

ideas. These are then evaluated and approved by the local manager and the program's coordinator (and by higher management when necessary). This program reportedly saves this facility about \$77,000 per implemented idea, or more than \$100 million each year.

Today's suggestion systems are more sophisticated than the "suggestion boxes" of years ago.⁴⁹ The main improvements are in how the employer formalizes and communicates the suggestion process. The essential elements of an effective employee suggestion system include the following:⁵⁰

- ✓ Senior staff support
- ✓ A simple, easy process for submitting suggestions
- ✓ A strong process for evaluating and implementing suggestions
- ✓ An effective program for publicizing and communicating the program
- ✓ A program focus on key organizational goals ■

MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of www.pearson.com/mylab/management to complete this discussion. Based on this, write a one-page outline describing an employee suggestion system for a small department store.

■ HR AND THE GIG ECONOMY: *EMPLOYEE RELATIONS AND GIG WORKERS*⁵¹

Employers can take steps to improve employee relations with gig workers.

First understand that gig workers each come to their jobs with their own needs. For example, one researcher interviewed Uber and Lyft drivers. He found that how drivers reacted to things like pay cuts depended on why they were driving. Some were driving mostly for social interaction and to relax from their full-time jobs. (One psychotherapist wasn't too upset by Uber's pay cuts. He was just happy to unwind from 40 hours per week of counseling people). On the other hand, drivers who were financially dependent on driving were understandably quite upset by the cuts.

In any case, here are suggestions for improving gig-worker employee relations:

- Don't treat gig workers like they're disposable. Even if it's a short gig, communicate with the worker, and get to know him or her. Recognize their contributions.
- Make signing on as frictionless as possible. Many gig workers are looking for part-time flexible gigs, and want work, not paperwork.
- Research shows that most employers put little time into onboarding gig workers, which is a mistake: even an abbreviated onboarding process is better than none. Give them a brief background on your company and/or project, and make them feel part (albeit an independent-contractor part) of your business.
- It is important legally to make it clear that they are independent contractors. However, to the extent possible, share company news with and seek feedback from your gig workers. Include them in intracompany communications and to the extent possible in company social and educational events.

LEARNING OBJECTIVE 14-3

Explain what is meant by ethical behavior.

The Ethical Organization

People face ethical choices every day. Is it wrong to use a company credit card for personal purchases? Is a \$50 gift to a client unacceptable? Compare your answers by doing the quiz in Figure 14-2.

Most of those reading this book rightfully view themselves as ethical people, so why include ethics in a human resource management book? For three reasons: First, ethics is not theoretical. Instead, it greases the wheels that make businesses work. Managers who promise raises but don't deliver, salespeople who say "The order's coming" when it's not, production managers who take kickbacks from suppliers—they all corrode the trust that day-to-day business transactions rely on.

Second, it is hard to even imagine an *unethical* company with good employee relations.

The spread of technology into the workplace has raised a variety of new ethical questions and many old ones still linger. Compare your answers with those of other Americans surveyed, on page 479.

Office Technology

1. Is it wrong to use company e-mail for personal reasons?
☐ Yes ☐ No
2. Is it wrong to use office equipment to help your children or spouse do schoolwork?
☐ Yes ☐ No
3. Is it wrong to play computer games on office equipment during the workday?
☐ Yes ☐ No
4. Is it wrong to use office equipment to do Internet shopping?
☐ Yes ☐ No
5. Is it unethical to blame an error you made on a technological glitch?
☐ Yes ☐ No
6. Is it unethical to visit pornographic Web sites using office equipment?
☐ Yes ☐ No

Gifts and Entertainment

7. What's the value at which a gift from a supplier or client becomes troubling?
☐ \$25 ☐ \$50 ☐ \$100
8. Is a \$50 gift to a boss unacceptable?
☐ Yes ☐ No
9. Is a \$50 gift from the boss unacceptable?
☐ Yes ☐ No
10. Of gifts from suppliers: Is it OK to take a \$200 pair of football tickets?
☐ Yes ☐ No
11. Is it OK to take a \$120 pair of theater tickets?
☐ Yes ☐ No
12. Is it OK to take a \$100 holiday food basket?
☐ Yes ☐ No

13. Is it OK to take a \$25 gift certificate?
☐ Yes ☐ No
14. Can you accept a \$75 prize won at a raffle at a supplier's conference?
☐ Yes ☐ No

Truth and Lies

15. Due to on-the-job pressure, have you ever abused or lied about sick days?
☐ Yes ☐ No
16. Due to on-the-job pressure, have you ever taken credit for someone else's work or idea?
☐ Yes ☐ No

FIGURE 14-2 *The Wall Street Journal* Workplace Ethics Quiz

Source: Ethics and Compliance Officer Association, Waltham, MA, and the Ethical Leadership Group, Global Compliance's Expert Advisors, Wilmette, IL. (printed in *The Wall Street Journal*, October 21, 1999, pp. B1–B4). © 1999 by Ethics and Compliance Officer Association. Reprinted by permission. All rights reserved.

ethics

The study of standards of conduct and moral judgment; also the standards of right conduct.



Third, many ethical predicaments involve human resource management. For example, one HR manager described how employees at one plant were told to “vent poisonous gas into the air,” something that could have killed them.⁵² A survey found that 6 of the 10 most serious ethical work issues—workplace safety, employee records security, employee theft, affirmative action, comparable work, and employee privacy rights—were HR-related.⁵³

Ethics are “the principles of conduct governing an individual or a group”—the principles people use to decide what their conduct should be.⁵⁴ Of course, not all conduct involves ethics.⁵⁵ For example, buying an iPad usually isn't an ethical decision. Instead, ethical decisions are those rooted in *morality*. Morality refers to society's accepted standards of behavior. To be more precise, morality (and therefore ethical decisions) always involves the most fundamental questions of what is right and wrong, such as stealing, murder, and how to treat other people.

Ethics and Employee Rights

Societies don't rely just on employers' ethics or sense of fairness or morality to ensure that they do what's right. Societies also institute laws, and procedures for enforcing these laws. These laws lay out what employers can and cannot do, for instance, in terms of discriminating based on race. In so doing, these laws also carve out explicit rights for employees. For example, Title VII of the Civil Rights Act gives employees the right to

bring legal charges against an employer who they believe discriminated against them due to race. And, the Fair Labor Standards Act gave employees the right to a minimum wage and overtime pay. The bottom line is that although ethics, fairness, and morality help govern how employers treat their employees, the enforceable rights embedded in employment law also govern what employers and employees can do.

What Shapes Ethical Behavior at Work?

Why do people do bad things? It's complicated. However, one review of over 30 years of ethics research concluded that three factors combine to determine the ethical choices we make.⁵⁶ The authors titled their paper “Bad Apples, Bad Cases, and Bad Barrels.” This title highlighted their conclusion that when

“Bad apples” (people who are inclined to make unethical choices), must deal with
 “Bad cases” (ethical situations that are ripe for unethical choices), while
 working in
 “Bad barrels” (company environments that foster or condone unethical choices),
 . . . then people tend to act unethically.

Here's a closer look at what they found.

THE PERSON (WHAT MAKES BAD APPLES?) First, because people bring to their jobs their own ideas of what is morally right and wrong, each person must shoulder much of the credit (or blame) for his or her ethical choices.

For example, researchers surveyed CEOs to study their intentions to engage in two questionable practices: soliciting a competitor's technological secrets, and making illegal payments to foreign officials. The researchers concluded that the CEOs' personal predispositions more strongly affected their decisions than did outside pressures or characteristics of their firms.⁵⁷ The most principled people, with the highest level of “cognitive moral development,” think through the implications of their decisions and apply ethical principles. They have “moral attentiveness,” and are aware of the ethical dilemma at hand.⁵⁸ How would you rate your own ethics? Figure 14-2 (page 461) presented a short self-assessment survey (you'll find typical survey takers' answers on page 479).

WHICH ETHICAL SITUATIONS MAKE FOR ETHICALLY DANGEROUS SITUATIONS (BAD CASES)? It's not just the person but the situation that's important. For example, the researchers found that “smaller” ethical dilemmas prompt more bad choices. What determines “small”? Basically, how much harm can befall victims of the choice, or the number of people potentially affected. People seemed more likely to “do the wrong thing” in “less serious” situations, in other words. That obviously doesn't mean that some people don't do bad things when huge consequences are involved; it just means that people cut more ethical corners on small things. The problem is that one thing leads to another; people start by doing small bad things and then “graduate” to larger ones.⁵⁹



WHAT ARE THE “BAD BARRELS”?—THE OUTSIDE FACTORS THAT MOLD ETHICAL CHOICES Finally, the study found that some companies produce more poisonous social environments (“outside factors” or “barrels”) than do others; these bad environments in turn encourage unethical choices.⁶⁰ For example, companies that promoted an “everyone for him- or herself” culture were more likely to suffer unethical choices. Those that encouraged employees to consider the well-being of everyone had more ethical choices. Most important, companies whose managers put in place “a strong ethical culture that clearly communicates the range of acceptable and unacceptable behavior” suffered fewer unethical decisions.⁶¹

How Any Manager Can Create an Ethical Environment

We can translate findings like these into the following specific steps managers can take to create more ethical environments.

REDUCE JOB-RELATED PRESSURES If people did unethical things at work solely for personal gain or because they were “bad people,” it perhaps would be understandable (though inexcusable). The scary thing is that it’s often not personal interests but the pressures of the job. As one former executive said at his trial, “I took these actions, knowing they were wrong, in a misguided attempt to preserve the company to allow it to withstand what I believed were temporary financial difficulties.”⁶²

One study illustrates this. It asked employees to list their reasons for taking unethical actions at work.⁶³ For most of these employees, “meeting schedule pressures,” “meeting overly aggressive financial or business objectives,” and “helping the company survive” were the three top causes. “Advancing my own career or financial interests” ranked about last.⁶⁴ So first, reducing such “outside” pressures helps head off ethical lapses.

MAKE IT CLEAR WHAT’S OKAY AND NOT OKAY⁶⁵ If your company has an ethics code, make it clear you take it seriously; if there is no code, show by your own actions and words what’s acceptable and not acceptable.

MODEL THE DESIRED BEHAVIOR (“WALK THE TALK”) It’s hard to resist even subtle pressure from a boss. In one report, “the level of misconduct at work dropped dramatically when employees said their supervisors exhibited ethical behavior.”⁶⁶ Examples of how supervisors lead subordinates astray include the following:

- Tell them to do “whatever is necessary” to achieve results.
- Look the other way when wrongdoing occurs.
- Take credit for others’ work or shift blame.⁶⁷

Put another way, managers must walk the talk—not just pay lip service to ethics but behave ethically. Some managers urge employees to apply a quick “ethics test” to evaluate whether what they’re about to do fits the company’s code of conduct. For example, Raytheon Co. asked employees to ask:

- Is the action legal?
- Is it right?
- Who will be affected?
- Does it fit Raytheon’s values?
- How will it “feel” afterward?
- How will it look in the newspaper?
- Will it reflect poorly on the company?⁶⁸

REINFORCE THE DESIRED BEHAVIOR, NOT THE UNDESIRABLE BEHAVIOR⁶⁹ People tend to do what they get positive reinforcement for, and gradually stop doing what’s not reinforced. Do not inadvertently reinforce unethical behavior (nor punish ethical behavior).

TAKE IT SERIOUSLY When students complained of inappropriate behavior by an osteopathic medical school administrator, university administrators (including an attorney) put a letter in his file and got his agreement to change. It transpired that they should have taken stronger action. The moral is, investigate ethics-related accusations vigorously and make sure you correct the problem.

How Human Resource Managers Can Create More Ethical Environments

There are also steps human resource managers can take.

INSTITUTE ETHICS POLICIES AND CODES Employers use ethics policies and codes to signal that their companies are serious about ethics. For example, IBM’s code of ethics says, in part:

Neither you nor any member of your family may, directly or through others, solicit or accept from anyone money, a gift, or any amenity that could influence or could reasonably give the appearance of influencing IBM’s business

relationship with that person or organization. If you or your family members receive a gift (including money), even if the gift was unsolicited, you must notify your manager and take appropriate measures, which may include returning or disposing of what you received.⁷⁰

ENFORCE THE RULES Codifying rules without enforcing them is useless. To paraphrase one study, managers' statements can reduce unethical behavior on the part of employees, but knowing that behavior is actually monitored and enforced has the biggest impact.⁷¹ *Ethics audits* address topics like conflicts of interest, giving and receiving gifts, and employee discrimination.⁷² One study found that fraud controls such as hotlines, surprise audits, fraud training for employees, and mandatory vacations can each reduce internal theft by around 50%.⁷³ Lockheed Martin Corp. has a chief ethics officer.⁷⁴



ENCOURAGE WHISTLEBLOWERS Some companies encourage employees to use hotlines and other means to “blow the whistle” on the company when they discover fraud. Several U.S. laws, including Dodd–Frank, the False Claims Act, the U.S. Financial Institutions Reform, Recovery, and Enforcement Act, and U.S. federal sentencing guidelines address whistleblowing.⁷⁵ Under the U.S. Securities and Exchange Commission’s whistleblower program, awards are not limited to company employees. Consultants, independent contractors, vendors, and sometimes audit and compliance personnel are also eligible.⁷⁶

MyLab Management Apply It!

What steps did an actual company take to tighten its ethics processes after confronting accusations of corporate misdeeds? If your professor has chosen to assign this activity, go to www.pearson.com/mylab/management to complete the video exercise.

organizational culture

The characteristic values, traditions, and behaviors a company’s employees share.

FOSTER AN ETHICAL CULTURE⁷⁷ Several years ago Uber faced multiple harassment claims, in part due to the company’s uninhibited culture.⁷⁸ **Organizational culture** is the “characteristic values, traditions, and behaviors a company’s employees share.” A *value* is a basic belief about what is right or wrong, or about what you should or shouldn’t do. (“Honesty is the best policy” would be a value.) Managing people and shaping their behavior depends on shaping the values they use as behavioral guides. For example, if management really believes “honesty is the best policy,” the actions it takes should reflect this value. Managers therefore should think through how to send the right signals to their employees—in other words, create the right culture. Doing so includes:

- **Choose as leaders** people who reflect the culture you’re trying to achieve.⁷⁹
- **Clarify expectations.** Make it clear what values you want subordinates to adhere to. For example, IBM’s ethics statement shows the company takes ethics seriously.
- **Use signs and symbols.** *Symbolism*—what the manager actually does—ultimately does the most to create and sustain the company’s culture. As we said earlier, managers should “walk the talk.” They can’t say “don’t falsify the financials” and then do so themselves.
- **Provide physical support.** The physical signs of the employer’s values—its incentive plan, appraisal system, and disciplinary procedures, for instance—send strong signals regarding what employees should and should not do. For example, do promotions reward ethical behavior or penalize it?⁸⁰
- **Interact frequently** with employees to explain the values that are important.⁸¹

The accompanying HR Tools feature illustrates ethics management in small businesses.