]

Some hoped that Yahoo's move would prompt reconsideration of the work-from-home movement, complaining that telecommuting has been "romanticized" and can be a "career killer." Researchers report that the typical telecommuter is a 49-year-old male, not a young mother.

Critics of Mayer's move pointed to surveys that demonstrate that work-at-home employees are more productive and more satisfied. Many companies encourage teleworking to cut the need for office space, reduce traffic, and give employees more flexibility. A growing number of younger workers will likely expect to work from home. Of *Fortune*'s "Best Companies to Work For," 80% allow telecommuting. More than one commentator noted that Mayer's decision seemed to be signaling that she doesn't trust her employees. Said one work–life balance expert: "She's effectively taking a huge chunk of autonomy away from these people and she's actually saying to them 'I think you're not smart enough to figure out when you should come in and collaborate with your colleagues versus when you can work more effectively at home.'"[3] Even a fellow CEO expressed his opposition to Mayer's decision to force workers back to the office. Virgin Group founder Richard Branson pointed out that successful leadership rests on "trusting people to get their work done wherever they are, without supervision."[4]

Discussion Probes

1. Do you think requiring employees to return to the office increases employee productivity?
2. What limits, if any, should be placed on teleworking?
3. Was it fair for Mayer to require that working mothers return to the office when she could afford to build a nursery for her own child?
4. What does Mayer's work-at-the-office memo say about her values and the values that she wants to instill at Yahoo!?
5. Will the return-to-the-office decree significantly lower the level of organizational trust at Yahoo!? Why or why not?
6. Should other leaders follow the example of Mayer and require that their employees work at the office?

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CASE STUDY 9.3

Just Say No to CPR

What could be more heartless than refusing to give CPR to a dying person? That's what millions of American wondered when they heard the recording of a 911 call between an emergency operator and a staff member at an assisted living facility in Bakersfield, California. On the tape the dispatcher pleads with Colleen (identified as a nurse) to begin efforts to revive resident Lorraine Bayless. The 87-year-old had collapsed in the dining room at Glenwood Gardens, an assisted living center. Colleen refuses, citing company policy. The increasingly frantic 911 operator then asks Colleen to find someone else who would begin the procedure. "I understand if your boss is telling you you can't do it. But . . . as a human being . . . you know . . . is there anybody that's willing to help this lady and not let her die?" Colleen answers, "Not at this time."[1] Mrs. Bayless later died in a local hospital.

CPR probably would not have been effective on Mrs. Bayless since she suffered a stroke, not a heart attack, and survival rates following CPR are low after age 80. Mrs. Bayless's family members said they were satisfied with the response of Glenwood Gardens and promised not to sue. In a statement they noted that their mother and grandmother wanted to die "without any kind of life-prolonging intervention"[2] and hoped that the circumstances surrounding her death would provide "a lesson we can all learn from."[3]

Company officials at Brookdale Senior Living of Tennessee, the operators of Glenwood Gardens, claimed that Colleen (who was not acting as a nurse but as an activities director) misunderstood corporate guidelines. They promised to review the firm's emergency medical care procedures. If the company follows guidelines provided by the Assisted Living Federation of America, it will instruct employees to comply with the orders of emergency responders. Many other independent living facilities, which are similar to apartment complexes and are not licensed to provide medical care, perform CPR unless the resident has a "do not resuscitate" directive on file. (Mrs. Bayless did not have such an order.)

As more facts came out, outrage over Glenwood Gardens' refusal to provide CPR died down. Nevertheless, this incident highlights the fact that organizational policies can conflict with our basic moral obligations as humans. According to Dale Jamieson, director of the Center for Bioethics at New York University: "All of us have a duty to respond to people in life-threatening situations. This is a general ethical commitment we have to each other as part of living in society."[4]

Discussion Probes

1. If you were the Glenwood Gardens employee on the 911 call, would you have violated company policy and performed CPR?
2. Since the family was satisfied with the response of Glenwood Gardens, does this justify the decision not to offer CPR?
3. Should Colleen be punished if she acted in good faith but misinterpreted the policy?

4. What emergency care policies should elderly independent living facilities have in place? What steps should leaders take to make sure that all employees and residents understand these guidelines?
5. Is responding to life-threatening situations a "general ethical commitment we have to each other as part of living in society"? Why or why not?
6. How do you determine when your moral duties to others outweigh your obligations to your organization?

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SELF-ASSESSMENT 9.1

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.

Completely False	Mostly False	Somewhat False	Somewhat True	Mostly True	Completely True
0	1	2	3	4	5

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 him- 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 by company (organization) rules and procedures. __________
16. In the 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, 19, 21, 25, 26 = (Range 0–35) _____

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 = (Range 0–20) _____

Instrumental Climate Score
Add up scores on items 1, 2, 4, 6, 8, 10, 17 = (Range 0–35) _____

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

SOURCES: Cullen, J. B., Victor, B., & Bronson, J. W. (1993). The Ethical Climate Questionnaire: An assessment of its development and validity. *Psychological Reports, 73,* 667–674; used by permission. See also Victor, B., & Cullen, J. B. (1988). The organizational bases of ethical work climates. *Administrative Science Quarterly, 33,* 101–125.

SELF-ASSESSMENT 9.2

Organizational Trust Inventory

Instructions: Please choose the unit or department about which you can most knowledgeably report the opinions of members of your department or unit.

1. Your department or unit is ________________________________ (enter name of department/unit).

2. The other department or unit about which you are responding is ______________________ (enter name of department/unit).

Please circle the number to the right of each statement that most closely describes the opinion of members of your department toward the other department. Interpret the blank spaces as referring to the other department about which you are commenting.

1	2	3	4	5	6	7
Strongly Disagree	Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Agree	Strongly Agree

1. We think the people in ________ tell the truth in negotiations.
2. We think that _______ meets its negotiated obligations to our department.
3. In our opinion, ______ is reliable.
4. We think that the people in _________ succeed by stepping on other people. (Reverse)
5. We feel that _________ tries to get the upper hand. (Reverse)
6. We think that _________ takes advantage of our problems. (Reverse)
7. We feel that _________ negotiates with us honestly.
8. We feel that _________ will keep its word.
9. We think _________ does not mislead us.
10. We feel that ________ tries to get out of its commitments. (Reverse)
11. We feel that ________ negotiates joint expectations fairly.
12. We feel that ________ takes advantage of people who are vulnerable. (Reverse)

Scoring

Reverse item scores where indicated and then add your scores. Total scores can range from 12 to 84. The higher the score, the greater your unit's trust in the members of the other department.

SOURCE: Cummings, L. L., & Bromiley, P. (1996). The Organizational Trust Inventory (OTI): Development and validation. In *Trust in organizations: Frontiers of theory and research* (pp. 302–330). Thousand Oaks, CA: Sage. Used by permission of the authors.

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