Chapter 16
Ethics in Management:
Ethical Leadership and Culture

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ABSTRACT

Recently, ethics is one of the fundamental issues that companies had to pay attention to because of global economic crises, corporate scandals, and rising importance of environmental concerns. Furthermore, scarcity of resources forced companies to think about sustainability within ethical issues. Devastating effects of the problems that companies dealing with have some consequences at the last instance. Ethics in management is becoming an ascending subject with all stakeholders, from a single customer to governmental practices. In this chapter, ethics in management will be discussed with its theoretical development, relation with organizational culture, and leadership.

ETHICS AND ETHICAL MANAGEMENT

Ethics

Ethics is the search for the general character that makes right acts right (Ross, 1930). It is the study of what is good or right for human beings (Hoffman and Moore, 1984). Ethics, has been defined by De-George as 'a systematic attempt through the use of reason to make sense of our individual and social moral experience in such a way as to determine the rules which ought to govern human conduct and the values worth pursuing in life' (1982). Singer (1994) writes on 'what is ethics?' that it stands for systematic studying of reasoning about how we ought to act. Ethics can be seen as a guide to action

while asking the question 'what shall we do?' Ethics is the evaluative study of what actors ought to do, rather than the descriptive study of what they have done, or are doing (Baylis, Smith,& Owens, 2008).

Since the beginning of the human race, doing the right thing for the sake of community is the matter of ethics. It is a timeless phenomenon. On the other side, there are no written rules, obligations or enforcements for ethical applications. Ethics could not be measured as concrete scientific experiments done under stable conditions.

Furthermore, every ethical belief contains a subject and a predicate. A subject is defined as what the belief is concerning while a predicate is what is said about the subject. Actions or practices such as capital punishment, adultery, lying could be count as regular subjects. "Wrong, unfair, bad, good" are examples of ethical predicates. Hence, for the person who believes that assisted suicide is wrong, "assisted suicide" is the subject of the belief and "wrong" is the ethical predicate. The subject of an ethical belief is usually an action or practice, but sometimes is a system or institution. Intentional actions we designate as "ethical" or "unethical" are usually actions that benefit or harm other people or ourselves in some serious ways (Duska, R., Duska, B., Ragatz, 2011).

To comprehend ethics more obviously Hosmer (1994) summarized general ethical principles under 10 groups:

1. **Self- interest (ethical egoism):** The first principle can be expressed as never take any action that is not in the long-term self-interests of yourself and/or of the organization to which you belong.
2. **Personal virtues (Aristotle):** Second principle defined as never take any action which is not honest, open and truthful, and which you would not be proud to see reported widely in national newspapers and on network news programs.
3. **Religious injunctions (St. Augustine and St. Thomas Aquinas):** Third one never take any action that is not kind and compassionate, and that does not build a sense of community, a sense of all of us working together for a commonly accepted goal.
4. **Government requirements (Hobbes and Locke):** The principle, then, can be expressed as never take any action that violates the law, for the law represents the minimal moral standards of our society.
5. **Utilitarian benefits (Bentham and Mill):** explained as never take any action that does not result in greater good than harm for the society of which you are a part.
6. **Universal Rules (Kant):** never take any action that you would not be willing to see others, faced with the same or a closely similar situation, also be free or even encouraged to take.
7. **Individual rights (Jefferson and King):** summarized as never take any action that abridges the agreed-upon and accepted rights of others.
8. **Economic efficiency (Smith, Friedman and Blinder):** always act to maximize profits subject to legal and market constraints, for maximum profits are evidence of the most efficient production.
9. **Distributive justice (Rawls):** defined as never take any action in which the least among us are harmed in some way.
10. **Contributive liberty (Nozick):** last grouping expressed as never take any action that will interfere with the right of all of us for our self-development and self-fulfillment to the limit of our abilities.

Also Klikauer (2010) classified ethics under three aspects. Table 1 shows us this grouping:

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