

Implementing CSR:

# The Role of Individual Behavior

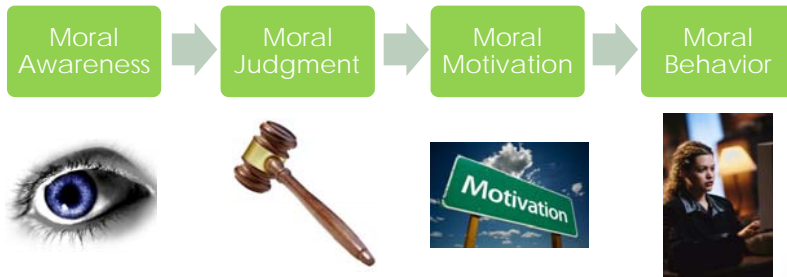
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## Content

1. Individual Ethical Behavior
2. Ethical Climate vs. Ethical Culture
3. Organizational Structure
4. Neurocognitive Model
5. Discussion

# 1. Individual Ethical Behavior

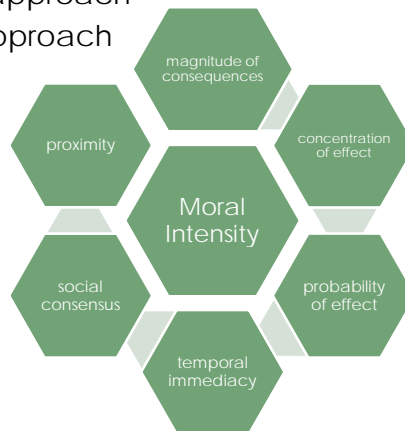
- Four-component analysis by James Rest (1986) for individual-level ethical decision making



# Moral Awareness

1. Individual Ethical Behavior

- Issue identification
- Sensitivity approach
- Context approach



## Moral Awareness

- Cognitive predispositions:

Cognitive: how people perceive, remember, think, speak, and solve problems (Wikipedia, 2012)

| Utilitarians  | Formalists  |
|---|---|
| Focus on ends, outcome  | Focus on means, how outcome is achieved   |
| Identified issues involving <b>harm</b> as moral issues   | Identified issues involving <b>harm</b> as moral issues   |
| Less likely to identify issues involving only <b>violations of behavioral norms</b> as moral issues | More likely to identify issues involving only <b>violations of behavioral norms</b> as moral issues |

- How to improve: Use of moral language

(Reynolds, 2006)

## Moral Judgment

- Kohlberg's (1969) cognitive moral development:

### Principled level

- 5&6: universally held principles of justice and rights

### Conventional level

- 4: rules or laws
- 3: expectations of significant others

### Preconventional level

- 2: exchange in relationships
- 1: obedience to authority / fear of punishment

- Criticism

## Moral Judgment

What affects high-level moral reasoning?

| Positive Correlates    | Negative Correlates   | Compared to:                              |
|------------------------|---|---|
| Higher age & education | Issues involving only <b>economic or psychological</b> harm | Issues involving <b>physical</b> harm     |
|                        | <b>Managers &amp; partners</b> in public accounting firms   | Lower-level employees                     |
| <b>No Correlates</b>   | Older and <b>experienced</b> managers                       | Younger and less experienced managers     |
| Gender                 | <b>Work related</b> moral dilemmas                          | More general ethical issues               |
|                        | <b>Accounting</b> students & practitioners                  | Non-accounting students and practitioners |

Treviño et al. (2006)

## Moral Judgment

Limitations on moral cognition:

- Moral disengagement
  - Cognitive reconstruction of behavior
  - Minimizing your role in harmful behavior
  - Focus on target's unfavorable acts
- *Anticipating or rationalization afterwards*
- Moral inclusion & exclusion
- Other cognitive biases
  - Ethnocentric decisions
  - Overconfidence
  - Moral seduction

Treviño et al. (2006)

## Moral Motivation

- Definition by Rest et al. (1999):

«a persons degree of commitment to taking the moral course of action, valuing moral values over other values, and taking personal responsibility for moral outcomes.»

- Definition by Eisenberg (1986):

«a sense of felt obligation to act»

## Moral Motivation

- Complex and correct moral reasoning (=logical thinking) does not imply that person has intention to act accordingly (e.g. some sociopaths)
  - moral reasoning not sufficient for moral behavior
- Some people act extraordinarily morally, yet claim to do it automatically without thinking
  - moral reasoning not necessary for moral behavior

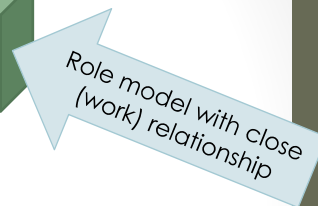
## Moral Motivation

If not only moral reasoning, what else causes ethical behavior?

- Cognitive but unconscious moral motivation
- Identity-based moral motivation
- Affect (=emotions, moods) in moral motivation

Treviño et al. (2006)

## Moral Behavior



- Role models
- Moral approval by peers
- Social learning from leaders
- Moral microcosm

Treviño et al. (2006)

## Moral Behavior

In the end, what helps to behave ethically?

### Positive Impact

Internal locus of control

Ego strength

Rewards

Not punishing ethical behavior in organizations

Talk about ethics in organization

### Negative Impact

Overt pressure

(unfulfilled) organizational goals

Rewards

Role conflict

Weak sanctions/punishment

"Moral muteness"

Authority figures

Euphemistic language


Study of economics

Treviño et al. (2006)

## 2. Ethical Climate vs. Ethical Culture



## Ethical Climate



3. Ethical Climate vs. Ethical Culture


Definition by Victor and Cullen (1988):

«The prevailing **peceptions** of typical **organizational practices and procedures** that have ethical content.»

- Attitudes, influencing behavior only indirectly
- Climate types:
  - Caring
  - Law & Code
  - Rules
  - Instrumental
  - Independence

Treviño et al. (1998)

## Ethical Culture



3. Ethical Climate vs. Ethical Culture

- Similar to ethical climate
- Influences behavior directly
- Formal and informal control systems
- Anomie: Norm-lessness and social disequilibrium
- Attachment

Treviño et al. (1998)



## Implications

- Some dimensions of ethical climate and ethical culture are more associated with ethical behavior
- Leaders who encourage and model ethical behavior
- Reward systems
- Ethics code consistent with norms
- Not strict obedience to authority
- No self-interest culture at expense of other values
- Focus on adherence to law and professional standards

Treviño et al. (1998)

## 3. Organizational Structure



## Organizational Structure

- Efforts that appeal to individual sensitivity are neither necessary nor sufficient
- **Balanced** with organizational culture and **appropriate** to economic environment
- Primary goal: Put up no barriers to ethical behaviors
- Do not reward unethical behavior
- Make clear the means to the end
- Lower hierarchy feels strongest ethical conflicts
- Awareness of ethical implication → control over decision!
- Decision in groups → shared responsibility?

James (2000)

## 4. Neurocognitive Model

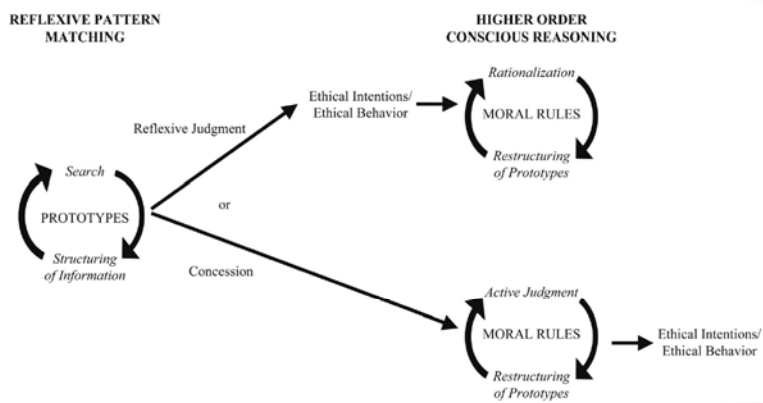


## Two Systems – One Brain

- X-System: Reflexive Pattern Matching System
- C-System: Higher Order Conscious Reasoning System

Reynolds(2006)

## Two Systems – One Brain



Reynolds(2006)

## X-System: Reflexive Pattern Matching

- Prototypes
  - Search
  - Structuring information
- Matching pattern (prototype) found? → Reflexive Judgment
- No Match? Give over to C-System

Reynolds(2006)

## C-System: Conscious Reasoning

- Applies abstract ethical rules to new situations
- Regulates the X-System
  - Supplies prototypes
  - Sets standard when X-System should report to C-System
- Rationalization after Reflexive Judgment
- Active Judgment if X-System finds no match

Reynolds(2006)

## Explaining Unethical Behavior

Why do people act unethically?

- Fail to match situation with correct prototype
- Unethical prototypes
- Misdirected moral rules
- Fail to apply moral rules appropriately

Reynolds(2006)

## Implications

- For research: distinguish between reflexive and active judgment
- Ethics education is possible (prototypes and moral rules)
- Organizations could regularly provide new prototypes to employees
- But organizations could also regularly provide moral rules that can easily be applied to the relevant business field

Reynolds(2006)

THANKS FOR YOUR  
ATTENTION!

## 5. (some) Discussion Topics

- Do you think it is important to go to a micro-level of ethical decision making in order for organizations as a whole to behave ethical?
- Assuming you were a manager, how would you use these research results to improve ethical behavior in your organization?
- Would you focus more on an organizational approach or more on the individual?
- ...