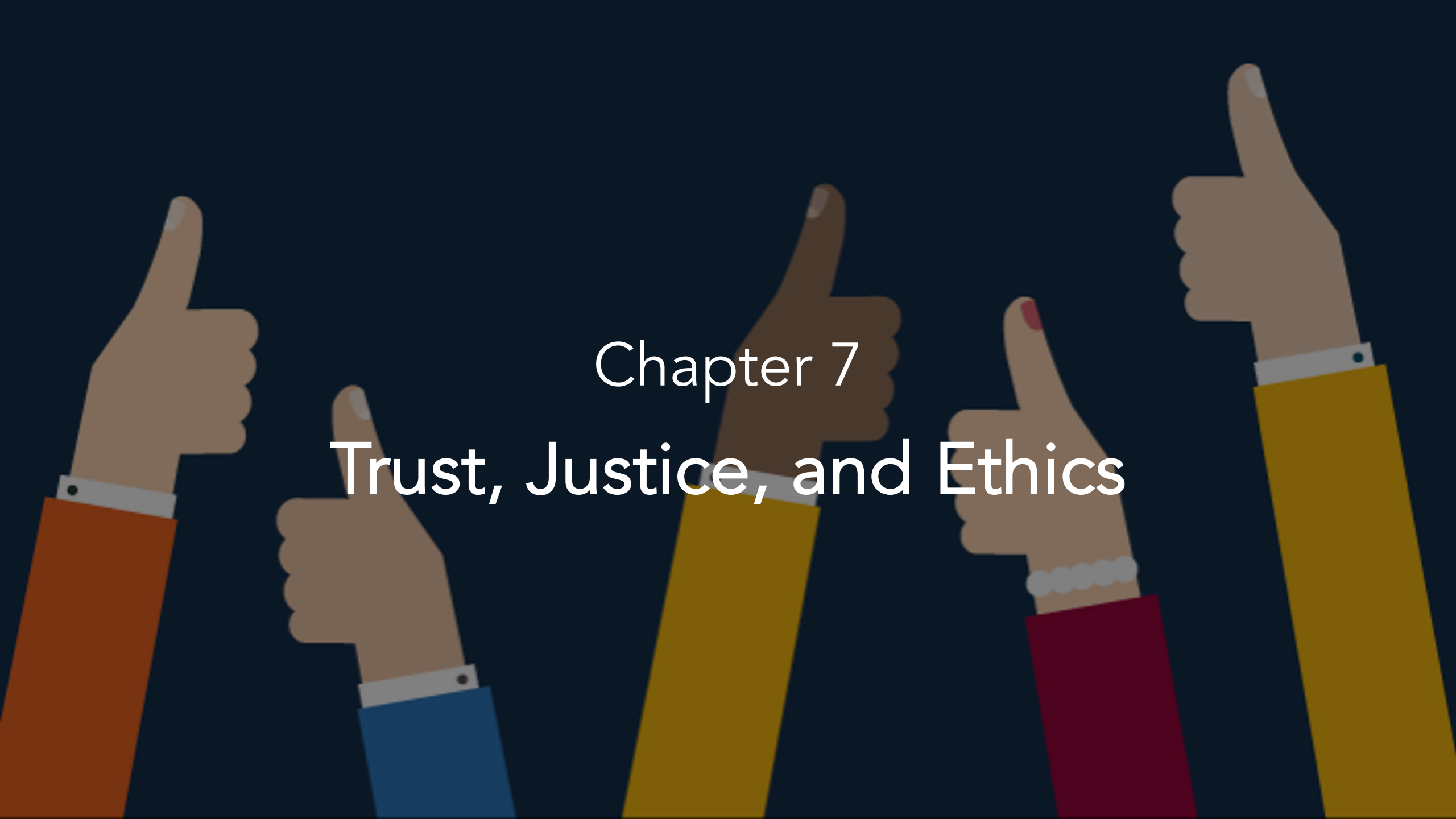
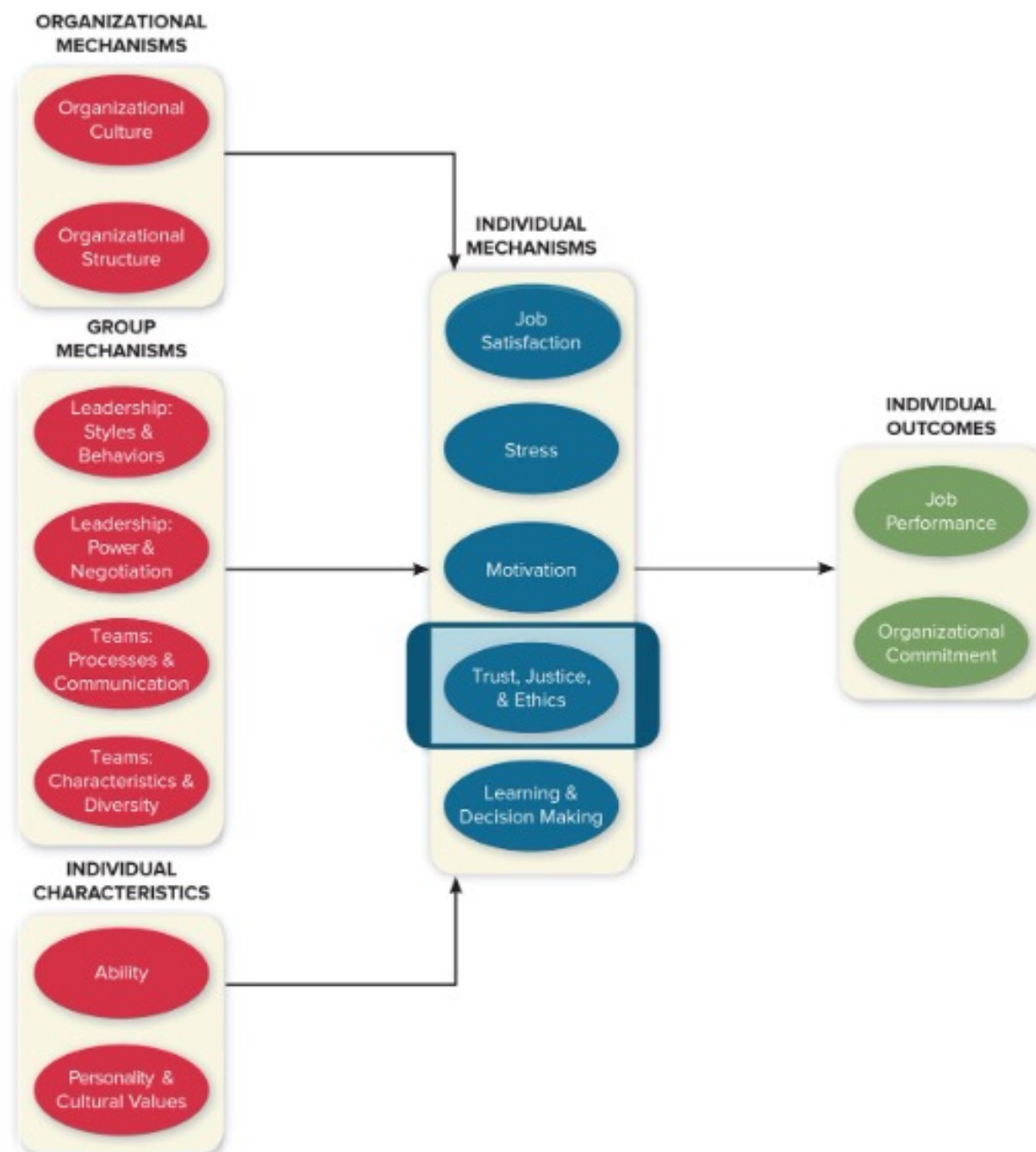


An illustration of five diverse hands giving thumbs up against a dark blue background. The hands are of different skin tones (light, medium, dark, and two shades of brown) and are wearing different colored sleeves (orange, blue, yellow, red, and olive green). The hands are arranged in a slightly overlapping, upward-pointing arc. The text 'Chapter 7' is centered above 'Trust, Justice, and Ethics' in a white, sans-serif font.

Chapter 7

Trust, Justice, and Ethics



An Integrative Model of Organizational Behavior

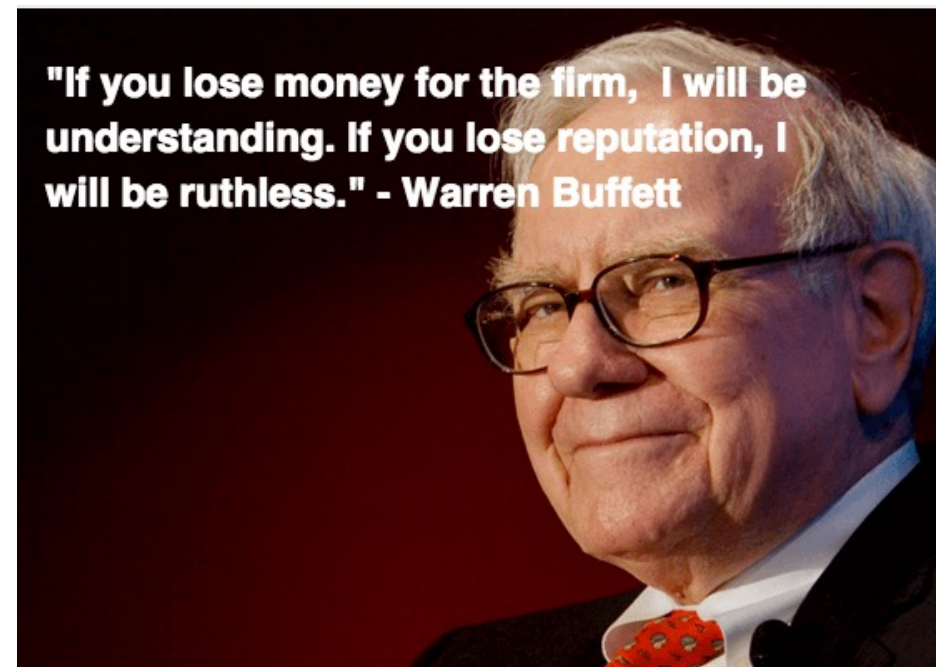


Trust, Justice, and Ethics 1 of 3

A firm's reputation is one of its most prized possessions.

- Reputation reflects the prominence of a brand in the minds of the public and its perceived quality
- It can be easily damaged
- Depends on many things, but one of the most important factors is ***"trust"***

"If you lose money for the firm, I will be understanding. If you lose reputation, I will be ruthless." - Warren Buffett





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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Friday, February 21, 2020

Wells Fargo Agrees to Pay \$3 Billion to Resolve Criminal and Civil Investigations into Sales Practices Involving the Opening of Millions of Accounts without Customer Authorization

\$3 Billion Payment Result of Deferred Prosecution Agreement in Criminal Matter, Settlement of Civil Claims under FIRREA and Resolution of SEC Proceedings

Wells Fargo & Company and its subsidiary, Wells Fargo Bank, N.A., have agreed to pay \$3 billion to resolve their potential criminal and civil liability stemming from a practice between 2002 and 2016 of pressuring employees to meet unrealistic sales goals that led thousands of employees to provide millions of accounts or products to customers under false pretenses or without consent, often by creating false records or misusing customers' identities, the Department of Justice announced today.

As part of the agreements with the United States Attorney's Offices for the Central District of California and the Western District of North Carolina, the Commercial Litigation Branch of the Civil Division, and the Securities and Exchange Commission, Wells Fargo admitted that it collected millions of dollars in fees and interest to which the Company was not entitled, harmed the credit ratings of certain customers, and unlawfully misused customers' sensitive personal information, including customers' means of identification.

"When companies cheat to compete, they harm customers and other competitors," said Deputy Assistant Attorney General



In 2019

TABLE 7-1 The World's Most Admired Companies	
1. Apple	14. Salesforce
2. Amazon	15. Coca-Cola
3. Berkshire Hathaway	16. American Express
4. Walt Disney	17. Johnson & Johnson
5. Starbucks	18. Singapore Airlines
6. Microsoft	19. Boeing
7. Alphabet	20. Nordstrom
8. Netflix	21. Home Depot
9. JPMorgan Chase	22. BlackRock
10. FedEx	23. Marriott
11. Southwest Airlines	24. USAA
12. Costco	25. Walmart
13. Nike	

Source: From Tkaczyk, C. "The World's Most Admired Companies." *Fortune* (March 1, 2019).

In 2022

ORDER ^	NAME	COUNTRY	CURRENT ALL-STAR RANK	INDUSTRY	INDUSTRY RANK
1	Apple	U.S.	1	Computers	1
2	Amazon	U.S.	2	Internet Services and Retailing	1
11	Costco Wholesale	U.S.	11	General Merchandisers	3
12	Nike	U.S.	12	Apparel	1
13	American Express	U.S.	13	Consumer Credit Card and Related Services	4
14	Salesforce	U.S.	14	Computer Software	3
15	Walmart	U.S.	15	General Merchandisers	1
16	FedEx	U.S.	16	Delivery	3
17	Johnson & Johnson	U.S.	17	Pharmaceuticals	1
18	Delta Air Lines	U.S.	18	Airlines	2
19	Target	U.S.	19	General Merchandisers	2
20	BlackRock	U.S.	20	Securities and Asset Management	1



Trust, Justice, and Ethics 2 of 3

What does “Trust” mean?

- Willingness to be vulnerable to a trustee based on positive expectations about the trustee’s actions and intentions
 - Trust = willing to be vulnerable
 - Risk = actually becoming vulnerable

Trust towards the authorities often depends on:

- Justice
- Ethics



Trust, Justice, and Ethics 3 of 3

Justice

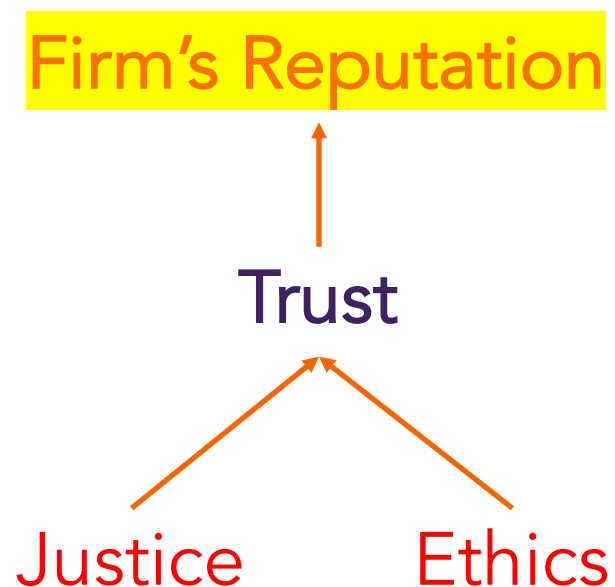
- The perceived fairness of an authority's decision making

Ethics

- The degree to which the behaviors of an authority are in accordance with generally accepted moral norms



Okay, a bunch of terms. Here's what we've covered so far:





Why are Some Authorities Trusted More than Others?

Broadly, trust is rooted in **three** factors:

- **Disposition-based**
 - Your personality traits include a general propensity to trust others
- **Cognition-based**
 - Rooted in a rational assessment of the authority's trustworthiness
- **Affect-based**
 - Depends on feelings toward **the authority** that go beyond any rational assessment



1. Disposition-Based Trust

Trust Propensity

- A general expectation that the words, promises, and statements of individuals and groups can be relied upon
 - Put differently, faith in “human nature”
 - A product of both nature and nurture
- *What is more damaging in organizational life: “being too trusting or being too suspicious?”*

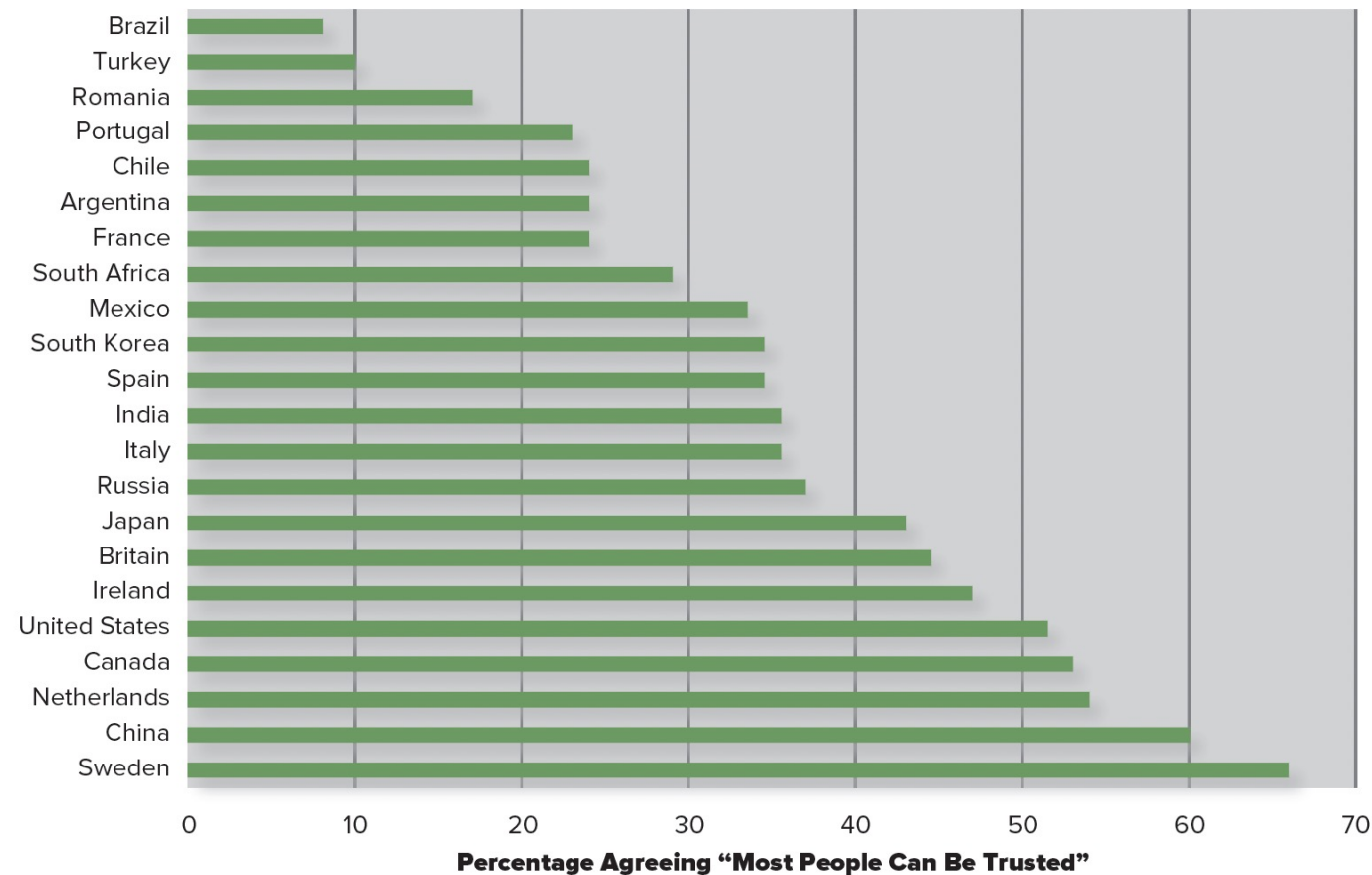
**Never trust someone
whose name starts with**



**A,B,C,D,E,F,G,H,I,J,K,L,M,N,
O,P,Q,R,S,T,U,V,W,X,Y,Z**



Trust Propensity by Nation





2. Cognition-Based Trust

Trustworthiness

- The characteristics or attributes of a trustee that inspire trust
- Employees use certain criteria to gauge the authority's trustworthiness



Criteria

Benevolence

:The belief that the authority wants to do good for the trustor, apart from any selfish or profit-centered motives

Ability

:The skills, competencies, and expertise that enable an authority to be successful in specific areas

Integrity

:The perception that the authority adheres to a set of values and principles that the trustor finds acceptable



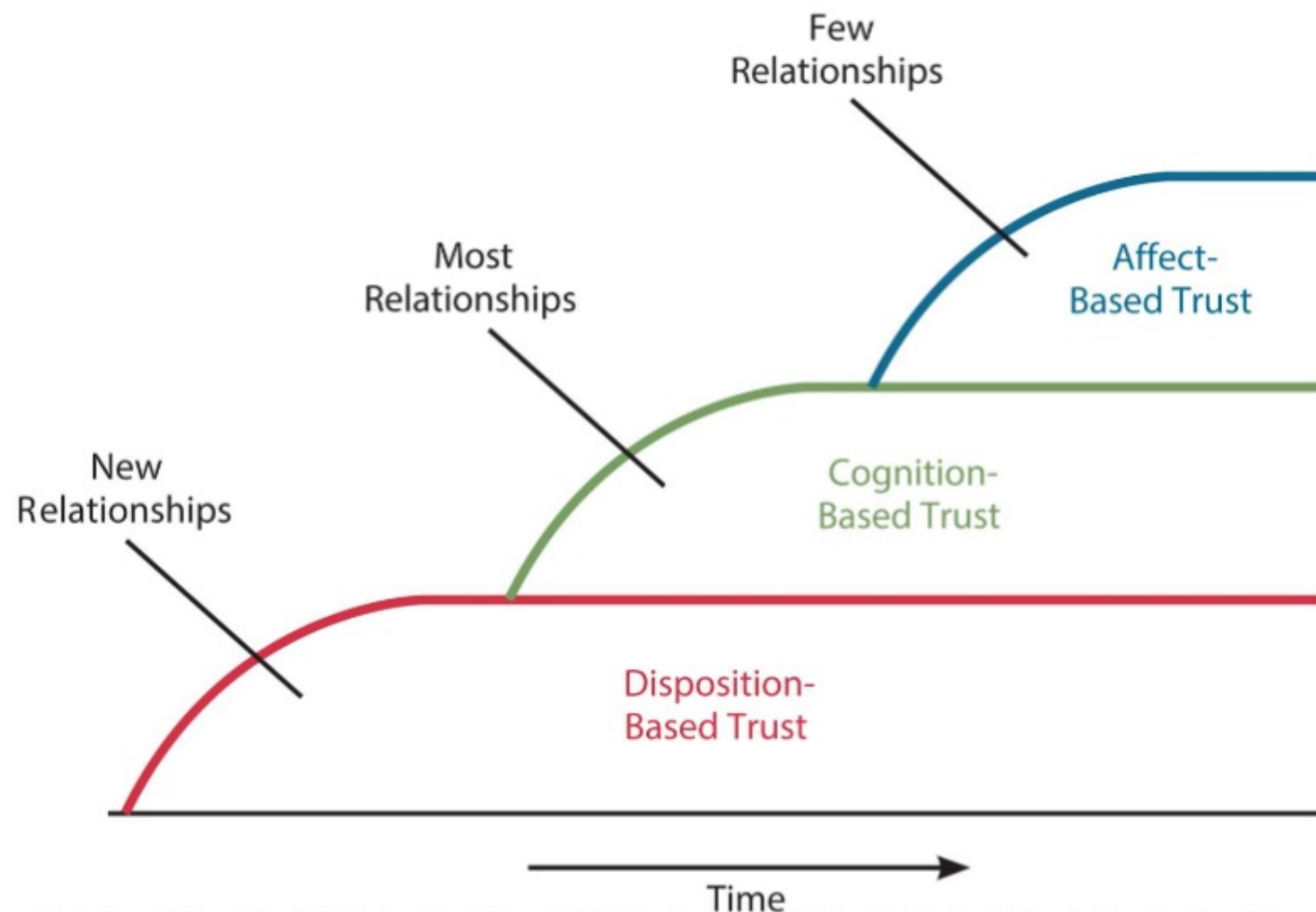
3. Affect-Based Trust

Trust rooted in emotion rather than reason

- Based on an emotional bond with the trustee
- Often acts as a supplement to other types of trust



Types of trust over time



Adapted from R.J. Lewicki and B.B. Bunker, "Developing and Maintaining Trust in Work Relationships," in *Trust in Organizations: Frontiers of Theory and Research*, ed. R.M. Kramer and T.R. Tyler (Thousand Oaks, CA: Sage, 1996), pp. 114–39; and R.C. Mayer, J.H. Davis, and F.D. Schoorman, "An Integrative Model of Organizational Trust," *Academy of Management Review* 20 (1995), pp. 709–34



Justice

Trustworthiness can sometimes be difficult to judge, *especially early in work relationships.*

Justice-relevant acts can serve as behavioral evidence of trustworthiness:

- Distributive justice
- Procedural justice
- Interpersonal justice
- ~~Informational justice~~



1. Distributive Justice

Reflects perceived fairness of decision-making “outcomes”

- Gauged by perceived fairness of outcomes such as:
 - Pay, promotions, and assignments
- Equity typically the norm (vs. equality)
 - That is, more inputs typically lead to more outcomes
 - (remember, input/output ratio?)



2. Procedural Justice

Reflects perceived fairness of decision-making “processes”

- Gauged by perceived fairness of processes such as...



Voice

: Giving employees a chance to express their opinions about decision making

Correctability

: Giving employees a chance to request an appeal

Consistency

: Are procedures consistent across people and time?

Bias suppression

: Are procedures unbiased?

Representativeness

: Do procedures consider the 'needs' of the groups?

Accuracy

: Are procedures based on accurate information?

Together, these offer employees a sense of ownership over the decisions

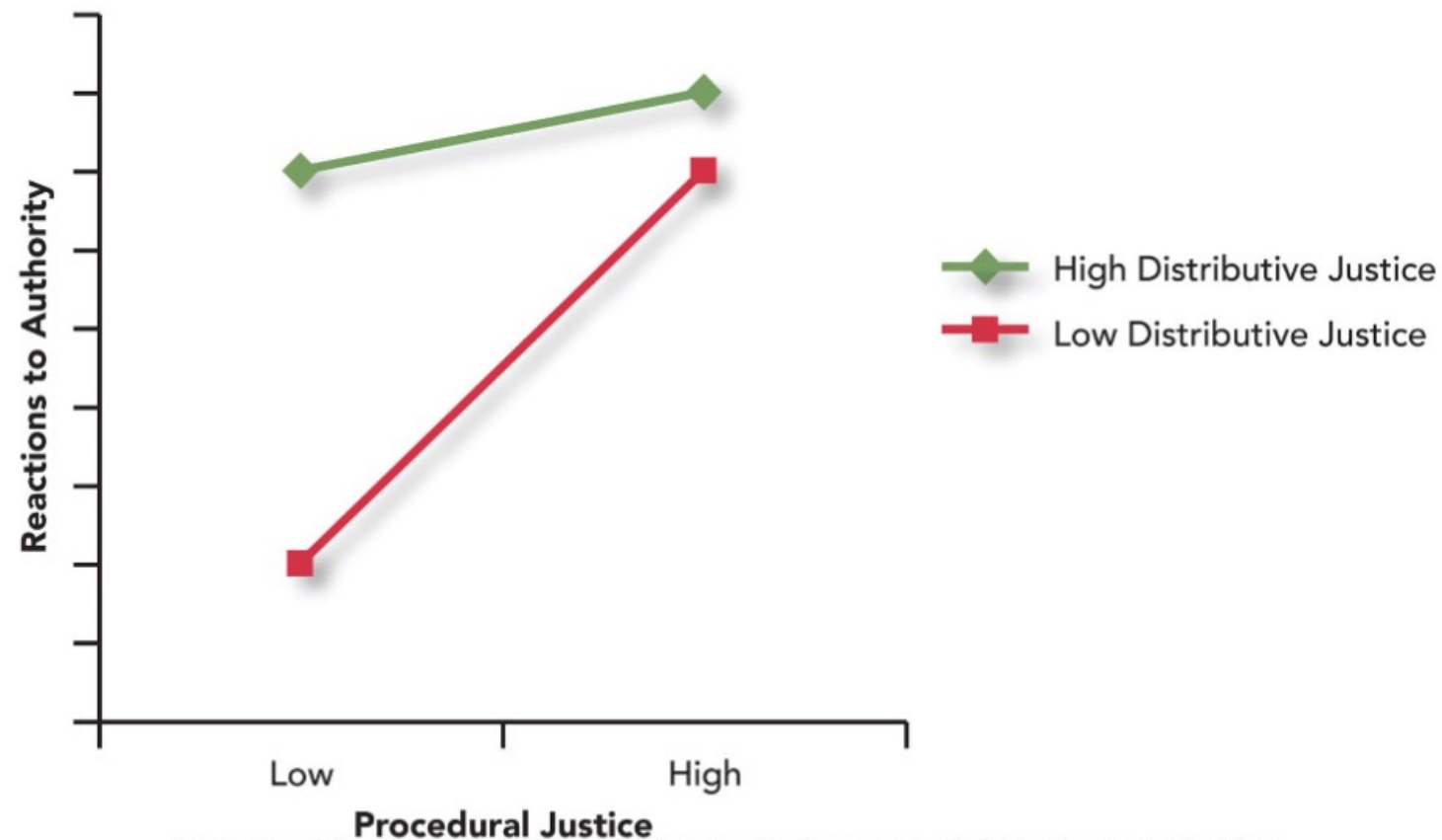
: Even if these don't result in the desired outcome, employees tend to value voice and appeals



Between Distributive Justice (decision-making outcomes)
and Procedural Justice (decision-making processes),
what do you think is a stronger predictor of employee
satisfaction/reactions to authorities?



Combined Effects of Distributive and Procedural Justice



Adapted from J. Brockner and B.M. Wiesenfeld, "An Integrative Framework for Explaining Reactions to Decisions: Interactive Effects of Outcomes and Procedures," *Psychological Bulletin* 120 (1996), pp. 189–208.



3. Interpersonal Justice

Reflects perceived fairness of the treatment received by employees from authorities

- Fostered when authorities adhere to:
 - **Respect** (do authorities treat employees with sincerity?)
 - **Propriety** (do authorities refrain from improper remarks?)
- Across businesses in the US, costs approximately \$24 billion annually due to *interpersonal injustice*
 - Absenteeism, CWB, healthcare costs, burnout and anxiety, lost productivity, etc.

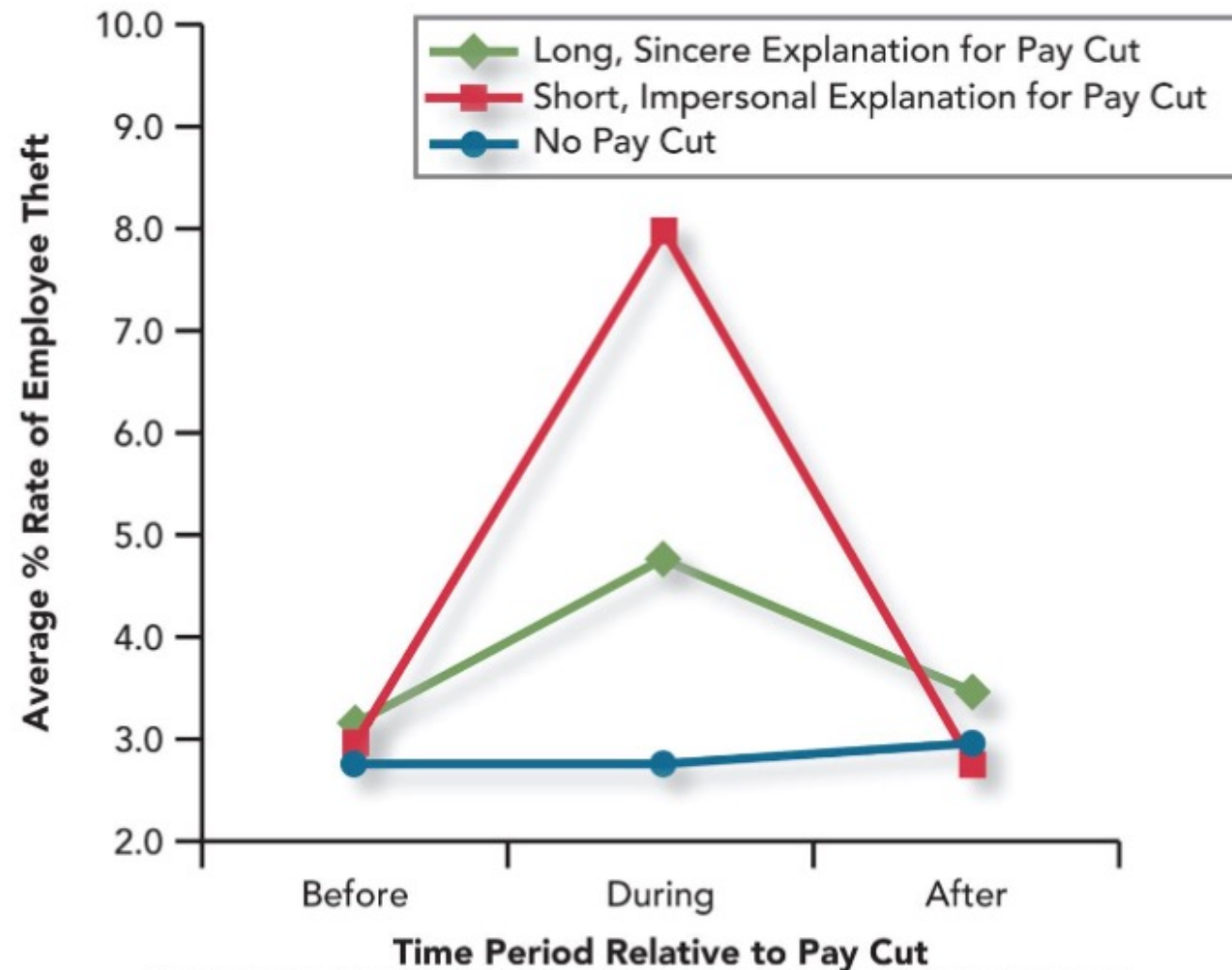


You have 7 employees who directly report to you.

Earlier this week, you learned from the Operations Manager that your company is currently experiencing a significant loss of funds.

Unfortunately, top management had already made a decision that all non-manager employees will receive a 10% pay cut every month, until the situation gets better (and no one knows when that's going to be).

*How would you
attempt to discuss this with your employees?*



Adapted from J. Greenberg, "Employee Theft as a Reaction to Underpayment Inequity: The Hidden Cost of Paycuts," *Journal of Applied Psychology* 75 (1990), pp. 561–68



Ethics in the workplace

Unethical behaviors directed at:

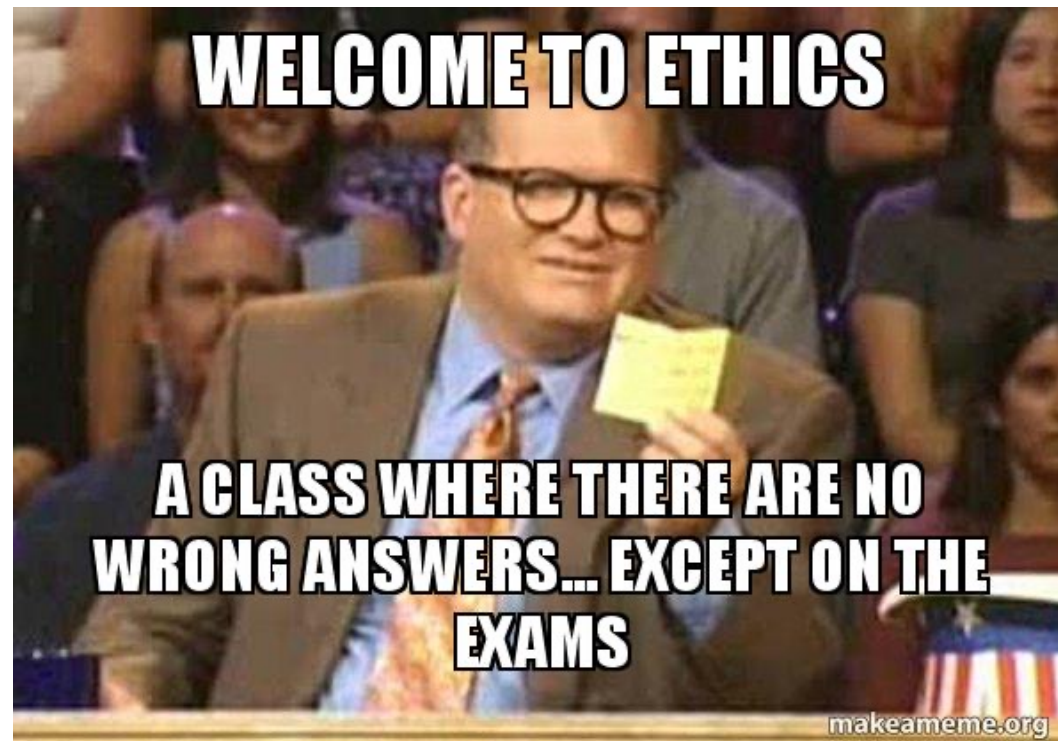
- Employees
 - Discrimination, harassment, health/safety violations
- Customers
 - Invading privacy, violating contract terms, false advertising
- Society as a whole
 - Violating environmental regulations, exposing the public to safety risks

Especially ethical behavior

- e.g., Whistle blowing



But, what is Ethics?





More on Ethics in the Workplace

- Behaving in a manner consistent with "generally" accepted norms of morality
 - Could be:
 - **Prescriptive** (how people "ought to/should" act)
 - **Descriptive** (how people "tend to" act)
- What's considered "the right way to do" to **ME** may not be the right way to do for **OTHERS**

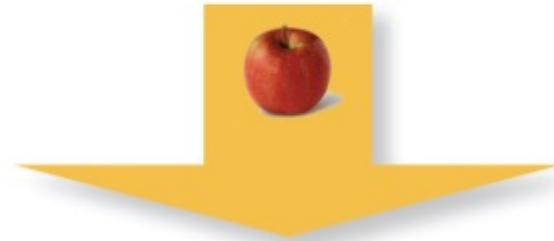


And..

Often, ethics is a function of
both the person and the environment



Individual Factors
(Good vs. Bad Apples)



Moral
Awareness

Moral
Judgment

Moral
Intent

Ethical
Behavior

Ethical Decision Making
(The four-component model)



Situational Factors
(Good vs. Bad Barrels)



1. Moral Awareness

Occurs when an authority recognizes that a moral issue exists in a situation or that an ethical code/principle is relevant to the circumstance.

- Some authorities engage in unethical behaviors simply because they don't perceive that moral issues are relevant in a given situation.
- The key is, therefore, to "become aware" of the issue in the first place.
 - Could depend on:
 - Intensity/urgency (situation)
 - Attentiveness (person)



2. Moral Judgment (very much philosophy-driven)

The process people use to determine whether a particular course of action is ethical or unethical.

- Controversial and people have different views on what should be considered “the criteria” of moral judgment



!DO NOT MEMORIZE!

Possible criteria of moral judgment

- An act is morally right when:
 - **Utilitarianism:** it results in the greatest amount of good/people [**Bentham, Mill**]
 - **Egoism:** decision makers freely decides to pursue either short-term/long-term interests [**Adam Smith**]
 - **Ethics of duties:** it fulfills the categorical imperative (harming no one; human dignity; endorsed by others) [**Kant**]
 - **Ethics of rights:** it respects the natural rights of others (life, liberty, expression, consent, privacy, etc.) [**Locke**]
 - **Virtue ethics:** it allows the decision maker to lead a “good life” (wisdom, honesty, courage, friendship, loyalty, modesty, patience, etc.) [**Aristotle**]



3. Moral Intent

Reflects an authority's degree of commitment to the moral course of action.

- In other words, whether intending to actually engage in moral behaviors or not.

Sometimes, knowing and thinking about what's moral or not doesn't necessarily lead to moral intent (e.g., organizational culture or the situation)

- "Moral identity" can shape moral intent
 - The degree to which a person self-identifies as a moral person

Overall, the logical path to "moral behavior" is:

Awareness → Judgement (based on criteria) → intention



Ethical Decision Making

Overall, the logical path to “moral behavior” as an authority is:

Awareness → Judgement (based on criteria) → intention



Can companies benefit from having better moral awareness and moral judgment,
even if their costs rise as a result?

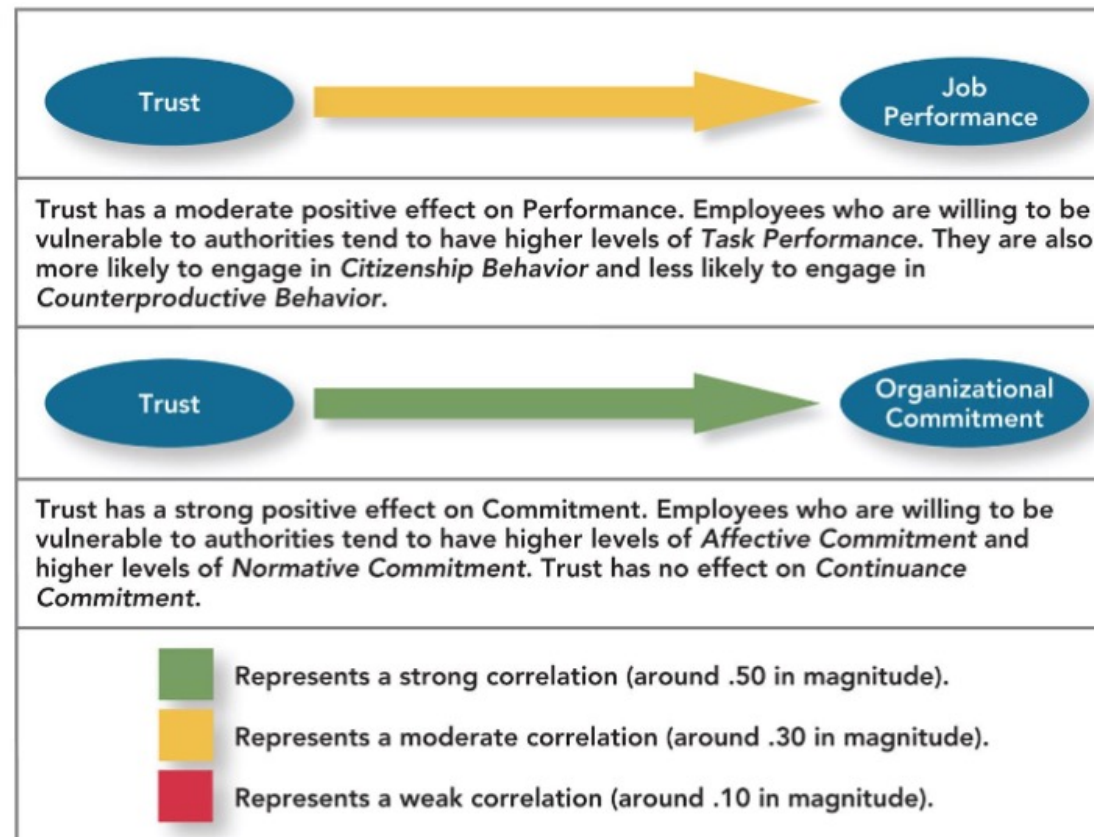
How?



Why are Some Authorities
More Trusted than Others?



How Important is “Trust” in the workplace?



Sources: K.T. Dirks and D.L. Ferrin, "Trust in Leadership: Meta-Analytic Findings and Implications for Research and Practice," *Journal of Applied Psychology* 87 (2002), pp. 611–28; and J.A. Colquitt, B.A. Scott, and J.A. LePine, "Trust, Trustworthiness, and Trust Propensity: A Meta-Analytic Test of Their Unique Relationships with Risk Taking and Job Performance," *Journal of Applied Psychology* 92 (2007), pp. 909–27.



How Important is Trust?

Trust is a significant predictor of an employee's ability to focus.

Trust also influences OCB and CWB.

- Economic exchange relationships lack trust, narrowly defined, quid pro quo obligations
 - Recall, transactional psychological contract?
- Social exchange relationships have increased trust, characterized by mutual investment, going above and beyond expectations
 - Recall, relational psychological contract?

An effective manager would try to promote _____ relationships