ETHICAL DECISION-MAKING PROCESS – ORGANIZATIONAL AND PSYCHOLOGICAL INFLUENCES
AGENDA

- Ethical Decision-making process
- Moral awareness
- Cognitive moral development
- Organizational influences on ethical behavior
- Cognitive barriers to good ethical judgment
ETHICAL DECISION MAKING PROCESS

Characteristics of Individuals

- Individual Differences
- Cognitive Biases

INDIVIDUAL ETHICAL DECISION MAKING & BEHAVIOR

Moral Awareness → Moral Judgment/Evaluation → Ethical Behavior

Characteristics of Organizations

- Group & Organizational Pressure
- Organizational Culture
MORAL AWARENESS

- Moral Awareness ➔ Moral Judgment

- With **moral awareness**, a situation is interpreted as a moral or ethical issue (triggers moral judgment)

- First, people are more likely to recognize the moral nature of an issue or decision if they believe their co-workers will consider it problematic (i.e., social consensus idea)
  - Issue has likely been discussed informally or formally in the organization

- Second, issue has been framed in **moral language**

- Third, issue has potential to inflict **serious harm** to a lot of people (i.e., **magnitude of consequences**)

- Training and talking about issues increases moral awareness
LAWRENCE KOHLBERG’S MORAL REASONING THEORY

- Moral reasoning develops sequentially through 3 broad levels (each has 2 stages)
- As individuals move forward through the stages, they can comprehend all reasoning at stages below their own but can’t comprehend reasoning more than one stage beyond their own
- Cognitive disequilibrium occurs when an individual perceives a contradiction between their reasoning level & the next higher level
LEVELS OF COGNITIVE MORAL DEVELOPMENT

- Level 1 - Pre-conventional
  - Obedience & punishment orientation
  - Instrumental purpose & exchange
- Level 2 - Conventional
  - Interpersonal accord, conformity, mutual expectations
  - Social accord & system maintenance
- Level 3 - Post-Conventional
  - Social contract and individual rights
  - Universal ethical principles
LOOKING UP & LOOKING AROUND – ORGANIZATIONAL INFLUENCES

- Most adults operate at a conventional level
  - This means they are highly susceptible to external influences.
- Only the minority of principle-based folks are going to be resistant to external influences.
- Most employees will be looking for guidance and they’ll do what’s right if guided and supported.
- Most people are highly likely to do what is expected of them as a result of the reward system, group norms, role expectations, authority figure demands (supervisor/leader), felt responsibility for their actions, and organizational culture.
ORGANIZATIONAL INFLUENCES ON ETHICAL BEHAVIOR: REWARD SYSTEMS

- **Ethical Behavior**
  - Influence of rewards, peers, roles, authority figures, and diffusion of responsibility

- **Reward Systems**
  - Single most important influence — individuals tend to follow reward system and seeks to avoid punishment;
  - Guidelines for punishment and shaping behavior to appropriate types — fairness of punishment.
  - Set high ethical goals for employees.
  - Social learning theory — individuals learn about what is rewarded from cues.
ORGANIZATIONAL INFLUENCES ON ETHICAL BEHAVIOR: GROUP NORMS AND ROLES

- **Group Norms (Peer Influence)**
  - People follow group norms. Desire to remain a member of the group – loyalty to group.
  - Group leader – try to influence.
  - Influence group reward system.

- **Roles are strong forces in guiding behavior**
  - Deindividuation – focus on role required behaviors in professional role.
  - Role readiness – enter organizations ready to behave according to roles; even in violation of the values they may have.
ORGANIZATIONAL INFLUENCES ON ETHICAL BEHAVIOR: AUTHORITY FIGURES

- Authority and ethics
  - Obedience to authority (e.g., Milgram)
  - Power of managers as legitimate authority figures
  - Power of the signals that managers send
  - Consistency of message with actions!
Diffusion of responsibility within organizations

- Felt responsibility for consequences is key for individuals to act ethically
- Responsibility is often turned over to a higher level
- Diffusion of responsibility in groups - shared
- Diffusing responsibility by division of tasks
- Diffusing responsibility by creating psychological distance
Culture is a body of learned beliefs, traditions, and guides for behavior shared by members of a society or a group.

Need to proactively establish an ethical culture.

Informal and formal systems influence what type of ethical culture exists in an organization.
ORGANIZATIONAL INFLUENCES ON ETHICAL BEHAVIOR: DEVELOPING & CHANGING ETHICAL CULTURE

Formal Systems

• Leadership
• Structure
• Rules/Policies
• Selection System
• Orientation/Training
• Decision Processes

Informal Systems

• Norms
• Values
• Rituals
• Myths/Stories
• Language

Figure 9-1
COGNITIVE BARRIERS TO GOOD ETHICAL JUDGMENT: FACT GATHERING

- Most people are overconfident about their knowledge of the facts
- **Confirmation trap** is looking for facts that support your preferred choice
- Should consciously look at ways you could be wrong:
  - How could we be wrong?
  - What facts are still missing?
  - What facts could prove me wrong?
THINKING ABOUT CONSEQUENCES: REDUCED NUMBER OF CONSEQUENCES

- People simplify their decisions and make them more manageable by reducing the number of consequences they consider.
  - Decision makers ignore consequences that are thought to only impact a few people.
  - But consequences that impact only a few people can be serious.
  - Should invite all people to participate, especially those who disagree.
CONSEQUENCE FOR THE SELF VS. CONSEQUENCES FOR OTHERS

- People tend to make decisions in a *self-interested* manner.
- People also *underestimate* the extent that they are self-interested.
- People tend to choose the alternative they personally prefer rather than the one that is most just when the consequences of multiple alternatives are ambiguous.
- People are *not* aware of their cognitive biases.
CONSEQUENCES AS RISK

- People tend to underestimate potential risks because of *illusion of optimism*.
- People generally think they themselves are *less susceptible* to risk than others.
- *Illusion of control* is the belief that we really are in charge of what happens to us.
- Overall, we focus on information that confirms our preferences and discounts information that conflicts with our choices.
Decisions are not isolated but often become part of a series of choices within the context of a larger decision or project.

*Escalation of commitment* is to continue to be committed to the previous course of action even if that has been a bad one.

Must consider *sunk costs* — not recoverable and should not be brought in decision.

Way to minimize escalation of commitment is to realize it exists — focus on *future* costs/benefits.
THINKING ABOUT INTEGRITY

- In decision making, ask yourself what a person of integrity would do in this situation.
- If your thoughts about yourself are controlled by illusion rather than reality, it may be difficult to make a decision about your own integrity.
- People have an illusion of superiority where people think they are more ethical, fair, and honest than most people.
SCRIPTS

- **Scripts** are cognitive frameworks that guide human thought and action. Scripts contain information about the appropriate sequence of events in routine situations.

- **Cognitive script** allows the individual to call on an established behavior pattern and act automatically without contemplating every decision or action in great detail.

- Active thinking is *not* required because the situation fits the mental prototype, which triggers the script and the prescribed behaviors.
Because we must process so much information, scripts provide a benefit, but:

- Scripts can be problematic for ethical decision making:
  - May not allow ethical considerations if not part of script
  - Ethical issues do not lend themselves to “automatic pilot” decisions
  - Cost benefit analysis scripts also prevent the ethical nature from being raised.
  - Easy to overlook issues that don’t fit in a script
ORGANIZATIONAL AND PSYCHOLOGICAL DIMENSIONS - SUMMARY

- Ethical decision-making process
  - Awareness, evaluation, intention, behavior

- Moral Awareness - Influences
  - Social consensus, Moral language, Magnitude of consequences

- Cognitive Moral Development
  - Pre-conventional, conventional, post-conventional

- Organizational influences
  - Reward systems, group norms, roles, authority figures, diffusion of responsibility, organizational culture

- Cognitive barriers
  - Confirmation trap, number of consequences, consequences for self, risk – illusion of optimism and control, time – escalation of commitment, integrity – illusion of superiority, scripts.