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3. Be careful of turning down speaker volume to avoid feedback.

4. Questions may also be typed in the GoToWebinar Question panel. They will be answered at the appropriate time.

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Organizational Ethics in the University: Practicing What We Teach

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Presentation Objectives

● Part 1:
  » Background on ethics and compliance programs
    – evolution of corporate compliance and ethics movement

● Part 2:
  » The integration of organizational ethics (OE) into an EC program for Higher Education

● Part 3:
  » Q&A
Part 1: Background

- Academia
  - applied ethics: business ethics, bioethics and environmental ethics

- Private Sector
  - corporate reform

- Municipal Government
  - government reform

- Administration
  - UCOP/UCOR
Background: Corporate Compliance and Ethics Movement

- The Packard Commission and the Defense Industry Initiative (DII)
  - *The HP Way*
    - *sustain ethical organizational culture*

- Reaction to Federal oversight
  - US sentencing guidelines: the Seven Elements
    - Compliance plans
    - Policies and procedures
    - Rules and regulations
    - Check the box

- What is an effective ethics and compliance program?
Two Competing Approaches

- Rules-based approach
  - emphasis on regulatory environment
  - favor top-down: follow chain of command
  - close monitoring of employee behavior
  - compliance through investigation, discipline and punishment
  - culture of fear

- Values-based approach
  - development of shared values based on organizational goals
  - favor bottom-up: follow employees’ input
  - support of employees’ own aspirations
  - compliance based on commitment
  - culture of commitment
The Weaver and Trevino Study

- First statistically valid study of “effectiveness”
- Employees notice the difference
  - behavior differs with approach to program development
  - Figure 1
- Values-based and rules-based approaches can be complementary
- Most “effective” approach: integrative
  - lead with ethics
  - integrate regulatory compliance
## What Difference Does An Approach Make?

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Most “effective” approach: Integrative

1. Organizational Ethics should **frame** program development.

2. OE should **ground** program implementation.

3. OE encourages **critical distance**.

4. OE fosters **ethical organizational culture**.
Integrative Approach:
Lead with Ethics and Integrate Regulatory Compliance

● The Seven Elements Revisited
  » standards, policies and procedures
  » program oversight
  » education and communication
  » delegation of discretionary authority
  » monitoring and auditing
  » investigations and enforcement of standards
  » disciplinary action

● Figure 1
Part 2: The integration of organizational ethics (OE) into an EC program for Higher Education

- The Problematic
- OE as solution
- An *integrative approach* to ethics and compliance programming in higher education
  » putting the ETHICS in ethics and compliance
“Trying to change a university system is like trying to move a cemetery: there’s not a lot of internal support for it.”

-Lee Dreyfus, former governor of Wisconsin
The Problematic

- **Historical perspective**
  - among the oldest forms of social organizations
  - widely caricatured as rigidly conservative

- **Multiple missions**
  - from clear, consensual goals to ambiguous, contested goals

- **Management Theory: “Loose coupling”**
  - highly professionalized, socially directed setting
  - loosely connected units and processes
  - shared governance
The Problematic: Regulatory Bodies and Requirements Impacting UC

*Including but not limited to the agencies listed*
The Problematic: Some Aspects of “Loose Coupling”

- Hierarchy
  - limited top-down control

- Organizational units
  - periodically, inconsistently and weakly linked to each other

- Connections between means and ends are not always well understood
  - e.g., ethics and compliance initiative

- Administrative side less “loosely coupled” than academic side
Given Problematic: *integrative approach* most “effective”

- An *integrative approach* to ethics and compliance program development
  - the integration of *organization ethics* (OE) into an EC program for Higher Education
Organizational Ethics: a basic definition

- Organizational Ethics as a single domain:
  - system
    - organization and society
  - organization
    - organization as a moral environment
  - individual
    - professional duties, role obligations and personal ethics
OE: a basic definition

- Study of ethical issues relevant to the ways in which:
  - organizations impact society and *vice versa*
  - organizations influence their members
  - members influence each other and the organization
The Macro, Meso and Micro Levels

- **Macro**: organization/society relationships
  - How does my organization impact my community?
  - How does my community influence my organization?

- **Meso**: management, professional and technical levels
  - How does my institutional role obligations fit or conflict with my professional obligations?

- **Micro**: organization/person relationship
  - How does organization address my quality of work life issues?
**Integrative approach** most “effective” for Higher Ed

1. OE should **frame** program development.
2. OE should **ground** program implementation.
3. OE encourages **critical distance**.
4. OE fosters **ethical organizational culture**.
Integrative Approach in Higher Ed: Lead with Ethics

1. Organization Ethics should **frame** EC program development at a macro-level:

   » articulation of the **goals of higher education**
     - education, research and public service
   » justify EC program in terms of values that follow from goals
   » UCSC “principles of community”
     - honesty/transparency
     - discipline/accountability
     - justice
     - celebrative
Aspects of “Loose Coupling” in Higher Ed

- Private sector corporation: rules-based approach
  » top-down mandate of rules
  » chain of command
- University: limited top-down control
  » professionals with authority to resist
  » shared governance
- The need of properly framing the issue
  » highlight importance of EC in relation to goals and values
    » articulate position
    » identify interest groups
    » form coalitions
    » exchange command for substance
Integrative Approach in Higher Ed: Lead with Ethics

2. OE should **ground** EC program implementation at the meso-level.

   » statement of ethical standards for managers/administrators

   » the University as a moral environment
     • shared values

   » a balance of (sometimes competing) institutional role obligations and professional obligations
     • academic freedom and fair treatment
     • transparency and accountability
     • justice
Aspects of “Loose Coupling” in Higher Ed

● Decision-making on campus
  » by committee
  » participation is fluid
  » issues (problems, solutions, advocates) come, go, return, etc.
  » there is “piling on” of issues upon issues (the “garbage bin”)
  » scarce resources
    ● conflict common and often uncomfortable

● The Integrative approach: top-down/bottom up
  » leads with ethics and integrates regulatory compliance
    ● focus on shared values
    ● development of infrastructure with an acknowledgement of and a respect for institutional history and culture
Integrative Approach in Higher Ed: Lead with Ethics

3. OE encourages **critical distance** at the micro-level

» campus-wide code of ethics

» education and communication

  • tools for critical thinking

  • respond appropriately to dishonest or self-serving managers/administrators

  • a “voice” against ethical and legal violations

» the “self-reflective” institution
Integrative Approach in Higher Ed: Leads with Ethics

4. OE fosters ethical organizational culture

» active leadership engagement: strong v. enhanced
   • coalition of shared interests
   • focus and timing
   • negotiate, bargain and compromise
   • key sources of funding and prestige

» management control systems and processes
   • evaluation, feedback and refinement
The Challenges of an “Effective” Program for Higher Ed

● Create conditions to build trust
  » exercise ethical **analysis** and **evaluation**
  » model ethical **actions** and **character**
  » provide context for **resolving conflicts**
    ● compliance program and other worthy goals
  » adapt to regulatory environment
    ● operationalize ethical and legal **standards**

● Guide creation of ethical **organizational culture**
  » importance of ethical leadership
Three Dimensions of Organizational Culture

- The personal dimension
  » values, beliefs and attitudes

- The behavioral dimension
  » competencies or patterns of behavior

- The systems dimension
  » organization systems and processes
“Effective” Compliance as Ethical Organizational Culture

- Dynamic reciprocal relationships among:
  - stakeholders’ perceptions of, and attitudes toward, the goal of ethical culture
  - stakeholders’ day to day job-related behavior toward this end
  - the presence and quality of organizational systems and processes to support values and job-related behaviors
"Effective" Compliance as Ethical Organizational Culture

- Some Universities might try to change:
  - **values** without considering either job-related behaviors or control systems
  - **behaviors** without taking into account the impact of control systems or values
  - **systems** without regard to values or behaviors
Summary

Leaders must:

1. clearly communicate and model a set of principles and values of appropriate job-related behavior
2. implement management systems and processes in support of principles and values and appropriate job-related behavior
Integrative Approach: Integrates Regulatory Compliance

- The Seven Elements Revisited
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Summary: Build to Last

- FORMAL SYSTEMS
  - Leadership
  - Structure
  - Rules/Policies
  - Reward System
  - Selection System
  - Orientation
  - Training
  - Decision Processes

- INFORMAL SYSTEMS
  - Norms
  - Heroes
  - Rituals
  - Myths/Stories
  - Language
How to Build an Ethical Organizational Culture

- Develop ethical **leaders** at all levels
- Build systems that **reward** ethical behavior
- Insure **fair** application of standards
- Make ethics a regular topic of **conversation**
- Discourage unquestioning obedience
- Encourage ethical **risk-taking**
- Communicate **care** for employees and the community