Stumbling Blocks on the Path to Successfully Behaving Ethically in Business

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Abstract

The purpose of the paper is to present several of the cognitive and psychological barriers that often get in the way of managers' ethical behavior. Three broad types of such barriers are cognitive limitations and biases, ideologies, and goal pursuits. I describe these three types of barriers and present several specific kinds of each. By integrating findings related to these cognitive and psychological barriers with ethical behaviors, managers should be able to incrementally improve on their ethical decision making.

Introduction

The stumbling blocks to behaving more ethically in any business are numerous. It is undeniable that there are contextual, structural, societal-level (e.g., legal systems, political systems, economic systems) factors that can exert a large influence the behaviors of managers , in general. However, within any set of environmental circumstances, of all the managers who have full intentions towards behaving ethically, some managers are more successful in behaving ethically than others. The main cause of this difference has to do with their "thinking." The "thinking" that results in managers stumbling in the implementation of their good intentions to behave ethically, is broadly construed here as "cognitive and psychological barriers" to more consistently ethical behavior. How do individual managers make decisions on an ongoing, daily basis and how do some of those decisions end up being less ethical than intended by those managers? What is it that managers do (and think), when going about their day to day business, that can cause stumbles in their ethical behavior? The cognitive and psychological barriers that create stumbles for well-intentioned managers are grouped here into three broad types: Cognitive Limitations and Biases, Ideologies, and Goal Pursuits.

Cognitive Limitations and Ethical Decision Making

First, there are several cognitive limitations and biases that influence managerial behavior including overconfidence, filling-in missing information, and social norm beliefs.

Overconfidence

Overconfidence, a broadly demonstrated bias, quite often results in managers taking risks and engaging in other behaviors that expose employees, investors, customers, or others to harm (usually financial harm, but also other varieties of harms) beyond appropriate levels. Bailey (2011) presented a paper directed at overconfidence and ethical decision making. I will briefly

summarize some pieces of that work here because overconfidence is appropriately identified as one of the potential stumbling blocks. It should be acknowledged that confidence is a desirable characteristic of organizational decision makers. Managers who are more confident (have more belief in themselves) are described as being more decisive, more firm, more resolute, and less doubtful (Stankov & Lee, 2008). Confidence is moderately related to cognitive abilities (Stankov & Crawford, 1997) and somewhat related to the personality factor of "openness to new experiences" (Pallier, et. al., 2002). Confidence has been found to be one of only three major factors (the other two being skill and desire) contributing to an individual's performance in the workplace (Stajkovic, 2006). The beneficial traits of active hope, self-efficacy, optimism, and resiliency share a common confidence core. As such, confidence contributes to increased job satisfaction and increased workplace subjective well-being (Stajkovic, 2006). So, confidence does have important positive consequences for managers.

However, there are also numerous research findings of the vast extent of the overconfidence phenomenon and its consequences. Many Enron-era scandal figures expressed surprise that anyone would question the morality, let alone legality, of their various activities (Prentice, 2004). Their confidence in themselves led to confidence in their ethical correctness. Mintzberg explains that MBA graduates, who sit in classrooms for a couple of years, really don't learn much about the practice of management (Mintzberg, 2007) yet they are sold on their ability to assess a company's problems and suggest actions to solve the problems, all based on very limited information without depth of contextual knowledge. This may contribute to the overconfidence of many managers.

Three main forms of overconfidence are over-placement (Lake Wobegon form), over-precision, and over-estimation (Larrick, Burson, & Soll, 2007; Moore & Healy, 2007). Over-placement is a judgment against comparison others in which individuals tend to assess themselves (or their teams, their groups, their families, etc.) as better than others. There are clear implications for the potential to make decisions that influence others in a manner that under plays ethical considerations. Over-precision is the finding that individuals, when asked to put confidence intervals on responses requiring a numerical answer, predictably indicate confidence intervals that are too small (Soll & Klayman, 2004). Finally, over-estimation can be over estimating one's actual abilities, performance, levels of control, or chances of success (Moore & Healy, 2007).

The role that overconfidence can play in managers making less ethical decisions can also be examined through Rest's (1986) moral development theory. The four component theory of moral reasoning distinguishes among moral awareness, moral judgment, moral motivation, and action. Each of these has implications for how overconfidence may hinder considering more ethical issues related to a managerial decision, with the focus here on awareness and judgment.

Moral awareness is considered the first stage in ethical decision making. This involves an interpretive process wherein a person recognizes that an issue exists (Trevino, Weaver, & Reynolds, 2006). Jones (1991) suggests that the magnitude of consequences, concentration of effect, probability of effect, temporal immediacy, social consensus, and proximity will combine to create a particular "moral intensity" to the issue at hand. The greater the moral intensity of an issue or particular context for a decision, the greater the chance that people will be become

morally aware of the issue(s). Overconfidence may negatively influence moral awareness in a couple of ways. When people are overconfident in a particular decision, they will be less likely to become aware of moral issues. For example, if a manager decides to do something and then is very much confident in that decision, there will be no need to continue to think about the decision or its consequences. This could preclude becoming aware of potential ethical characteristics involved in the course of action.

Overconfidence may also influence moral awareness by influencing the cognitive judgment that there is an ethical component to the decision. A manager may make a decision and then ask something such as "are there any conflicts of interest I need to consider here?" An overconfident manager would more quickly answer in the negative. Thus, even if we consider whether or not there are some ethical considerations to be aware of, for example - conflicts of interest, overconfidence may make us more likely to confirm our decisions. We are more likely to rely on reasons supporting our decision than those pieces of information that contradict our decisions.

Filling-in Missing Information

Continuing with cognitive biases that sometimes lead to unethical decisions (behaviors), managers are human information processors. Human information processing involves a very adaptive feature of "cognitively filling-in" missing information across all types of contexts. Normally this is a very valuable attribute of our thinking. It helps us make the most of limitations in our cognitive abilities and it helps us to interpret the environment and decisions in a timely fashion without having the full details. For example, a loud, ferocious roar from a nearby bush would be quickly interpreted as a potentially dangerous animal, something to run from or in other ways provide protection for oneself. As an example, when managers think about, evaluate, and make decisions about employees, they do so under conditions of limited information.

Often, with or without direct conscious effort, we fill-in gaps in our knowledge, or information, we do have. In so doing, we often set the direction for our judgments and/or the results of our decisions about how to handle a particular situation. The actual content of the inserted (i.e., gap filling) information can be more or less favorable towards others. We can complete our judgment of others with more, or less, generous filling-in of missing information. Managers can fill-in their gaps in their knowledge in ways that subsequently greatly influence how they treat particular employees. The fundamental attribution error is a particular example of this type of information processing error. Some managers will fill in missing information in a particular situation with content the treats others appropriately while some managers fill-in with negative content. This has implications for how they behave towards these people.

Social Norm Beliefs

Yet another of the "cognitive limitations and bias" type of stumbling block has to do with managers' beliefs about social norms. Actual social practices and institutions within organizations influence normative judgments about appropriate courses of behavior (Peacock, 2010). So to, do managerial beliefs about the social norms of behavior. Beliefs about the social norms for a given context exert a great deal of influence on individual behavior. This is found across a broad range of behaviors and social contexts including social cooperation (Pillutla & Chen, 1999): expression of prejudices (Crandall, Eshleman, & O'Brien, 2002), public good

games (Ledyard, 1995), intentions to perform health behaviors (Finlay, Trafimow, & Moroi, 1999), conformity to authority (Asch, 1956), and numerous others. Social norms significantly affect behaviors of managers and others. How can managers better make ethical decisions based on these findings? We may be interested in getting normative estimates that are supportive of behaving more ethically. How does a manager develop beliefs about social norms that will create greater likelihood of behaving ethically?

It turns out that there is a lack of consensus about the genesis and development of social norms (McAdams, 1997) and their explanatory and predictive value (Kallgren, Reno, & Cialdini, 2000). However, Cialdini, Reno, and Kallgren (1990) and Cialdini, Kallgren, and Reno (1991) begin to address these issues by being more precise in their definition of social norms, defining two main types, descriptive and injunctive. Descriptive norms specify what is believed to be typically done in a situation. For example, the statement "managers typically overstate business trip expenses by about 20%" would provide information about a descriptive norm. Injunctive norms specify what is typically approved or disapproved. For example, the statement "managers who are underpaid should overstate business trip expenses because it increases their effective compensation" would provide information about an injunctive norm (although the injunctive norm example used here may not be operating in most organizations, it could conceivably be operating in some organizations, and certainly with some particular managers). In a series of studies the researchers demonstrated the importance of distinguishing between the two forms of social norms (Cialdini, Kallgren, & Reno, 1991; Cialdini, Reno, & Kallgren, 1990; Kallgren, Reno, & Cialdini, 2000; Reno, Cialdini, & Kallgren, 1993). Thus, by defining social norms more specifically into two types and methodically demonstrating the relationships that can be expected to occur, these researchers advanced the usefulness of discerning descriptive and injunctive norms as a framework for understanding normative influence on individual behavior.

Ethical behavior is often referred to as a "grey area," primarily meaning that the correct course of action is not really clear. How do managers decide what to do when the decision or alternatives provide some "grey areas" of consideration? Often managers will look towards others' behaviors as guidance to what is appropriate. What a manager believes is the norm for any given type of instance can greatly influence how that manager chooses to behave. In grey areas, where a manager doesn't really know what is right and wrong, it is common to take cues from what other's do, or at least from one's beliefs about what others do (i.e., social norms). As an example, take the case of a new management graduate who is hired into a company where there is some travel involved in most of the managers' jobs. Consider that this new manager observes that the other managers tend to "stay an extra day" (beyond actual work) at the travel site. The new manager may develop a belief that this practice of adding a fun extra day onto to company travel, expensed to the company, is the usual, or normal, way that managers behave. It may be rationalized that this is a bona fide benefit of the job that comes with the generally unpleasant duty of traveling. Thus, it is actually easy for that young manager to begin to rapidly form a belief that nothing is wrong with such fraudulent behavior.

Ideological Barriers to Ethical Decision Making

Second, the there are several aspects of a manager's ideologies, broadly construed as "structured content of an individual's thinking," that can cause stumbles on the path to behaving

ethically. Three such examples include ethical fixed mindsets, metaphors in use, and fairness beliefs. These ideological "mental models" can be considered as structured content of thinking, or theories of action, that inform us of the strategies we might use (Argyris, 1993). Argyris points out the "theories-in-use" and "espoused theories" are two different types of these mental "theories." Espoused theories are what people say they believe, say are their attitudes, and say are their values. Theories-in-use are what are actually acted upon and therefore drive behaviors and strategies in the given context.

Ethical Fixed Mindsets

One's ethical mindset is critical to effectively developing more ethical behavior as a manager! Some managers believe that one's morals and tendency to behave ethically is fixed either early in one's life or even at birth. This view is called an ethics fixed mindset. Other managers believe that one's morals and tendency to behave ethically can be developed and improved with effortful attention, hard work, desire, and practice. This opposing view is called an ethics growth mindset. The broad range of consequences associated with holding one or the other of these two very different ideologies is tremendously influential in managerial ethical behavior. There are some international differences in the tendency for managers to hold an ethics fixed or growth mindset.

An ethics mindset is another way of saying an ideology about ethical behavior and the ability of a given manager to affect change related to ethical decision making. As background, we see that Dweck (2006) writes about the many studies that have investigated theories in use related to one's intelligence. A belief that intelligence and ability are pretty much fixed and you either have a lot of it or you do not is what Dweck (2006) refers to as fixed mindset. This leads to some predictable negative consequences. According to Dweck (2006), a fixed mindset includes the fixed intelligence belief and another belief set. These associated beliefs include that it is necessary to constantly prove oneself, hide deficiencies, and appear smart. Dweck continues by pointing out the problem with related theories in use such as the belief that because you are smart, tasks should be easy and you should make few mistakes. The more we lean towards this fixed mindset, the more trouble we have in actually learning new things. Similarly, with managerial ethical behavior, some believe there isn't much that change or improve it while others hold the belief set that any manager can work at it and get better at making decisions that include ethical consideration that ultimately result in more ethical decisions.

Developing a belief towards the idea of being able to improve one's decision making relative to ethical concerns can be initiated with actually attempting to consider ethical elements of a particular decision. Upon realizing that there are some ethical aspects to the decision context that previously had not be consciously considered, a manager may begin to see that improvement is possible.

Metaphors In Use

The metaphors that managers embrace to help structure and guide their behavior in the work place can have a great influence on the managers' decision making (Marshak, 1996). The metaphors used for business have some distinct variations across different countries and cultures. Metaphors are important in many ways. As an example, business as war metaphor, and even business as a game metaphor, can greatly expand the set of possible behaviors that seem ethical. Using "game" as a metaphor for business means, at least for many individuals, it is acceptable to behave in ways that would otherwise (i.e., not in a game) be considered unethical. For example,

if you if you think of selling something as poker game, it may appear to become ethically acceptable to bluff (lie). Purposeful effort should be exerted to notice and identify, analyze the implications of, and appropriately adjust the metaphors that a manager uses. This would have to be an on-going process as a person's use of particular metaphors may change over time.

Fairness Beliefs

Another ideological stumbling block can be placed in one's path simply by the believe system one hold's about "fairness." For the most part, it is a universally (around most countries of the world) held attitude that people, and companies, should be "fair" in their dealings with others. The definition of fairness often varies. None-the-less, many people are quite strongly motivated to behave certain (unethical) ways as a result of their conclusion that they have been treated unfairly. Some managers will begin to steal money (or product or time) from their employer as a result of believing they have been compensated unfairly. Some managers quit their lucrative and generally agreeable positions when they become aware of some particular other employee who is paid more. The "unfairness" or "unjustness" of the situation moves them to quit. While this may not be directly an ethical decision (it sort of depends on exactly how one goes about quitting), there are many behaviors that managers engage in to try to make things fair or "right" that directly relate to unethical behavior.

Pursuit of Goals and Ethical Decision Making

The third, broad type of stumbling blocks for managers is related to the pursuit of goals. Goal setting theory, when implemented thoroughly, provides what some argue to be the most effective and consistently positive increases in job performance. Goals can serve as a powerfully motivating force in how one behaves. Most of the time, this effect is clearly beneficial to performance, especially when the goals are astutely established and the means towards achieving them are explicitly considered.

Behavioral Scripts

Behavioral scripts are sets of ideas and beliefs about appropriate sequencing of activities that provide mental representations of goal-directed sets of behaviors (Schank & Abelson, 1977), in effect guiding the planning and execution of decisions (Lord & Kernan, 1986). Gioia and Manz (1985) set

The scripts of managers, especially inexperienced managers, are influenced by the sensational examples of managers seen in movies, television, and even real-life managers depicted in various news media. The challenge is that the stories that get told tend towards the fantastic rather than the more mundane norm. These stories get integrated into people's conceptions of how managers behave. Cognitive scripts are powerful influences on behavior. In some contexts, such as illness and other medical situations, scripts have been proposed as being the most pertinent type of knowledge structure influencing what happens and how people behave (Charlin, Tardiff, & Boshuizen, 2000; van Schaik, et. al., 2005). Knowing that our scripts can greatly influence our behaviors, we should purposefully work to develop our scripts in ways that involve the consideration of the ethical characteristics involved in the particular "script."

Teleopathy

However, the dogged pursuit of a challenging, even problematic, goal often results in managers behaving in unethical means in order to accomplish the goal. This type of a process,

leading to unethical behavior, has been identified as "teleopathy;" meaning a form of "goal sickness." One implication of this is the obvious suggestion that every manager should realize they have a choice in their own behaviors. In fact, higher degrees of perceived self-determination (having choice and autonomy) are related to better ethical climates in organizations (Parboteeah, et. al., 2010).

When might a manager be particularly prone to teleopathy? Prospect Theory (Kahneman & Tversky, 1979) suggests that people will be more risk seeking in the domain of gains and more risk averse in the domain of losses. Generally, people don't want to lose what they already have. Managers who find themselves under threat of losses tend to think in terms of conserving, or protecting, their status quo and may decide to do "whatever it takes" (often behaving unethically in the execution of "whatever it takes") to deal with the perceived serious threat. Across may countries and cultures, it is a generally universal finding that people don't want to risk losing what they have and so will do things (behave) to preserve what they have. Managers may be overconfident in the ethical goal (conserving the company's or one's own resources) that decisions and actions proceed with blinders on as to the means used to achieve the ends.

Conclusion

Brown (1990), in the Preface to his ***Working Ethics*** book, writes that ethics is a human activity. As with most activities, ethics can be improved with practice. Studying and practicing better ethics engages us in a process of decision making rather than producing a product, per se. This process of making managerial decisions can be improved by understanding what gets in the way of ethical considerations. In this paper, I described many stumbling blocks to managers effectively behaving ethically when they fully intend to do so. I grouped these stumbling blocks into those most directly resulting from cognitive limitations and biases, those resulting from a given manager's ideologies, and those most directly related to the explicit pursuit of goals. This paper is not directed in broad, or general, business ethics directions. It is not about the philosophy of business ethics. This paper is also not concerned with managers who don't care to behave ethically. Rather, this paper is focused on the individual as a level of analysis. It is directed towards managers who know it is best to behave ethically and who desire to do so. Strategies are provided that can help managers work on reducing the number of times they stumble on these potential barriers while working along their path to behaving more ethically.

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