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THE EVOLVING COMPLEXITIES OF BUSINESS ETHICS

CHAPTER OBJECTIVES

After reading and studying Chapter 2, students should be able to

- 2.1 Explain the complexity of business ethics within a global society.
- 2.2 Discuss the history of business ethics.
- 2.3 Describe conscious capitalism.
- 2.4 Describe inclusive capitalism.
- 2.5 Discuss the role social movements play in society.
- 2.6 Explain the principles resulting in engagement in social movements.
- 2.7 Describe the shift to a mindset of corporate social justice.
- 2.8 Explain the role of integrity and the various barriers for a firm to have an ethical organization.
- 2.9 State forms of unconscious bias and how they may lead to unethical behavior.
- 2.10 Explain the cheating culture including the role of technology.

TULSA RACE MASSACRE AND BLACK LIVES MATTER

The Greenwood District in Tulsa

In 1921, the 35-square-block Greenwood district in Tulsa was a thriving business district for the local Black residents. The local community had acquired wealth through jobs in the oil and gas industry. During this year, 300 Black residents were murdered by white residents and the neighborhood was burned to the ground.

The discovery of oil in Oklahoma brought one of the wealthiest Black men in the United States, O. W. Gurley, to Tulsa. Gurley had bought land and set up a number of businesses in what would evolve to become the Greenwood district of Tulsa, Oklahoma, in 1906. Gurley named the main street after Greenwood, Mississippi, and would subsequently come to be the considered name of the whole neighborhood.¹

In 1921, Oklahoma enacted several segregated Jim Crow policies and outside of Greenwood, Tulsa was considered to be a lawless city in which lynchings were common and the Ku Klux Klan had a strong presence. Jim Crow was a character developed by Thomas Dartmouth “Daddy” Rice in the early 1820s. Mr. Rice would wear blackface and perform songs and dances in a minstrel show. The character of Jim Crow was presented as a caricature of a clumsy and uneducated Black enslaved man. The performance would include songs and jokes in a stereotypical dialect. As the popularity of the Jim Crow character increased, the term *Jim Crow* became a derogatory term for Black people. The term was revived in the early 20th century to describe laws that supported segregation and limited the rights of Black citizens in the United States.²

Greenwood had a population of approximately 10,000 who were descendants of enslaved people as well as people who wanted to escape the Deep South. The local residents were able to start their own businesses and the Greenwood district became known as the “Black Wall Street.” The district was not only home to local entrepreneurs, but also to doctors and lawyers. The district also had services such as movie theaters, a pool hall, restaurants, and barber and beauty shops. This clustering of professionals and services was not common in the segregated regions of the United States. Thirty residents owned grocery stores in the neighborhood in 1921.

This public display of Black resident prosperity was perceived by others as a threat to white supremacy. For those white residents who were not as economically successful as the residents of Greenwood, they became jealous of the success of the Black residents.

The Massacre

The origins of the actual massacre occurred when the *Tulsa Tribune* published an article which described Dick Rowland, a Black man who was arrested for assaulting a white elevator operator, Sarah Page. While the actual details of the event were not clear, the newspaper wrote that Rowland attacked Page and tore her clothes. A group of white people gathered at the city’s courthouse waiting for Rowland. Local Black residents also headed to the courthouse to protect him from being potentially lynched.

During this potential clash, a shot was heard about a block away and as that was being investigated, local police officers temporarily made deputies of some white residents and gave them guns and ammunition. Through that night and during the next day, Black residents were shot in the street. The homes and businesses in the Greenwood District were looted and destroyed and some reports claimed that local white residents used their own planes to drop firebombs onto Black-owned properties. The rampage lasted 16 hours with estimated damage of \$25 million in 2021 dollars. The white mob blocked firefighters from reaching burning buildings and the police and National Guard arrested Black people instead of the white rioters. It was also noted that some of the National Guard members joined the white rioters in destroying the neighborhood.

The Aftermath of the Massacre

The Black residents who were still alive after the attack were held at the city’s Convention Hall. When other local residents who had fled the attack returned to their homes, they were

also detained in a local baseball park and fairgrounds. By the time the state troopers had entered Greenwood and disarmed the white residents, the damage had been done. The Ku Klux Klan used the massacre as a recruiting tool which resulted in the Tulsa chapter becoming one of the largest in the United States.

The Greenwood residents were not able to receive any insurance money since the massacre was categorized as a “riot” by insurance companies. The remaining residents were able to rebuild the neighborhood and by the mid-1940s, an estimated 200 Black-owned and operated businesses had returned to Greenwood.

Tulsa officials wanted to erase the evidence of the massacre. The victims of the massacre were buried in unmarked graves and police records referring to the massacre vanished. The inflammatory articles in the *Tulsa Tribune* about the alleged attack of Sarah Page were removed from the newspaper archives before the newspapers were transferred onto microfilm.

The Legacy of the Tulsa Massacre

On June 19, 2020, Tulsa was among several cities across the United States celebrating Juneteenth day. Juneteenth day represents the day in 1865 when a Union general had read the Emancipation Proclamation in Galveston, Texas, to enslaved people telling them they were free. The date, June 19th has been celebrated by Black American citizens since the end of the 1800s. As one resident of Tulsa, Jacquelyn Simmons, stated “We’re celebrating the emancipation of slaves, but we’re really celebrating the idea of being black . . . We love it and we love us.” The celebration reflects the era of Black Lives Matter with the celebration in Tulsa officially titled “I, too, am America: Juneteenth for Justice.”^{3,4}

On June 1, 2021, President Joe Biden went to Tulsa for the 100th anniversary of the massacre. President Biden was the first sitting president to commemorate the event. The previous day President Biden had issued a proclamation which stated “We honor the legacy of the Greenwood community and of Black Wall Street by reaffirming our commitment to advance racial justice through the whole of our government and working to root out systemic racism from our laws, our policies, and our hearts.”⁵

Less than three weeks later on June 17, 2021, President Biden signed into law making Juneteenth a federal holiday and commented that “All Americans can feel the power of this day and learn from our history.” As a result, June 19 will be recognized as a national holiday dedicated to the end of slavery in the United States.⁶

THE GLOBAL COMPLEXITY OF BUSINESS ETHICS

LEARNING OBJECTIVE

2.1 Explain the complexity of business ethics within a global society.

*We no longer live in a world of nations and ideologies, Mr. Beale. The world is a collage of corporations, inexorably determined by the immutable bylaws of business. The world is a business, Mr. Beale. It has been since man crawled out of the slime. And our children will live, Mr. Beale, to see that perfect world in which there's no war or famine, oppression or brutality—one vast and ecumenical holding company, for whom all men will work to serve a common profit, in which all men will hold a share of stock, all necessities provided, all anxieties tranquilized, all boredom amused.*⁷

—Arthur Jensen, *Network*, 1976

In the movie *Network*, a television show host, Howard Beale, convinced his viewers to complain and cancel a deal made by the corporation that owned the television network Beale worked for. The CEO of the corporation, Arthur Jensen, summoned Beale up to the boardroom to convince him what he had done was wrong. Although this speech is more than 35 years old, it could be argued it is more relevant today than in 1976 when *Network* was made. The power of corporations has grown phenomenally during the past three decades as corporations have become more global and new markets have emerged. From China to India, from Eastern Europe to South America—countries that were difficult if not impossible to penetrate by multinational corporations are now just one more market in the global competitive marketplace. As a result, as companies increase in size and geographic representation, they also increase in power. From global marketing to global political lobbying, corporations use these resources to enhance their ability to become financially stronger. As a result, it could be argued corporations have become more powerful in many areas as compared with governments.

HISTORY OF BUSINESS ETHICS

LEARNING OBJECTIVE

2.2 Discuss the history of business ethics.

Derived from the Greek word for character, *ethos*, ethics have been debated for centuries. Ethics need to be given even higher consideration in today's corporate environment. Ethical climates are created by individual judgments. But knowing the corporate stand on certain aspects can contribute to management's creation of a strong ethical culture. The discovery of ethics began many centuries ago with discussions initiated by Aristotle, Socrates, and Plato. In fact, Aristotle stated that a person is not complete until that person is a contributing member of society. In addition, Aristotle explained that a true friend would tell another friend when they are acting selfishly and foolhardily.⁸

As long as there has been commerce, there have been ethical issues about how business is conducted. In the 17th century, the United Kingdom offered companies such as the Hudson Bay Company, the East India Company, and the Massachusetts Bay Company monopolistic charters so "English" settlements could be established in different countries.

The climate of today's business ethics has seen a real change from those initial discussions that were made centuries ago.⁹ During each decade, we have been faced with turbulent ethical times. In the 1960s, the climate of business ethics was more of a period of social unrest. Employees and employers began to have an adversarial relationship, casting aside the earlier values of loyalty with management created in the 1950s. Issues such as the environment and drug use among employees began to be dilemmas for employers. This era showed the birth of the corporate social responsibility movement, with corporations beginning to establish codes of conduct to help deal with these newfound problems.

The economy of the 1970s suffered a recession, and the unemployment rate rose dramatically. Several scandals involving defense contractors and corporations led to a mood of value-centered ethics. Human rights issues began to come to light, and environmental issues continued to be a major focal point for corporations. This was a time when companies began to cover up their wrongdoings rather than deal with the issues head-on.

In the 1980s, financial fraud surfaced through the savings and loan scandal. Loyalty to employers decreased dramatically. The Ethics Resource Center helped form the first business ethics office at General Dynamics in 1985.

The 1990s saw an outgrowth of global opportunities for companies, but they were not without concerns. Unsafe work practices, child labor issues, and environmental issues gained prominence. The significant outgrowth of companies gave rise to financial mismanagement.

At the new millennium, unethical companies began to surface, wrought with financial mismanagement problems. Intellectual property theft, cybercrime, and personal privacy issues surfaced. The most significant event in the United States was the passage of the Sarbanes-Oxley Act in 2002, which attempted to control the financial mismanagement issues eroding the integrity and confidence of corporations and their stakeholders. Companies continue to use unethical practices to become more competitive and to increase their level of profitability.

During the 2010s, one ethical focus of society was the fixation on the use and abuse of technology in its many forms. From the explosion of false and misrepresented information to the catfishing of unexpected victims looking for companionship, the world embraced the infinite availability of true and not so true information. Social media became the dominant medium not just for interactions among friends but also became the primary, and in many incidences, the only source for daily news. Social media giants such as Facebook, Google, and Twitter (now known as X) had the power to determine what information was made available through its portals.

Data Breaches of Equifax, Facebook, Yahoo, Marriott, Target and other firms demonstrated the ongoing challenge firms have in their ability to protect the data of their customers.

In addition, areas such as the identification of common standards and values related to sexual misconduct and diversity create significant challenges for many firms. The creation and evolution of the #MeToo movement forced both firms and managers to reevaluate how the firm's employees were treated as well as how the survivors of these sexual assaults could have their voices heard. This sexual misconduct was just one component of an overall toxic working environment which employees had to endure in companies such as Google, McDonalds, Uber, Alibaba, and American Apparel.

Labor issues including extreme working conditions as well as the ability of a firm to allow collective bargaining and the challenge of the workers being considered contract employees also dominated discussions in the 2010s.

The role of pharmaceutical companies was also highlighted by Turing Pharmaceuticals which increased the price of a drug by over 5,000% and Purdue Pharma and other pharmaceutical companies aggressively promoting the use of opioids.

In the transportation industry, Boeing also became a focus of a major ethical scandal by knowingly selling its 737 Max airplane with potential fatal flaws. Volkswagen was also caught during this decade inserting illegal software into its diesel driven automobiles to bypass government regulations. A full case on both the Boeing 737 Max scandal and the Volkswagen deception are presented in the second half of this textbook.¹⁰

The 2020s continued with the dominance of technology and social media and had tremendous impacts on both the political process and the social awareness of people globally. Due to the COVID-19 pandemic, both employees and firms had to cope with the reality that working from home was the new normal and may, in part, be a permanent fixture in many corporate settings. In addition, the COVID-19 pandemic generated its own set of ethical dilemmas related to wearing masks, trusting vaccines, and determining who would receive vaccines in a timely manner.

CONSCIOUS CAPITALISM

LEARNING OBJECTIVE

2.3 Describe conscious capitalism.

Conscious capitalism can be defined as the ability of a firm to align the true purpose of the firm, the practice of free market capitalism, and the diverse interests of its stakeholders to create virtuous actions. Leaders of conscious capitalism-based firms view the world differently related to the relationship between the firm and its stakeholders as compared with firms that do not embrace conscious capitalism. Firms who incorporate conscious capitalism in their decision-making process focus on a holistic and ecosystem-based view of the world. Conscious capitalistic firms focus more on a higher purpose than just financial performance in their evaluation system and are able to incorporate social commitment and caring synergistically with their strategic focus.

The Five Themes of Conscious Capitalism

The philosophy of conscious capitalism is based on the integration of five underlying themes: the belief of a higher purpose; the orientation of stakeholders; the integration of both financial and nonfinancial strategies; a positive and supportive culture; and value-focused leaders.

The Belief of a Higher Purpose

Firms that embrace conscious capitalism believe the profits generated by their operations are not an absolute goal in itself but an outcome which can be used as a means to support the greater

good. As a result, conscious capitalistic firms view decisions from a long-term perspective through the identification and serving of the needs of all of their stakeholders. This long-term perspective results in the firm focusing on long term impacts of ethical and social responsibility issues instead of concentrating primarily on short term financial gains.

The Orientation of Stakeholders

The underlying foundation of conscious capitalism is for a firm to understand and willingly embrace the needs of all of its stakeholders. Critical stakeholders such as employees, customers, stockholders, suppliers, and local communities are a seminal force in how a firm develops and implements its strategic decisions. Since the needs of the stakeholders are integrated in the decision-making process, conscious capitalistic firms develop both financial and stakeholder goals as part of their performance evaluation. It is through this holistic approach of goal setting that these firms generate both motivation and accountability of their employees to fulfill the goals and expectations of the firms.

The Integration of Both Financial and Nonfinancial Strategies

Consistent with their mission to serve the needs of all stakeholders, conscious capitalistic firms fully integrate their financial and non-financial strategies. This integration becomes part of the firm's DNA and decisions are made without the separation of financial and nonfinancial impact. By serving the needs of all the stakeholders, it is expected that all decisions will address the needs of relevant stakeholders.

A Positive and Supportive Culture

Conscious capitalistic firms establish a positive and supportive culture to encourage commitment and motivation and enhance their ability to attract and retain the best employees available. By providing and maintaining this supportive culture, the employees embrace the value system based on family and community. This healthy culture is driven by the championing of top level managers in their commitment to providing the needs of all of the firm's stakeholders. This positive philosophy is represented in both managing and decision-making processes from both a strategic and operational level of the firm. As a result, the integration of this positive vision and belief system is reflected in the ability for the firm to achieve both its financial and nonfinancial based objectives.

Value-Focused Leaders

CEOs of conscious capitalistic firms prefer to yield the spotlight of the media to the actions of the firm. The chief executives of the firm view their role as "servant leaders" in which they humbly acknowledge that addressing the needs of the stakeholders should be the promotion vehicle of the vision of the firm. The compensation system of top-level managers in conscious capitalistic firms is typically lower than peers in the industry since these managers receive intrinsic rewards as well as financial rewards. Some examples of American-based firms which embrace a conscious capitalistic philosophy include Patagonia, Whole Foods, Starbucks, Southwest Airlines and Trader Joe's.¹¹

COUNCIL FOR INCLUSIVE CAPITALISM

LEARNING OBJECTIVE

2.4 Describe inclusive capitalism.

In 2016 at a Fortune-Time Global Forum, Pope Francis stated that “(w)hat is required now is not a new social compact in the abstract, but concrete ideas and decisive action which will benefit all people and which will begin to respond to the pressing issues of our day.”¹²

On December 7, 2020, The Vatican announced it would lend its name to the Council for Inclusive Capitalism. Pope Francis stated there was an urgent need to develop a fair and trustworthy economic system that could address the biggest challenges in humanity. When the Pope first met the council in November 2019, he stated that the council’s work would result in “the return of economies and finance to an ethical approach which favours human beings.”¹³

The **Council for Inclusive Capitalism (CIC)** is an NGO whose mission is to support firms and industries in the creation of a more inclusive, sustainable, and transparent economic system. The CIC acknowledges that capitalism is the most effective tool in raising the standard of living as well as setting the most effective foundation for innovation and growth. However, the CIC argues that capitalism in the 21st century needs to be able to adapt to the changing economic and social conditions of society. The goal of the CIC is the development of stronger, fairer, and more collaborating relationships between national and global economies and societies which will improve the living conditions of millions of people.

The vision of the CIC is in the creation of long-term value of all stakeholders including firms, investors, employees, customers, governments, communities, and the natural environment. The overall vision is based on equality of opportunity, equitable outcomes, fairness across generations, and fairness to those in society whose circumstances prevent them from full participation. Firms participating in the CIC represent a total of \$10.5 trillion in assets, \$2.1 trillion in market capitalization, and over 200 million workers in 163 countries.¹⁴ The members of the council each make individual commitments that are customized to their firms or organizations and agree to the shared set of guiding principles. The guiding principles are values of trust, fairness, responsibility, adaptability, and sustainability. Firms that participate in the CIC include Bank of America, BP, EY, Johnson & Johnson, Salesforce, and Visa. Other organizations include the Ford and Rockefeller Foundations and the United Nations.^{15,16}

This inclusive or stakeholder capitalism allows the firm to develop a holistic approach by integrating the needs of its stakeholders into its decisions and operations. Larry Fink, CEO of the \$10 trillion asset investment management company BlackRock stated that stakeholder capitalism “is not a social or ideological agenda . . . It is capitalism, driven by mutually beneficial relationships between you and the employees, customers, suppliers and communities your company relies on to prosper.” Fink predicted that a major investment opportunity for BlackRock in the future would be firms that are sustainable and are scalable innovators instead of the current focus on investment in technology firms such as search engines and social media companies.

Fink stated that “we focus on sustainability not because we’re environmentalists, but because we are capitalists and fiduciaries to our clients.”¹⁷

When Hubert Joly became the CEO of Best Buy in 2012, Best Buy was struggling to survive against Amazon and Walmart. Instead of implementing short-term cost savings by firing employees and cost cutting which is a traditional short-term turnaround corporate strategy, Joly focused on its most valuable asset, its employees, and offered them better perks and redesigning the layouts of the stores to increase customer interaction and satisfaction. Joly believes that capitalism should not be based on short-term profit maximization at all costs but it is the role of the firm to develop and maintain a social compact between employers and workers in which human dignity is a keystone concept. Joly believes that embracing the needs of stakeholders will increase overall shareholder value.¹⁸

THE ROLE OF SOCIAL MOVEMENTS IN SOCIETY

LEARNING OBJECTIVE

2.5 Discuss the role social movements play in society.

A turning point in the social justice moment occurred with the creation and adoption of the Black Lives Matter movement. People of color have claimed for decades that they are discriminated against by officers of the law. The claim of discrimination is also based on the perceived unequal justice system for people of color. The explosion of the global social media platforms has allowed concerned individuals to voice their complaints to the world. The result was the formation of the Black Lives Matter movement in 2013.

The Black Lives Matter Movement

In 2012, Trayvon Martin, an African American teenager who lived in Miami Gardens, Florida, was visiting his father in Sanford, Florida. On February 26, 2012, a neighborhood watch captain, George Zimmerman called 911 and reported that “a suspicious person” was in the neighborhood. The response from the police was for Zimmerman not to get out of his car or approach the person. Zimmerman disregarded those instructions and Zimmerman got out of his car and shot Trayvon Martin claiming self-defense. On July 13, 2013, a jury found Zimmerman not guilty of murder.¹⁹

The following year, three African American women—Alicia Garza, Patrisse Cullors, and Opal Tometi—developed #BlackLivesMatter to establish a campaign to respond to the treatment of African Americans in society. The mission of the Black Lives Matter movement is “an ideological and political intervention in a world where Black lives are systematically and intentionally targeted for demise. It is an affirmation of Black folks’ humanity, our contributions to this society, and our resilience in the face of deadly oppression.”²⁰

In 2014 and 2015, additional killings lead to larger organized protests around the United States and the number of protests continued to expand in 2016. By May 2018, the hashtag

#BlackLivesMatter had been used approximately 30 million times on X (Twitter) since its creation in 2013.²¹

On May 25, 2020, four Minneapolis police officers arrested George Floyd after a convenience store employee called 911 and told police that Mr. Floyd had bought cigarettes with a counterfeit \$20 bill. A video of the arrest was released to the public which showed that during the arrest, one of the police officers, Derek Chauvin, kept his knee on George Floyd's neck for eight minutes and 46 seconds. Mr. Floyd continued to state to police that "I can't breathe." An unconscious Mr. Floyd was taken to Hennepin County Medical Center in Minneapolis and was pronounced dead. The preliminary results of the autopsy found that Mr. Floyd had died from either strangulation or asphyxiation and that the police officers "likely contributed to his death."^{22,23}

On April 21, 2021, former police officer Derek Chauvin was convicted in the death of George Floyd. The jury deliberated for just over 10 hours before reaching their verdict. The jury found Mr. Chauvin was guilty of all three charges filed against him which were second-degree unintentional murder, third-degree murder, and second-degree manslaughter. On June 25, 2021, Derek Chauvin was sentenced to 22 and a half years in prison for the killing of George Floyd.^{24,25,26}

On May 7, 2021, the four ex-police officers who were involved in the assault were indicted on federal charges of violating the civil rights of George Floyd. The four men were accused of violating Mr. Floyd's constitutional right to not be deprived of liberty without due process of law. This right includes the officers ignoring attending to Mr. Floyd's dire medical needs.^{27,28}

Corporate Response to Black Lives Matter

Firms have generally been hesitant to speak out on social issues since it could alienate some of their current and future customers. By being on the sidelines, firms can play a passive role while other stakeholders take the charge to demand social change. The killing of George Floyd forced firms to take a stand since its stakeholders look to and demand that the firms become more proactive instead of reactive. From a marketing perspective, supporting a social cause can be considered part of the values and identity-driven targeted marketing strategy of a firm.

Within a month after George Floyd had died, firms in the United States had pledged more than \$450 million to financially support groups focusing on social and racial justice. By August 2021, the 50 largest publicly traded companies in the United States had pledged at least \$49.5 billion. Table 2.1 shows the total donations pledged and other commitments for social justice by many of the most valuable companies in the United States in 2021. Other commitments included loans, investments in venture capital funds, and deposits in Black-owned banks.

Walmart and its foundation pledged \$100 million to create a new racial equality center, however, Target only pledged \$10 million. Firms such as Starbucks, Uber, and PWC only pledged \$1 million while firms such as Warner Music and Sony Music pledged 100 times that commitment. Firms such as Alphabet, Facebook, and Salesforce pledged at least \$200 million while Bank of America pledged over \$850 million. A number of firms also focused on other commitments led by JPMorgan Chase's commitment of \$28.3 billion and Bank of America's commitment of \$15.5 billion. While it is expected that financial institutions would have the

TABLE 2.1 ■ Social Justice Financial Investments by Selected Firms in the United States (in Millions of Dollars)^{29,30}

Firms	Donations Pledged	Other Commitments
Adobe	6.6	0
Alphabet (Google)	225.0	145.0
Amazon	169.5	0
Apple	50.0	50.0
AT&T	21.5	0
Bank of America	854.7	15.5B
Chevron	15.2	0
Cisco Systems	152.2	50.0
Coca-Cola	4.0	0
Comcast	130.0	35.0
Costco	0	25.0
Eli Lilly	25.0	33.0
Facebook	257.0	0
Goldman Sachs	10.0	0
Home Depot	2.0	10.0
Johnson & Johnson	100.0	0
JPMorgan Chase	1.0B	28.3B
McDonald's	1.0	0
Merck	29.7	0
Microsoft	76.1	170.0
Netflix	105.0	100.0
Nike	90.0	0
PayPal	27.8	500.0
PepsiCo	90.2	0
Pfizer	7.2	0
Procter & Gamble	5.0	0
PWC	1.0	0
Salesforce	200.0	100.0

(Continued)

TABLE 2.1 ■ Social Justice Financial Investments by Selected Firms in the United States (in Millions of Dollars)^{29,30} (Continued)

Firms	Donations Pledged	Other Commitments
Sony Music	100.0	0
Spotify	10.0	0
Starbucks	1.0	0
Target	10.0	0
T-Mobile	3.4	0
Uber	1.0	0
UPS	10.7	0
Verizon	17.0	0
Visa	15.7	0
Walmart	100	0
Walt Disney	8.8	0
Warner Music	100.0	0
Wells Fargo	145.2	27.0

tools and infrastructure to support loans, investments and deposits, it is important to note that a number of nonfinancial institutions such as Salesforce, PepsiCo, Netflix, Nike, and Alphabet have all pledged other commitments of at least \$100 million. These types of financial commitments highlight the importance in understanding not only the needs of the firm's stakeholders but also how those needs can shift over time.

Firms that embrace a social justice movement can enhance their ability to differentiate in the marketplace by supporting these causes while their competitors may not. Netflix posted on X (Twitter) "To be silent is to be complicit. Black Lives Matter. We have a platform, and we have a duty to our Black members, employees, creators and talent to speak up."³¹ X (Twitter) changed its profile image to black and added #BlackLivesMatter to its profile. Reebok stated it stood in solidarity with the Black Lives Matter movement and that "We are not asking you to buy our shoes. We are asking you to walk in someone else's."³² Warner Media changed its X (Twitter) name to #BlackLivesMatter and quoted black novelist James Baldwin who said, "Neither love nor terror makes one blind: indifference makes one blind."³³

The actions of some of the firms were criticized as being hypocritical since they have had the opportunities for years to protest for social justice but had not responded in the past. YouTube promised to spend \$1 million on social justice initiatives and was criticized by the media watchdog group, Sleeping Giants. In reference to YouTube, Sleeping Giants stated "Your hypocrisy knows no bounds . . . As a platform that has done its very best to avoid having to remove any

videos from racists, white supremacists and hate mongers, you should be ashamed of even tweeting about this. Too little, too late.”^{34,35,36}

The Idle No More Movement

The Idle No More movement is an Indigenous-led social movement that started in November 2012. This self-determination movement started when four women who lived in the Canadian province of Saskatchewan—Nina Wilson, Sylvia McAdam, Jessica Gordon and Sheelah McLean—organized a workshop to raise their concerns about a federal government bill which would contain 64 different acts and regulations weakening environmental protection in Indigenous protected land.

The supporters of Idle No More are concerned about the changes in government policy related to three federal government acts which are the Indian Act, the Navigation Protection Act, and the Environmental Assessment Act. For the Indian Act, changes would make it easier for the federal government, through the Ministry of Aboriginal Affairs, to approve the opening up of treaty lands and territories without considering the decisions made by the council representing the native people.

The revision of the Navigation Protection Act would allow the building of major pipelines and power lines without requiring proof that the project would not damage or destroy any navigable waterways that are in its path. Idle No More supporters claim that this amendment would remove environmental protection of 99.9% of all lakes and rivers in Canada. The Navigation Protection Act formerly called the Navigable Waters Protection Act was passed in 1882 and stated that it was illegal to “block, alter or destroy any water deep enough to float a canoe without federal approval.” One of the motivating factors to abandon this requirement is that there are numerous new proposed oil and gas pipelines that would go across waterways to transfer the oil and gas from the Canadian tar sands to the refineries.

Idle No More supporters claim the revisions of the Environmental Assessment Act would result in faster approval of environmental assessment which could impact the integrity and accuracy of the required environmental assessment.

They realized that if they did not voice their concerns, the concerns of the Indigenous people would not be heard by the Canadian government. The women agreed to a plan of action including the co-organizer Tany Kappo sending a tweet with the hashtag #IdleNoMore. The women were also concerned about the commitment of Indigenous rights by the Canadian government since the government opposed agreeing to pledge its commitment to the International Declaration of Indigenous Rights in 2007.

Through the use of both personal interaction and social media platforms, the Idle No More movement was able to connect indigenous people from across Canada. Since its inception, Idle No More has evolved into an inclusive, North American-wide network linking urban and rural indigenous people along with non-Indigenous allies to voice their concerns about the infringement of their Indigenous rights as well as the protection of land, water and the sky.

The Idle No More movement is the latest chapter in the centuries old battle Indigenous people had in the past starting with the first colonists who came to “Kanata” in the 16th century.

Kanata comes from the Huron-Iroquois word for “village” or “settlement.” Colonists from England were sent to Canada to capture its natural resources and have them brought back to the king. Throughout its colonial history, Canada has endured numerous battles among colonists and Indigenous people. The discriminatory treatment by the colonists and the federal government of Canada to Indigenous people created generational rifts and a lack of trust between the Indigenous people and the Canadian government.^{37,38,39,40,41}

Corporate Response to Idle No More Movement

The Idle No More movement has led to numerous protests by supporters of proposed oil and gas pipelines throughout North America. In 2016, Idle No More supporters travelled to North Dakota to support the Standing Rock Sioux Tribe in their effort to protest the Dakota Access pipeline. The pipeline is 1,172 miles in length and transfers 570,000 barrels of oil daily from Bakken/Three Forks, North Dakota to Patoka, Illinois. The Sioux Tribe claims that parts of the pipeline are too close to its source of drinking water and the pipeline is destroying sacred sites.^{42,43}

In 2020, Idle No More supported the Wet’suwet’en Nation’s protest of a proposed pipeline through their territory in British Columbia. Built by TC Energy, the Coastal Gaslink pipeline would be 416 miles in length and would shift natural gas across northern British Columbia. The gas would be converted into a liquefied state and be exported globally. TC Energy claims the route took into consideration the input from Indigenous peoples, landowners, other stakeholders as well as consideration was given to its environmental, archaeological, and cultural impact.

The Wet’suwet’en hereditary chiefs objected to the pipeline since it could contaminate native land which is not only part of their identity but also a source of food, medicines, and water. On February 6, 2020, the Royal Canadian Mounted Police arrested six protesters which inspired solidarity protests and transportation blockades across Canada. These subsequent protests shut down ports, roads, and railways from British Columbia to Saskatchewan and included protesters from the Tyendinaga Mohawk Territory in Ontario which halted commuter rail traffic between Toronto and Montreal.^{44,45}

An alternative reaction to Idle No More movement occurred in Winnipeg, Manitoba. The Hudson Bay Company, founded in 1670 by degree of King Charles II, was given a royal charter to exclusive trading rights to furs in the northern regions of Canada which was called Rupert’s Land. Rupert’s Land included almost one-third of the current land area of Canada including what is now called the Hudson Bay region. King Charles II claimed the territory for England and did not consider how that decision would impact the Indigenous population, King Charles would send colonists to Canada to collect the furs and money obtained through trading by the Hudson Bay Company.

Hudson Bay had a monopoly of fur trading in which the trappers would barter and trade the furs for manufactured items sold by the Hudson Bay Company such as knives, kettles, needles, and blankets. It not only yielded furs and financial resources to the king, but it also facilitated the colonization of Canada by England. We now fast forward 350 years later and the Hudson Bay Company is a struggling retail operation which cannot effectively compete against Amazon and other online retailers.

In January 2021, the Hudson Bay company announced it would close down its flagship store in downtown Winnipeg, Manitoba, which is in the heart of the Hudson Bay region of Canada. The 600,000-square-foot store opened in 1926. The company was only using two of the six floors of the store and its real estate appraisal was valued as zero because of the renovation or demolition costs.

In April 2022, the Hudson Bay Company announced it was giving the property and the building to the Southern Chiefs' Organization which represents 34 of Manitoba's First Nations people. The Southern Chiefs' were able to secure \$100 million (CDN) in funding and plans to develop affordable housing, assisted living, a healing center, a day care, a museum, a meeting place, and restaurants.^{46,47,48}

SOCIAL UPHEAVAL AND THE ROLE OF ENGAGEMENT

LEARNING OBJECTIVE

2.6 Explain the principles resulting in engagement in social movements.

Social upheaval movements such as Black Lives Matter, Me Too, and the Indigenous people's Idle No More focus on the power of establishing and maintaining social networks which link highly motivated people to focus on a common social mission. These organizations are created based on three principles: shared purpose, clear roles, and the right rewards.

Principle 1: Shared Purpose

Social upheaval organizations present a vision of a shared purpose which is that everyone can make change. Every individual has the ability to enact positive change if they have the proper tools including relevant information and are enabled to make change. This shared purpose is not a formal statement like a mission statement but is an organically developed belief system in which likeminded individuals see the benefit of both their individual contributions as well as the contributions of the whole group. This vision which is developed within the social community results in the development of both trust and transparency in the interactions of the members.

Principle 2: Clear Roles

Everyone within the social upheaval organization will make their contributions based on their role within the organization. As with any organization, individuals will be responsible for actions based on their expertise, skill sets, and previous experiences. There are six basic roles for individuals within a social upheaval organization: sharer, connector, curator, innovator, builder, and storyteller.

1. *The Sharer.* The sharer is able to quickly process both internal and external information and is able to identify emerging patterns and themes which are relayed to its social network.
2. *The Connector.* The connector's responsibility is to actively identify the specific capabilities and needs in others in the organization and then subsequently matches the individual with the responsibilities and expectations. Connectors are extremely valuable when the organization needs to create an event or starts a new project.
3. *The Curator.* The curator is the individual who is responsible for sorting through new resources and opportunities to determine which ones are considered to be the most useful and appropriate for the network.
4. *The Innovator.* The innovator is responsible for moving beyond traditional methods and strategies and focuses on new alternative courses of actions and solutions to move the organization's social movement forward.
5. *The Builder.* The builder is responsible for analyzing different alternatives and plays the devil's advocate by presenting the pros and cons of different scenarios. Based on the evaluation of the different scenarios, the builder develops a coherent actionable plan to be executed by the members of the organization.
6. *The Storyteller.* The storyteller is an individual who is able to motivate the other members in the organization by listening to concerns and feelings of the group members and being able to give an informal narrative of the overall standing of the organization as it attempts to achieve its social goals. In addition, the storytellers are the spokespersons of the organization in describing their stories to stakeholders. This leadership role is imperative for the effectiveness of the organization since these stories create an emotional bond both within the organization as well as across its stakeholders.

Principle 3: The Right Rewards

For social upheaval organizations, peer recognition plays a valuable role in increasing the motivation of the individuals. While all members of the organization have a common vision and are motivated to achieve the goals of the organization, simple recognition is a valuable tool in identifying those members who have performed above the norm. For example, any project which receives financial or nonfinancial support from external stakeholders can result in the members who made it possible being recognized to the rest of the members. Furthermore, the acknowledgment of a successful social objective brings intrinsic satisfaction to all the members regardless of who is directly involved in accomplishing the goals. Social upheaval organizations can also offer experiential rewards that will give the recipients a unique experience they may not otherwise have had. For example, these rewards could include meeting a personal hero or attending a class or seminar in recognition of their exemplary performance. The organization may also receive rewards from its external stakeholders for recognition of the organization's

accomplishments. These reputational rewards also enhance the intrinsic rewards of all the members of the organization as they are based on the pride these members have to be associated with these accomplishments.⁴⁹

Using Allyship to Help Colleagues Advance

To facilitate a more diverse, fair, and inclusive workplace, managers in positions of power must be able to support the advancement of underrepresented employees. While firms continue to reaffirm their commitments to social justice and equality, these promises could be considered shallow if the actions do not match the words. While financial contribution to social justice is a noble gesture, it does not solve the systemic problem of having a homogeneous group of white managers holding a disproportionate amount of power within a firm. In the past, diversity, equity, and inclusion (DEI) has been delegated to a human resource function instead of being integrated into the decision-making process of the firm.

In an Equal Employment Opportunity Commission report released in 2016, the percentage of white managers at the executive level was 83% while it was 68% at the professional position level which includes job functions such as computer programming. African Americans represented 2% to 5.3% of executives in the technology sector while the percentage was 3.1% to 5.3% and 10.6% to 19.5% for Latinx and Asian American respectively.⁵⁰

Definition of an Ally

An *ally* can be defined as any person who actively supports the promotion and advancement of a corporate culture in which DEI is integrated holistically within the firm. It is through this conscious effort that positive mechanisms are put in place within the firm to support DEI through its strategic and human resource focus. Allies can use their power and privilege to help guide the process and facilitate the support of underrepresented groups within the firm.

Examples include not only white men helping other employees but, for example, white women becoming allies to people of color, men becoming allies to women, cisgender people supporting members of the LGBTQI+ community and able-bodied people being allies to those with different abilities.

To be a true ally, the manager must be able to advocate the advancement of other employees; be able to share growth opportunities with other employees; be able to recognize systematic inequalities and realize the frustration of other employees; believe in the experiences of underrepresented employees; and be able to listen, support, self-reflect and implement personal and organizational change.

What Is Allyship?

Allyship is defined as the lifelong process of people of power and privilege building relationships that are built on trust, consistency, and accountability with marginalized individuals or groups. The two-way benefits of this relationship include not only building confidence in others but also having both sides able to expand their skill sets and their knowledge of how to be better employees.

The underlying philosophy of an effective allyship is one based on a continual investment in supporting others, personal accountability when mistakes are made, and being able to make adjustments when necessary based on changing circumstances. The corporate responsibilities of an ally include becoming an official sponsor for other employees; identifying inappropriate behavior, tasking all employees to become involved in DEI tasks; using inclusive language; having unconscious bias training; trying different recruitment methods; recognizing privilege; and following a diversity of voices.

Becoming a Sponsor

A manager with power has the ability to champion an employee from an underrepresented community in both career advancement and employee retention. A sponsor is different than a mentor. A mentor offers advice to an employee, while a sponsor actively aids in the career progression of an employee.

Identifying Inappropriate Behavior

A manager with power and privilege has the moral, legal, and corporate obligation in the identification and resolution of unacceptable behavior toward underrepresented people. As part of the allyship partnership, the privilege manager has the opportunity and forum to identify these issues while those opportunities may not be available to those underrepresented people due to potential backlash or jeopardizing future career opportunities.

Employee Involvement in DEI-Related Tasks

The role of the allyship is to spread the value and belief structure related to helping others throughout the organization. As a result, managers have the ability to propose programs and training opportunities to highlight the valuable benefits both individually and within the firm for all employees to embrace DEI activities. The development of DEI programs allows the firm to demonstrate how these activities can enhance both the financial and nonfinancial performance of the firm.

Using Inclusive Language

The manager must be aware of gendered terms and instead use language which embraces everyone. For example, using the term *partner* instead of gender specific *girl/boyfriend* or *husband/wife*.

Unconscious Bias Training

Employees may not realize they have biases they are not aware of in how they make decisions and how they interact with other people. People can have a bias with having a stronger connection with people who are similar to them (affinity bias). People can make decisions which are supported based on their personal desires, beliefs, and prejudices (confirmation bias). People can also make decisions based on prior observations and interactions in the past (attribution bias). Unconscious bias can occur based on gender, age, name, perceived beauty, height, and weight.

Trying Different Recruitment Methods

Managers need to focus on nontraditional recruitment methods to attract and retain different kinds of people. It is beneficial for the firm to partner with organizations which actively push for equality in the hiring process of potential employees and avenues such as conferences and other meeting events. These events allow the firm the opportunity to be able to potentially interact with a more diverse recruitment base.

Recognizing Privilege

Managers in the positions of power and privilege must be able to use these attributes to amplify the voices of those that are underrepresented in the workplace. It is important for the manager to try and understand how privilege has yielded advantages which are not available to those underrepresented groups.

Following the Voices

Managers must not only help guide others, but must not feel threatened to be challenged on their beliefs. It is important for managers to listen to diverse voices in the workplace and be able to re-evaluate whether unconscious biases have distorted their relationship with others.^{51,52,53}

THE AGE OF CORPORATE SOCIAL JUSTICE

LEARNING OBJECTIVE

2.7 Describe the shift to a mindset of corporate social justice.

The rise of social movements has refocused society's evaluation of how it treats groups of people within society. Corporate social justice has become a platform where firms are re-evaluating their commitment to protecting the individual rights of people to be treated equitably and fairly.

Corporate social justice can be defined as the implementation of any initiative or program which has a positive impact on the life experiences of groups that have been harmed and have been disadvantaged by society. Based on the rise of the Black Lives Matter and other movements, firms have received more clarity on the level of social injustice occurring in society.

Firms supporting social justice initiatives can effectively develop a strong level of trust with stakeholders since these initiatives are based on the motivation and vision of the firms. The challenge of championing these initiatives is the commitment to integrate the philosophy of social justice throughout every aspect of the activities performed by the firm.

There are a number of different responses available to firms to integrate and demonstrate their commitment to social justice.

Have a Vision and Mission Rooted in Achieving Social Justice Goals

To design and implement any social justice program, there must be a vision as well as a measurement process in place to determine whether or not the program has succeeded. The

programs that are selected should not be based on vanity or marketing opportunities but should be based on a thoughtful and intentional process that are able to connect a diverse group of stakeholders. The program should be based on the mission of the firm and the ability to serve the unmet needs of its stakeholders. For example, The Chicago Community Trust developed a program that serves to reduce the wealth gap among Latinx, Black, and white households in Chicago.

Position the Firm to Be Within the Broader Ecosystem That Surrounds the Goal

For a firm to develop a program which addresses issues of social justice, the firm must understand the antecedents of this social justice issue. For example a firm choosing to address systemic racism by police officers must consider factors such as the racial history of policing and profiling, mass incarceration of African Americans, the militarization of police departments, and the relationship between the resources available to the community and the crime rate of the community. It is through the understanding of these related issues that the firm can take a holistic approach to addressing social injustice related to the action of police departments domestically and globally.

Establish Representative Groups Which Connect the Firm With Its Stakeholders

The establishment of representative groups allows the firm to have a direct communication link with its stakeholders. This two-way information flow allows the stakeholders to present their concerns and needs to the firm and gives the firm the opportunity to direct communication to its actions related to social justice. The employees in these groups are a valuable linchpin between the firm and stakeholders and should be rewarded beyond the intrinsic satisfaction of helping address social justice issues.

Take a Stance

The firm must communicate its commitment to the social justice cause through both formal and informal communications. Through press releases and other communication modes, the firm can make public statements as well as identify initial financial contributions to the social justice program. The firm must realize that social justice causes will not please everyone in society. Therefore, programs such as those with a focus on police racism will alienate people who have unconditional support of all actions by police as well as people who have racist beliefs. This alienation will potentially result in the loss of both current and future profit opportunities.

Regularly Evaluate Progress

Corporate social justice programs require continuous financial and nonfinancial commitment to maintain sustainable programs. As a result, a specific viable measurement system should be included in the evaluation of the program to ensure its future longevity. While the firm is

not under a legal obligation to establish these metrics and report them, the transparency of the performance of the program enhances both the goodwill and trust the firm has with its stakeholders.⁵⁴

THE ROLE OF INTEGRITY

LEARNING OBJECTIVE

- 2.8** Explain the role of integrity and the various barriers for a firm to have an ethical organization.

Integrity is derived from the Latin word *integri*, which means *wholeness*. The term *integrity* is defined by *Merriam-Webster Dictionary* as “a firm adherence to a code of especially moral or artistic values.”⁵⁵ The underlying assumption of the role of employees within the organization is a deeply rooted level of organizational commitment. That commitment generates an attitude in which the employees can be passionate about their effort and the overall commitment of the firm. After they leave the firm, the employees want to believe that there is a legacy of their contribution to the success of the firm. This commitment, passion, and dedication drives employees to a high level of integrity within their work settings. Integrity is based on employees’ continuous efforts to balance their personal values with the requirements for performing their jobs effectively throughout their careers. Integrity could include understanding and fulfilling the duties of their jobs, as well as admitting when errors have been made and making corrections when needed. One of the greatest dangers to an employee’s integrity is to have their integrity compromised over time. Having an employee’s individual integrity erode allows potential negative consequences that could include unethical and illegal behavior as well as dysfunction within the professional and personal relationships the individual has with others.⁵⁶

An individual could evaluate the integrity of their actions based on some simple rules of thumb or heuristics in the form of different tests. The *publicity test* asks whether the individual would be comfortable if their actions were publicized in a newspaper or on television. The *trusted friend* test asks whether the individual would be comfortable in telling their best friend or a close family member about their actions. The *reciprocity test*, also known as the *Golden Rule*, asks whether the individual treats others as they would like to be treated. The *universality test* asks whether the individual would consider it acceptable behavior if anyone in the world did the same action. The *obituary test* asks the individual to look back on one’s previous actions during one’s career and ask if they are comfortable with the evaluation.⁵⁷

Specific Behaviors of High Integrity

As shown previously, testing is one method in which the interpretation of behavior of high integrity can be determined. An alternative method is a listing of specific behaviors that would

support a high level of integrity with the opposite behavior considered a low level of integrity. Donald Zauderer listed 12 specific behaviors that can help identify the level of integrity in individual actions: possessing humility, maintaining the ability to be concerned about the greater good, being truthful, fulfilling commitments, striving for fairness, taking responsibility, having respect for the individual, celebrating the good fortune of others, developing others, reproaching unjust acts, being forgiving, and extending oneself for others.⁵⁸

1. *Possess Humility.* An individual should be humble in their actions when interacting with others. There is no value added in being arrogant or in exaggerating one's individual contribution to the success of the firm.
2. *Maintain Concern for the Greater Good.* An individual should always make decisions that benefit the firm overall. The individual should never make decisions where the individual's self-interests supersede the interests of the firm.
3. *Be Truthful.* An individual should always be truthful in their statements and in their actions. An individual should never make untrue statements or take credit for the efforts of others.
4. *Fulfill Commitments.* An individual should always make a good-faith effort to fulfill all the commitments the individual promised to complete. An individual should never breach an agreement or deliver a required project late or not at all.
5. *Strive for Fairness.* An individual should make decisions that are fair to everyone who can be affected by the decision. An individual should never be biased in decisions, including making judgments without all the relevant documents or assigning employees based on subjective criteria that discriminates against other employees.
6. *Take Responsibility.* An individual should always take full responsibility for one's own actions. An individual should not shift the blame to others or falsely accuse others of actions that are not accurate.
7. *Have Respect for the Individual.* An individual should respect the interests and actions of others. An individual should not reduce the level of respect for other employees by not acknowledging recognition when it is warranted. An individual should also not refuse the input of other employees and should not display rude behavior toward other employees.
8. *Celebrate the Good Fortune of Others.* An individual should share the joy in another person's accomplishments. An individual should not be envious of the success of a colleague.
9. *Develop Others.* An individual should be able to support the employee development of other employees within the organization. An individual should make a good-faith effort in helping coach and train others and give effective, constructive performance evaluations of their subordinates.

10. *Reproach Unjust Acts.* An individual should refuse to perform any act they would consider to be unjust. In addition, the individual should stand up and defend their principles.
11. *Be Forgiving.* An individual should let go of past actions that have had a negative impact. An individual should let go of the previous ill will and release any grudges that developed between the individual and others within the organization.
12. *Extend Self for Others.* An individual should help and provide assistance to others in a time of need. In addition, an individual should be generous with rewards to others when it is warranted.⁵⁹

IS EVERYONE UNETHICAL?⁶⁰

LEARNING OBJECTIVE

2.9 State forms of unconscious bias and how they may lead to unethical behavior.

One of the underlying assumptions that is made pertaining to ethical behavior is that people are always aware of their own behavior. Under certain circumstances, people can act in an unethical manner and not even realize it. Unintentional unethical behavior can take place, in part, because of the illusion of objectivity. The illusion of objectivity occurs when a decision maker believes their decisions are free of biases, but biases are actually part of the decision-making process. The biases may be undetected because they are not congruent with the explicitly held beliefs of the decision maker. There are four avenues along which unintentional unethical behavior may be developed: (1) implicit forms of prejudice, (2) a bias that is favorable to the decision maker's own "group," (3) the tendency of the decision maker to claim credit for other people's actions, and (4) actual and potential conflicts of interest.

Implicit Prejudice

Implicit prejudice is a bias that occurs based on unconscious beliefs. A common bias occurs when a decision maker supports the decision pertaining to a person by relying on unconscious stereotypes or the unconscious comparison of past behavior to a person in the past that had similar characteristics with a person currently working for the organization. Gender and ethnic biases can be common implicit prejudices.

In-Group Favoritism

In-group favoritism occurs when the decision maker forms a bias toward individuals in the same "group" as the decision maker. For example, a manager may be more helpful to subordinates who have a good personal relationship with the boss. A principal reason that a close, personal

relationship could have developed between the boss and the subordinate is that they share the same interests or ethnic background. As a result, managers may give more “help” to subordinates in their own groups rather than to other subordinates while not realizing that a bias has occurred.

Claiming Credit for Others' Actions

Claiming credit for others' actions occurs when the decision makers believe they are above average in their job duties, responsibilities, and general intellect, which results in above average performance. In a study at Harvard, MBA students were asked to determine what percentage their individual contribution was to a group project. The overall average percentage for each group was 139%, clearly indicating some individuals were claiming more than their fair share.⁶¹

Conflicts of Interest

A bias occurs when there is a conflict of interest and the decision maker favors a solution in which there would be personal benefits. A conflict of interest can unintentionally shift the focus as to what course of action should be considered. An example of how conflicts of interest can skew the decision-making process relates to the ability of physicians to accept compensation when they refer patients to be viable participants in a clinical trial. A simple rationalization that it is in the best interest of the patient and no harm is done by receiving money for it could become entrenched in the physician's mindset.

Decision makers must be aware that potential unrealized biases can become part of their decision-making pattern. As a result, decision makers must make themselves aware of the potential unconscious biases that could affect their “objective” decision making. The objectivity of the decision making can also be clouded by a society where cheating is tolerated.

Five Barriers to an Ethical Organization⁶²

Max Bazerman and Ann Tenbrunsel argue that good managers can often let bad things happen due to not fully understanding the consequences of their actions. They state there are five barriers erected by managers that can hinder the ability of an organization to be ethical: ill-conceived goals, motivated blindness, indirect blindness, the slippery slope, and overvaluing outcomes.

Ill-Conceived Goals

Ill-conceived goals occur when goals are set to promote a positive behavior, but they actually encourage a negative behavior. An example is evaluating an employee based on their billable hours. Although the objective is to motivate the employee to work harder, in fact, the employee may focus on unethical actions to artificially increase the number of billable hours.

Motivated Blindness

Motivated blindness occurs when managers “overlook” the unethical behavior of employees if it is in the best interest of the managers to not be aware of the actions of the employees. Similar to a “Don't Ask, Don't Tell” philosophy, motivated blindness “allows” the manager to plead

ignorance about the unethical actions of others once these actions have been discovered by other employees within the organization.

Indirect Blindness

Indirect blindness refers to not applying the same level of ethical accountability when a third party is involved in the questionable actions within the organization. An example of “transferring” the questionable ethical action to another party occurs when a drug company sells the rights to a drug to another company and that company raises the price. The drug company still manufactures the drug on a contract basis, so it would benefit from the price increase, yet the increase is “officially” an act of the third party. Therefore, the drug company is “protected” by the decision of the third party.

The Slippery Slope

The slippery slope refers to the inability of managers to see the unethical actions of others if these behaviors develop slowly over time. If a manager accepts minor questionable actions, over time, it will be more difficult to identify unethical behavior as the actions increase in unethical severity.

Overvaluing Outcomes

Managers are more likely to accept unethical behavior if the final outcome is positive. This barrier reinforces the “ends justify the means” philosophy of managing. As a result, from the managers’ perspective, the outcome supersedes the actions that took place to achieve the outcome.

THE CHEATING CULTURE

LEARNING OBJECTIVE

2.10 Explain the cheating culture including the role of technology.

In his book *The Cheating Culture: Why More Americans Are Doing Wrong to Get Ahead*, David Callahan argues that cheating has become integrated into today’s society as an acceptable activity. Individuals will accept cheating because they rationalize that “everyone does it,” which creates a culture that supports cheating.⁶³ Callahan defines *cheating* as any action in which an individual breaks the rules to benefit their self-interests, whether it is academically, professionally, or financially. Breaking the rules does not necessarily mean breaking the law, but it does refer to actions that give an unfair advantage to those who do not follow the rules established by society.⁶⁴ Callahan warns that the *laissez-faire* attitude toward government regulations in the marketplace incorrectly assumes that businesses can voluntarily regulate themselves. Callahan states the “hidden hand” or market competition will not enforce moral and fair decisions by decision makers in corporations.⁶⁵ The cheating culture is supported by a “Winner Takes All” attitude. Each individual will do “whatever it takes” to get ahead and “win” at every opportunity

they have in life. Whether it is the most billable hours for a lawyer or the largest number of stock options by a CEO, the competitive spirit of the cheating culture supports winning instead of playing the game of life. Furthermore, the increased emphasis on material wealth enhances the motivation of individuals to succeed to get their just rewards. The cheating culture also glamorizes the wealthy and powerful and increases the temptation of all members of society to also aspire for the top of the “material pinnacle.” In addition, once you have reached the “winning class,” the incentives to cheat increase because the rewards are larger, and the enforcement of the rules is weak or nonexistent.⁶⁶

In a global study measuring different components of cheating, it was discovered that the cheating culture is not just occurring in the United States but is a worldwide phenomenon. Cheating occurred regardless of the level of corruption within the country. The results showed that moral character was the same in corrupt versus non-corrupt countries. However, the survey also found that corruption within countries will lead to more corruption by the citizens of that country. They also found that female respondents were less likely to act upon and support cheating behavior than male respondents were.⁶⁷

Cheating and the Job Market

Many retail stores require job applicants to take a personality test as part of the hiring process. The test, given by many retailers, uses 130 statements in which the applicants must decide whether they strongly agree or disagree with each statement. The only problem is that an unauthorized answer sheet was posted on the internet that gives the “correct” responses for the applicant. The correct responses are based on determining what the retailers want the applicant to answer as the correct response. For example, one statement is “You have to give up on some things that you start,” for which the correct answer is “strongly disagree,” and another statement is “Any trouble you have is your own fault,” for which the correct answer is “strongly agree.” The creator of the test called “Unicru” commented that there is a low incidence of cheating because there is no decline in the benefit the test generates, which is lower employee turnover and better financial performance. Of course, this is an indirect evaluation of this test because a more accurate objective to measure it would be the decrease in ethical or unethical behavior by the employees since the test was released on the internet. The applicants are graded as green, yellow, or red based on their responses. Green applicants will be hired, but yellow and red applicants are less likely to be hired. Friends who did well on the test helped others in explaining what answers were needed, and other applicants went to retailers the applicants knew would have the test so the applicants could experiment with the answers and then apply for the jobs they really wanted.⁶⁸

The Role of Technology and Cheating

The use of digital technology can blur the distinction between plagiarism and one’s own work. Trip Gabriel gives examples where college students that copy and paste from a frequently asked questions page on a website were not considered to be plagiarizing because no author was cited. Another example is a student who copied from Wikipedia and did not cite the source because the information was considered “common knowledge.” The ease in which pages of ideas can

be quickly transferred from one text to another can eliminate the moment of reflection by the “authors” about the legal and ethical validity of their actions. Some students will rationalize that cutting and pasting someone else’s thoughts is not considered cheating but rather another skill set for developing their careers. It seems that the skills developed when getting a college education are moving away from focusing on insightful thought and development of intellect and instead focusing on practical training in which any action is justified to obtain the desired result. Of course, the underlying educational issue concerns ethical issues and the development of knowledge by the student. Today’s students have always had the internet to rely on and view writing not as a development of individual thought but as a “collage” of ideas that have been developed by others and are available to copy.

The challenges of ensuring ethical behavior in the age of instantaneous technology was heightened in 2020 with the explosion of the COVID-19 virus. COVID-19 forced schools to teach lectures remotely and subsequently required the students to complete school assignments and standardized tests online. This allowed numerous opportunities for “searching” and “sharing” information on various social platforms as students were taking tests. Test publishers such as Pearson monitors public conversations on the internet during standardized tests such as the ACT and SAT. This monitoring can result in the test publishers deleting real time tweets that reference material on the test. The spokesman for PARCC which is a company that proctors Common Core tests in various states commented “Sharing images of test questions on social media is the 2015 equivalent of a student copying test items and handing them out . . . (and that) Protecting students and teachers from breaches—which are a violation of testing policies—is the right thing to do.”^{69,70,71}

Some parents view the monitoring of the student’s social media accounts as an invasion of privacy since the proctor can identify the student and the specific posts related to the student online.

The Role of Trust in Ethical Conduct

Trust is an important component of supporting cooperation throughout the organization. If the employees believe there is a high level of trust within the organization, it will reduce the employees’ level of uncertainty and anxiety.⁷² As positive actions by the employees are supported by the organization, employees’ level of trust increases. Therefore, as the level of trust increases, the employees feel more confident that following high ethical standards will be rewarded and those who do not follow the ethical standards of the firm will be punished. Furthermore, trust allows the employee to believe they will be able to blow the whistle on other employees who are performing unethical acts without being punished for doing so. Pablo Cardona and Helen Wilkinson proposed that trust allows a virtuous circle to develop between the manager and the subordinates.⁷³ Managers can demonstrate their commitment to developing a trusting relationship with their subordinates by their actions, which include being consistent and predictable, having integrity, sharing information with the subordinates, delegating decision-making responsibilities, showing concern for others, and standing by the employees. This pattern of behavior by the manager strengthens the level of trust the subordinates have for the manager, which may result in the employees being more likely to take the initiative to solve problems, help

colleagues support the firm, go beyond the minimum requirements of the job, and enhance the level of loyalty they have toward the firm.⁷⁴

QUESTIONS FOR THOUGHT

1. The Tulsa Race Massacre was not a well-known event to the general public in the United States until it received national recognition at the 100th anniversary. Why was this event not well known in the past?
2. In the speech by Arthur Jensen at the beginning of the chapter, he argues that companies have more power than governments. Do you agree with this argument?
3. Conscious capitalism is based on the belief that firms should focus on providing value to all stakeholders instead of just its shareholders. Is this a realistic goal in a highly competitive global marketplace?
4. What do you think will be three lasting legacies of the Black Lives Matter? Do you think firms will continue their support for the Black Lives Matters movement into the future?
5. Have you ever supported or protested for a social justice cause? If so, why did you decide to participate in this cause?

REAL-LIFE ETHICAL DILEMMA EXERCISE

Whole Foods's Embracement of Conscious Capitalism

Co-founded by John Mackey in 1980, Whole Foods has always embraced the philosophy of providing its customers with natural and organic-based products. However, Whole Foods's CEO John Mackey's vision goes beyond that with the entrenchment of conscious capitalism in the firm's operations. Mackey states, "Just as people cannot live without eating, so a business cannot live without profits. But most people don't live to eat, and neither must businesses live just to make profits."⁷⁵

The legacy of his commitment to serving the better good goes back to the first health food store he co-founded, SaferWay. The focus of the store was not primarily to be profitable, but Mr. Mackey wanted to give his customers the opportunity to eat healthier and live longer. He continued this philosophy with the creation of Whole Foods.

For conscious capitalism to be implemented within the firm, the focus of the operations of the firm should be beyond short-term profitability to focus on providing a higher purpose of creating value for others. Whole Foods views all of its stakeholders as interdependent. By addressing the needs of all of the stakeholders, Whole Foods generates value for all of its stakeholders. Mr. Mackey argues if you view stakeholders as a system, you can manage the system to optimize the needs of all of the stakeholders. This optimization is not a zero-sum gain where one stakeholder must "lose" in order for another stakeholder to "win" but actually may result in everyone winning. This philosophy embraces both purpose and profit instead of purpose or profit.

Having organic food at Whole Foods wasn't enough when Mr. Mackey considered the holistic impact its products have on society. While organic-based products are grown without the use of synthetic fertilizers and pesticides, it did not address other stakeholder issues such as the use of excess water and the potential unfair treatment of migrant workers. Mr. Mackey argues that once farmers have received the certification of growing organic crops, it reduces the incentive to take actions which are in addition to this certification.

As a result of the concern for organic only products, Whole Foods created its own rating system called Responsibly Grown. Responsibly Grown focuses on issues such as energy conservation, the working conditions of employees and the elimination of waste.

In addition, Whole Foods created the Whole Planet Foundation which focuses on alleviating poverty globally by supporting microcredit programs. In 2021, there are currently 229 microcredit projects in 78 countries supported by the foundation. From 2005 to 2021, the foundation had funded 4.9 million microcredit loans and had distributed \$92 million which serves 1 million active entrepreneurs and 5.5 million family members of the entrepreneurs. Eighty-nine percent of the loans were given to women with the average first loan being \$174. The repayment rate of the loans is 93%.

Whole Foods Supplier Code of Conduct requires the suppliers to include the following: inclusivity of all types of workers, continuous improvement of its operations, accountability of its supply chain, detailed labor rights including the treatment of migrant workers, health and safety issues including occupational injury and illness protocol, ensuring industrial hygiene, and focusing on environmental issues such as reduction of energy consumption and Greenhouse Gas Emissions and the effective management and disposal of hazardous substances. It is also mandatory that every supplier abide by ethical standards such as no bribery, anti-corruption, and a grievance and whistleblower mechanism available for the employees of the supplier.^{76,77,78,79,80}

In June 2017, Amazon bought Whole Foods for \$13.4 billion. Amazon acquired its 461 stores along with its coffee roaster, 11 food distribution centers, and various manufacturing facilities. The deal was based on Amazon not only capturing a major player in the grocery industry, but also the strategic benefit of allowing Amazon to increase its business connection with affluent customers located in high-income neighborhoods. This connection would include not only a physical presence but also enhancing their data collection on its customers in these areas. Amazon was also determined to change Whole Foods nickname, Whole Paycheck, which is a tongue and cheek reference to customers spending their whole paycheck to buy groceries at Whole Foods. By August 2017, Amazon announced it would reduce the price of products at Whole Foods to be more price competitive with its major rivals such as Walmart and Kroger.^{81,82} John Mackay remained the CEO of Whole Foods after the acquisition by Amazon.

Questions for the Real-Life Ethical Dilemma Exercise

1. Why do you think John Mackay, the cofounder of Whole Foods has always been committed to a philosophy of conscious capitalism?
2. Why do Whole Foods's shareholders accept Whole Foods's conscious capitalism platform?

3. Do you think Whole Foods's philosophy of conscious capitalism will survive in the future since they have been acquired by Amazon?
4. Do you believe the philanthropic programs and requirements it demands from its suppliers are an effective avenue for Whole Foods to differentiate its operations?

GLOSSARY

ally
allyship
conscious capitalism
corporate social justice

Council for Inclusive Capitalism (CIC)
implicit prejudice
Integrity

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