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## MANAGERIAL DECISIONS – ETHICAL OR LACK OF ETHICS BEHAVIOR?

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**Abstract:**

*Managers take decisions which, by their application, can generate effects and consequences on their members, on the organization and on society. Ethical standards can lead to benefits for different managers, depending on their attitude towards them. Ethical standards are active filters, which are designed to monitor and determine those actions which are in accordance with ethical conduct of managers. In the management literature can be found many “guidebooks” for ethical behavior that managers can use in decision making process which they have to face daily, not only economic but also social.*

**Keywords:** managerial ethics, manager, decision-making process

Managerial ethics (Militaru, Gh., Comportament organizațional, Editura Economică, București, 2005, p.153) is a systematic reflection on the consequences of moral decisions. Basically, ethics refers to principles of conduct which makes clear distinction between what is good and what is bad, between what is right and what is wrong. Ethics is used to guide managers in their process of decision-making.

The pressure exerted on the company by the decisions based on ethics rules is reflected on the main relations which exist inside of the firm (Petrescu, I., Managementul performanței, Editura LUX LIBRIS, Brașov, 2002, p.289) and also on the obligations involved:

1. *To shareholders:* proper management, loyalty, information, transparency, confidentiality;
2. *To employees:* equitable remuneration, professional development, respect for the personal life, respect the right to petition;
3. *To customers:* good quality products or services, ensure safety in use, access to information;
4. *To community:* protecting the environment, involvement for solving social problems, respecting cultural diversity.

Every manager has a moral responsibility which consists in:

- To show high professionalism;
- To pursue obtaining profits, to lead people to action in order to achieve the expected objectives;
- To contribute to ethical behaviour in the company.

Frequently, the ethics of taking decisions represents a complex issue and the managers have to take into consideration two aspects (Militaru, Gh., Comportament organizațional, Editura Economică, București, 2005, p.154):

- The basis on which a manager can use to determine which alternative decision should be chosen, namely all the information on the facts of interest, policy or behavior
- What organizations can do to ensure that managers comply with the standards of ethics in decision making, more precise criteria and rules that underpin the moral standard.

Schematically, the process of drafting the ethical decision is represented in the Figure 1. *The Process of Drafting the Ethical Decision* (Petrescu, I., 2002)

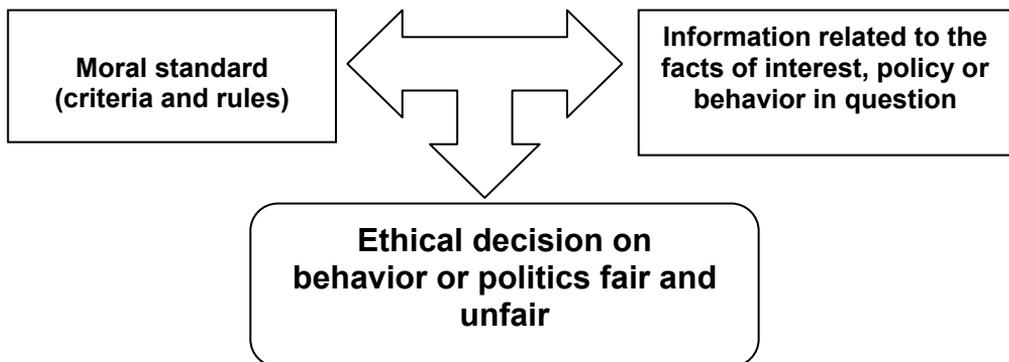


Figure 1. - *The Process of Drafting the Ethical Decision.*

Using this process of elaborating ethical decisions, it may be discovered a common point of what is ethical, with some criteria for ethical judgments and reasoning's which are essential in any business.

For example, here are some basic standards (Johns, G., Comportament organizațional, Editura Economică, București, 1998, p.412) which are used very often and which are very helpful in the process of ethical evaluation of decisions, identifying their moral consequences:

- Identify beneficiaries affected by every decision;
- Identify costs and benefits of every alternative;
- Take into consideration the moral and relevant aspects which appear around every decision;

- Get familiarized with the ethical problems most encountered and faced by the governors who have the same organizational role or profession as you;
- Discuss ethical issues with decision's beneficiaries and with others;
- Transpose your ethical judgments into adequate actions.

Also, a test ([http://www.businessballs.com/ethical\\_management\\_leadership.html](http://www.businessballs.com/ethical_management_leadership.html)) for ethical decision-making in business, suggested by the UK Institute of Business Ethics, is applicable to all decisions in all types of organisations and in life as a whole.

1. transparency - am I happy to make my decision public - especially to the people affected by it?
2. effect - have I fully considered the harmful effects of my decision and how to avoid them?
3. fairness - would my decision be considered fair by everyone affected by it?

If you can honestly answer Yes to each of the above questions then you are likely to be making an ethical decision. If you have any doubt about saying Yes to any of the questions then you should think about things more carefully. Maybe there is an entirely different and better solution - there often is.

There are many pressures that act on managers, forcing them to act in an ethical or less ethical way. There are many potential forces that affect the ethical standards, some are internal and other external for the organization. Managers may feel captive among all these requirements which are in conflict sometimes and towards they feel obliged.

External forces that affect the ethical standards are: family, religion, friends, culture, professional associations, law, foreign competition, etc. Internal forces that affect the ethical standards are: superiors, colleagues, subordinates, organization's objectives, the ethical code of the organization, organizational reward system, internal competitors, organization's culture, etc (Popescu, D., *Cultura organizațională și etica în afaceri*, Editura ASE, București, 2006, p.168).

All these factors may influence the thinking of an ethical manager taking into account the pressures that urges to actions which have no ethics and which are very important. For the organization, an ethical management and a healthy business policy represents an absolute necessity.

A research made on a group of managers from different areas, identified the themes (Johns, G., *Comportament organizational*, Editura Economică, București, 1998, p.409) that define the moral standards of managers in the decision making process, along with examples of typical associated ethical behaviors:

- *Honest communication* (objective evaluation of the subordinates; honest publicity; correct communication to the superiors);
- *Correct treatment* (equitable salaries; equal rights for the employees; assuming responsibility);
- *Special consideration*, if necessary (to an old employee, to a person with special needs, to a loyal supplier who have economical problems, etc.);

- *Honest competition* (to avoid the bribery or the negotiations for prices with the competitors);
- *Responsibility to the organization* (should be followed the success of the entire company, not the personal success; avoiding the waste and the inefficiency);
- *Social responsibility of the company* (avoiding pollution; avoiding closing the company; taking care of the employee' safety and health);
- *Comply with the law* (correct accounting, the payment of all the taxes and obligations).

The characteristics of the ethical managerial decisions (Popescu, D., *Cultura organizațională și etica în afaceri*, Editura ASE, București, 2006, p.156-157) are:

- extended consequences (the management decisions have impact on the other elements involved: employees, organization, society);
- alternatives;
- hard to be predicted effects (benefits associated with social costs, incomes associated with expenditures, etc.);
- consequences difficult to anticipate (they are at risk or uncertainty);
- personal involvements.

In the management literature can be found many "guidebooks" for ethical behavior that managers can use in decision making process which they have to face daily, not only economic but also social. These "guidebooks" do not specify what should be done in a given situation, they clarify the attitudes, actions, they justify the logic in thinking and the pursuit of ideas, in order to evaluate the decision which was taken, to decide if this decision is in accordance with the rules of ethics and the own values of the firm.

Here is a model of 18 steps in ethical decision making (<http://kspope.com/memory/ethics.php>), mentioned that not every step will be relevant to every situation, and also the steps may need to be adapted to fit particular situations:

1. Identify the situation that requires ethical consideration and decision-making.
2. Anticipate who will be affected y your decision.
3. Figure out who, if anyone, is the client.
4. Assess our relevant areas competence -and of missing knowledge, skills, experience.
5. Review relevant formal ethical standards.
6. Review relevant legal standards.
7. Review the relevant research and theory.
8. Consider how, if at all, your personal feelings, biases, or self-interest might affect your ethical judgment and reasoning.
9. Consider what effects, if any, that social, cultural, religious, or similar factors may have on the situation and on identifying ethical responses.
10. Consider consultation.

11. Develop alternative courses of action.
12. Evaluate the alternative courses of action.
13. Try to adopt the perspective of each person who will be affected.
14. Decide what to do, and then review or reconsider it.
15. Act on and assume personal responsibility for your decision.
16. Evaluate the results.
17. Assume personal responsibility for the consequences of your action.
18. Consider implications for preparation, planning and prevention.

The principles of the managers, who practice and guide themselves after the ethics in business, are ([http://www.businessballs.com/ethical\\_management\\_leadership.html](http://www.businessballs.com/ethical_management_leadership.html)):

1. Step back from every decision before you make it and look at it objectively.
2. Strive for fairness rather than polarised “winner takes all” outcomes. Try to facilitate solutions rather than actually deciding and imposing decisions, unless all parties are happy for you to do so.
3. Learn from history and previous situations. Reviewing how previous situations were handled reduces the risks of making daft mistakes: not many things are fundamentally new in this world, despite how unique you believe your situation to be.
4. Get the facts from all possible perspectives. Often a challenging issue offers three main options: (a) your instinctive or personal view; (b) a main alternative option; and (c) the commonly under-estimated ever-available third main option of doing nothing. Doing nothing in times of real emergency can be disastrous, but for a very large number of situations doing nothing is the only truly wise way. Doing nothing is not weakness if it is done in the right way and for the right reasons.
5. Understand the long-term consequences.
6. Check the law. In whatever territories are affected by the decision. But do not base your decision wholly on the law. See the ethics and law notes.
7. Consult widely - especially with critical people, and especially beyond your close circle of biased and friendly advisors, colleagues, friends, etc. Consult especially the people affected by the situation and potential actions, and if using a survey of any sort, then ensure the positioning and questions used are balanced and objective, because to be otherwise is unethical in itself.
8. Consider cause and effect in the deepest possible sense. Life and all that surrounds it is one huge interconnected system. If you are making big decisions - or even apparently little fleeting decisions within a potentially big and sensitive environment - these decisions will affect many people and aspects of life, now and especially into the future.
9. Resist the delusion and arrogance that power and authority tends to foster. This is especially important to guard against if you live and work in a protected, insulated or isolated situation, as many large scale leaders and decision-

makers tend to do. Many unethical decisions are borne of arrogance and delusion.

10. Beware of justifying decisions according to religious faith. There is nothing wrong with having a religious faith, but there are various risks in leaning too heavily on a god or faith when making serious decisions. See the ethics and religion notes.
11. Aim for solutions and harmony, objectivity and detachment. Facilitate rather than influence. Help, don't sell. The best ethical decisions are usually decided by people who are most affected by them, rather than by leaders who don't trust the people.

In order to fulfill the role of practicing and supporting the organizational ethics, a leader must act accordingly, without giving back to those principles. Here are some examples of actions included in the moral responsibility of the manager (Emilian, R., *Fundamentele managementului firmei*, Editura ASE, București, 2004, [www.ase.ro](http://www.ase.ro)):

- He helps his partners to know the goal and the sense of their work;
- He eliminates the conditions which make the other to act in a selfish and immoral way.
- He discovers the real needs of his partners and he helps them to satisfy these needs.
- He never hides his errors; he recognizes them, he corrects them and he apologizes.
- He influences the behavior of the others through the example he offers.
- He respects the dignity of his partners.
- He exerts his authority without concessions, but in a correct way, etc.

All these aspects prove once again how important is the manager's behavior for the company's culture, for promoting some rules of conduct, etc.

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