

CPD Ethics Workshop

***Society of Chartered Surveyors of
Ireland***

Ethical Problem

You are the Procurement manager of a National Charity that is seriously struggling to survive in the current recession.

You need to source a company vehicle.

A car dealership offers you a new van worth €25,000 for free if you will falsely report to the government that the dealership donated a van worth €50,000.

You really need the van and it will give you an opportunity to keep your business operating and keep your staff in employment.

Do you agree to take the van?

Managerial Ethics

- **Stakeholders: people or groups that have an interest in the organization.**
 - Stakeholders include employees, customers, shareholders, suppliers, and others.
 - Stakeholders often want different outcomes and managers must work to satisfy as many as possible.
- **Ethics: a set of beliefs about right and wrong.**
 - Ethics guide people in dealings with stakeholders and others, to determine appropriate actions.
 - Managers often must choose between the conflicting interest of stakeholders.



Ethics

Principles, values, and beliefs that define what is right and wrong behavior

It is difficult to know when a decision is ethical. Here is a good test:

Managerial ethics: If a manager makes a decision falling within usual standards, is willing to personally communicate the decision to stakeholders, and believes friends would approve, then it is likely an ethical decision.

Ethical Models



Ethical Origins

- **Societal Ethics:** standards that members of society use when dealing with each other.
 - **Based on values and standards** found in society's legal rules, norm, and mores.
 - **Codified in the form of law** and society customs.
 - Norms dictate how people should behave.
- **Societal ethics vary based on a given society.**
 - Strong beliefs in one country may differ elsewhere.
 - Example: bribes **are an** accepted business practice in some countries.

Ethical Origins

- **Professional ethics: values and standards used by groups of managers in the workplace.**
 - Applied when decisions are not clear-cut ethically.
 - Example: physicians and lawyers have professional associations that enforce these.
- **Individual ethics: values of an individual resulting from their family& upbringing.**
 - If behavior is not illegal, people will often disagree on if it is ethical.
 - Ethics of top managers set the tone for firms.

Ethical Decisions

- **A key ethical issue is how to disperse harm and benefits among stakeholders.**
 - If a firm is very profitable for two years, who should receive the profits? Employees, managers and stockholders all want a share.
 - Should we keep the cash for future slowdowns?

What is the ethical decision?
- **What about the reverse, when firms must layoff workers.**
- **Final point: stockholders are the legal owners of the firm!**

Ethical Decisions

- **Some other issues managers must consider.**
 - *Should you hold payment to suppliers as long as possible to benefit your firm?*
 - ❖ This will harm your supplier who is a stakeholder.
 - *Should you pay severance pay to laid off workers?*
 - ❖ This may decrease the stockholder's return.
 - *Should you buy goods from overseas firms that hire children?*
 - ❖ If you don't the children might not earn enough money to eat.

Why Behave Ethically?

- **Managers should behave ethically to avoid harming others.**
 - Managers are responsible for protecting and nurturing resources in their charge.
- **Unethical managers run the risk for loss of reputation.**
 - This is a valuable asset to any manager!
 - Reputation is critical to long term management success.
 - All stakeholders are judged by reputation.

How Managers Can Improve Ethical Culture in An Organization

1. Hire individuals with high ethical standards.
2. Establish codes of ethics and decision rules.
3. Lead by example.
4. Set realistic job goals and include ethics in performance appraisals.
5. Provide ethics training.
6. Conduct independent social audits.
7. Provide support for individuals facing ethical dilemmas.
8. Strong Culture as Culture Determine Behavior

Thank You

Questions?