The Moral Dimension of Organizational Culture

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ABSTRACT. The lack of concrete guidance provided by managerial moral standards and the ambiguity of the expectations they create are discussed in terms of the moral stress experienced by many managers. It is argued that requisite clarity and feelings of obligation with respect to moral standards derive ultimately from public discussion of moral issues within organizations and from shared public agreement about appropriate behavior. Suggestions are made about ways in which the moral dimension of an organization's culture .can be more effectively managed. This is the third in a research series of three papers.

After analyzing discussions by a sample of managers about the moral issues that have arisen in their work, we have described in the second paper in this series how their views regarding these issues involved reference to seven distinct moral standards. However, making explicit or implicit reference to moral standards is not the same thing as acting in keeping with them. It is a commonplace observation that illegal and unethical acts frequently occur in corporate settings (see, for example, Ross, 1980). Our research was not directed toward assessing the frequency of immoral behavior and our open-ended personal interview methodology undoubtedly encouraged what might be described as over-discussion of situations in which the respondents behaved in keeping with moral standards. Never-

theless, almost half of the cases reported in the interviews concerned either immoral behavior, morally ambiguous behavior or morally uncertain behavior as judged by the managers themselves. In a common-sense way, it seems reasonable to suggest that the apparently well-accepted and highly visible moral standards described in the previous paper are routinely violated by many managers in many settings. In this paper we seek to understand and to explain better why these widely accepted moral standards sometimes lack potency in influencing managerial behavior. Our objective in doing so is to develop proposals for ways to strengthen the moral dimension of an organization's culture.

We will suggest that many managers experience what we have termed "moral stress". They recognize moral issues in many of their everyday decisions and actions but often remain unclear about how they should act in a given situation. We will argue that this condition exists both because of lack of clarity about practical, specific behaviors that are appropriate in various situations, and because of uncertain feelings of obligation to act in accord with moral standards.

Overall we will describe the moral milieu of managers as an ironic one, where common views are not held in common. Managers as individuals often share similar views regarding morally appropriate standards, but these views tend to be held privately and tacitly, and not collectively and publically.

We will argue that requisite clarity and feelings of obligation stem ultimately from public discussion of moral issues facing people within a particular organization and from shared public agreement about how people within that organization are to behave in various situations. From

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this perspective, we conclude the paper by examining some ways by which a concerned senior manager might begin to manage the moral dimension of his or her organization's culture.

Moral stress: conflicting and ambiguous demands

Managers feel accountable not only for carrying out their organizational role responsibilities but also, when confronted with a moral question, for determining which moral standards are salient, which should be given preeminence when two or more standards seem in conflict, and what specific actions should be taken in response. Moreover, they often must decide what kinds of costs, to themselves and/or to their firms, ought to be viewed as acceptable in dealing with the question.

Contrary to the long-run perspective of the "it pays to be good" school of thought (Mintzberg, 1983), the interviewed managers frequently described the moral decision as one which had or would have been costly to them or their fims. Sometimes, they said, when they were candid and critical about the way others acted, they in turn were censured or ostracized. When they were forthright regarding job appraisals, then they had to bear the burden of difficult personnel decisions. More frequently, these managers talked about incidents where moral actions were or would be costly to their firms. If they were to avoid unjustified differential pricing, then their firm would lose money. When they upgrade toilet facilities and improve working conditions, the firm's capital requirements are increased. If they were to reduce the prices for goods whose quality had been modestly lessened, then the firm would lose needed revenues. If they were to index pensions, then they would have to take funds away from other activities to help already retired workers. If they did not bluff when negotiating with customers and suppliers, then they might not get the contracts they wanted and needed or get them with the best terms. In relation to all these incidents, managers were aware that it costs to act morally and additionally that they ought to avoid unnecessary, excessive, and unproductive costs.

In their own words, some examples of how the managers discussed the need to make judgments about the appropriate costs to bear are as follows:

> We recently replaced a 60 year old receptionist who had been reliable and honest, but the job changed such that we wanted more than just a receptionist and wanted someone who could be a cleric-typist. What investment can I make in training a 60 year old person? (I.B.2)
>
> We try to keep our washrooms updated and modernized, and have good clean eating places for our employees. But you can't spend all your money on that; you have to keep production up and costs down. If you lay them off, they're not going to worry too much if they have a polished marble table to eat off (I.C.3).
>
> Like the airlines, we have to oversell space to anticipate the no-shows (III.B.6).
>
> It's troubling to lay people off, knowing that their severance benefits and unemployment compensation will soon be used up; some of the people were second and third generation employees. (I.B.7)

When the managers' implicit statements about moral standards are viewed as a composite, the picture that emerges is one of ambiguity and competing principles. Managers talk about the need to deceive as well as the need to tell the truth. They talk about the need to show special consideration for special circumstances as well as the need to treat all others fairly and impartially. They discuss the need to compete aggressively, seeking every possible advantage *vis-à-vis* customers, suppliers and competitors, as well as the need to observe and conform to standards of fair competition.

Moreover, even these competing or bi-valent principles are exceedingly general in that, by themselves, they do not always clearly point towards specific forms of appropriate action. When does legitimate bluffing or concealment of a basic position in negotiations with a customer or supplier or employee become inappropriate dishonesty in communication? When does legitimate preferential treatment for special classes of customers, suppliers or employees become unfairly discriminatory to others? When does avoidance of certain widespread yet questionable selling practices become a breach of

moral obligation to the stockholders? In a very real sense, the competing moral standards can be said to serve the function only of alerting the manager in a given situation that a moral issue is involved. The same standards are less useful in providing concrete direction on how to act in that specific situation.

Some examples of this condition of lack of concrete clarity are as follows:

> An outside recruiter approached me looking for a person to fill a position and it would be a potentially great assignment for one of my people. But I don't want to lose her. What do I do? (I.F.3).
>
> I got sexually harrassed. Do I report this guy to my boss? What is ethics here (II.A.9).
>
> I have a 52 year old employee. The docters say he can't continue because of heart trouble. He says he can and must. The decision is up to me (I.B.3).

Two of the factors causing general role stress have been identified as role conflict and role ambiguity (Kahn *et al.*, 1964). By direct analogy, we can say that the inherent abstractness of moral standards and the frequently conflicting nature of these standards produce a condition of moral stress. Managers often are not sure how general moral standards should be acted out in a particular situation and, most importantly, frequently experience themselves in a double-bind between the fundamental standard of organizational responsibility and some other competing moral standard.

Also at the root of this moral stress is the ambiguity of the expectations indicated by these moral standards. We find variance among the managers interviewed in the extent to which they experience the moral standards as obligating, i.e., as weighty, authoritative, compelling and of higher priority than immediate economic goals, or as lofty ideals which should be pursued, but with the recognition that they may never be fully realized in the face of difficult economic pressures. For example, some managers forego possible profits by giving similar prices to similar customers or by investing in upgraded toilet facilities while others openly choose to seek as much profit as possible for the firm when facing comparable choices. A few managers chose to invest resources in helping an employee suffering

from alcoholism, yet others felt that they could not legitimately take time from their jobs to do the same. Several managers accepted the lowest supplier bid while others choose to press the lowest bidder for an additional discount.

In sum, we can say that managerial life entails some moral stress, i.e., the individual manager faces ambiguous and competing demands, and is left largely alone with the burden of making choices and acting in everyday situations which have a moral dimension. On the one hand, he or she must respond to the economic imperative of the job, attempting to achieve the best results for the organization. And on the other hand, he or she must respond to the moral imperative of the job, which often calls for a more subtle redefinition of what is the best result for the organization and the people with whom he or she interacts.

This condition of moral stress manifests itself in the managers' varied comments about everyday moral issues. When individuals experience excessive responsibility that is not adequately defined, they may attempt to make situations more manageable and gain greater sense of control by several characteristic means. They may, for example, follow the fads and fashions of what others are in fact doing. They may also quite strictly and narrowly adhere to particular directives and rules, ignoring vaguer, more general principles. They may complain at length about the indiscretions of others, hoping by this strategy to expose the moral failings of others and turn their own attention, as well as that of others, away from the uncertainties they may feel about their own actions. Finally, they may attempt to redefine moral issues into amoral matters of technique or taste, so that alternative courses of action are considered in relation to questions of available resources and personal inclination, rather than in relation to general normative standards. By all these strategems, people may attempt to reduce their sense of accountability to levels which they experience as being more manageable (Bird, 1979).

And, many of the managers we interviewed gave evidence of following these approaches. They often justified behavior about which they felt uncertain by identifying it as an ordinary

practice. Several times they talked about how they or others had acted narrowly in keeping with a given structure — following stated procedures — in relation to hard decisions where they found it difficult to know what was the right thing. Furthermore, they complained at length directly and indirectly at the moral failings of others who had been dishonest in their appraisals, over-bearing in their dealings with sub-contractors, and devious in dealings with customers. Finally, in relation to a number of issues they spoke as if the basic issues were really decided by pragmatic questions of what could be done and what seemed personally tolerable. Hence, in settings where they might feel overly responsible without clear moral guidance, some of the managers interviewed used one of several typical strategems for reducing their own sense of accountability, as indicated in the following examples:

> On a sealed bid competition, we call the person with the lowest bid and tell him that if he knocks an additional ten percent off his bid he has the business. It's a standard practice, so the bidders probably anticipate it (IV.C.2).
> We sell products with levels of toxic material well above safety standards established in some jurisdictions in the U.S.; some people would say that if it's not safe in some places it's not safe anywhere, but we don't think the standards are realistic. (III.B.8).
> I took over a group where people had not been given a true performance appraisal. It was very un-ethical of the previous manager (I.A.6).
> My former secretary couldn't manage her own financial affairs; I had to keep on bailing her out with advances and loans. I got a request for a reference which include a form for bonding. I sent an okay letter of reference but left the form blank. I don't know how the other guy interpreted it. (I.E.10).
> Determining tax liability — moving expenses from category permitting five percent declining balance depreciation to category permitting fifty percent immediate write-off. A judgement call — could be debated — I don't know if that involves ethics or morals. (V.A.10).

The moral stress that exists does not seem to arise because managers lack awareness or even conviction about moral standards. On the basis of these interviews, it did not appear that mana-gers lacked ways to think about moral principles in relation to their work. In fact, the results indicate that many of these moral principles are commonly held by most managers.

Common standards not held in common

However, while many of these normative standards may be commonly held, often they do not appear to be held in common. As a whole the inverviewed managers embraced similar moral standards for their work, but they did not experience these norms as public standards. Hence, in spite of the fact that many managers endorsed similar moral conventions and rules and felt that publicly-observed deviance from these standards should be censured, they did not feel much support from others for making moral choices in relation to difficult decisions. They often felt that as moral actors they were on their own. From the perspective of these managers, an immediate cost in acting morally was the cost of having to struggle through to defensible decisions without experiencing much corporate support such as people can count on in relation to publicly-acknowledged norms.

It can be suggested then, that a key source of moral stress for individual managers is the general absence of institutionalized structurers which accord a public character to moral concerns. Very seldom in the interviews did we get a sense that managers talked with others in their organization about moral questions, in the same way that they might discuss questions of marketing, production or finance. Morality is a live topic for individual managers but it is close to a non-topic among groups of managers. Because managers do not feel able to discuss moral issues with peers and superiors, they often experience the stress of being morally on their own.

In a very real sense, morality needs to be brought "out of the organizational closet" and collectively recognized as an important dimension of an organization's culture and as an important aspect of everyday managerial life. We believe this would likely have a number of important consequences, one of which being that managers, for the most part, will learn how

widely shared their own views are with respect to moral standards.

Another consequence of public discussion of moral issues is that this is perhaps the only way in which managers can seek guidance and gain clarity about what constitutes morally appropriate behavior in a given situation facing them. As we have discussed, general moral standards will always remain abstract and vague, serving more the purpose of sensitizing managers to the existence of a moral question than of providing specific guidance on how to act. Each situation of this type that a manager faces will likely have its own nuances and pressures. Reflection on these and determination of the correct course of action will be greatly facilitated for the individual manager if he or she can easily discuss the issues with colleagues and superiors. Under conditions of ambiguity, people will always look to social referents for definition of any situation. The fact that this is typically not easy to do in organizations with respect to moral ambiguity is a major source of the moral stress that managers experience.

Another important consequence of collective consideration of moral issues arises from the fact that the personal experience of moral obligation derives only in small measure from moral ideas and reasons as such. It is grounded to a much larger degree in the moral dispositions of individuals, which in turn have their roots in feelings of loyalty and identification with a group. As social contract theorists recognize, feelings of moral obligation to a large extent grow out of common agreements (Searles, 1967; Habermas, 1979). As individuals make agreements, they make promises and they hold each other accountable for keeping those promises. What we refer to as social conventions really develop out of this experience of both consenting together with others to certain norms for behavior and then closely adhering to these norms. Individuals then feel obligated to honor social conventions, not simply because they are traditional, but because of the strong influence which widespread consent assigns to these conventions. Conventions are not made by fiat; they grow and develop initially as individuals openly or tacitly agree to be guided by specific standards,

as they act in keeping with these standards, and as they renew this agreement by their willing deference to them. Feelings of moral obligation are strong wherever people feel that they have openly consented to these standards and promised to abide by them. These feelings of obligation are reinforced when consent and promising is made publicly either in democratic settings through discussion and formal acceptance or in more autocratic settings through expressions of loyalty and deference to authority.

This latter observation about different types of organizational settings serves to introduce a final consequence of more public discussion and debate about moral issues. And that is that the creation of such public forums will likely bring forth greater involvement of organizational leaders in establishing the moral tone of an organizational culture. Organization theorists generally recognize that there is no "one best way" to structure an organization and that organizations must be designed to fit the nature of their task environments (see, for example, Burns and Stalker, 1966; Mintzberg, 1979). Given the inherently "soft," social quality of discussions of moral issues, we can suggest that the task of fostering the kinds of open dialogue we have been discussing can represent a major challenge for many organizations which are generally structured for more routine, "hard" issues. This is a topic which we will address in the following section. At this point, we wish to emphasize that because issues of moral tone in a organization do not lend themselves to direction through conventional hierarchy and traditional patterns of authority and governance, transformation and reinforcement of the moral dimension of an organization's culture will require highly visible and active involvement by senior management.

In summary then, it is a common observation that the feelings of moral obligation held by managers seem to be quite variable, week in some cases and strong in others. We are suggesting that these feelings of obligation vary with the extent to which managers have opportunities to discuss moral standards and to agree together with other managers within their own firms upon practical guidelines for their actions. Feelings of moral obligation in these instances are

strengthened by the mutual promising of co-workers to their own normative guides. From this perspective, corporate "codes of ethics" by themselves do not strengthen these feelings. They alert managers to ideas. But, in themselves, they do not foster the kinds of discussion on the basis of which managers can arrive at common understandings regarding practical day to day guidelines. The moral milieu for managerial decision-making will likely remain fragmented and ambiguous so long as questions about appropriate structures of decision-making have not been satisfactorily resolved and so long as settings where moral issues can be regularly and publicly considered have not been established.

Managing the moral dimension of organizational culture

In response to the observation that moral standards are routinely violated in the course of managerial life, we have in our discussion to this point made both a diagnosis of the problem and a prescription for acting in response. (Both the diagnosis and prescription assume the existence of managers concerned about the problem, an assumption we will discuss shortly.) The diagnosis derives from the description of the moral stress experienced by the interviewed managers. Because managerial moral standards remain fragmented and only partially conventionalized, managers have uncertain feelings of obligation with respect to these standards and are often unclear about morally appropriate behavior. The prescription springs from the diagnosis, suggesting that requisite feelings of obligation and clarity about appropriate behaviors must come from public discussion and agreement about moral questions among individuals in an organization.

The premise that such discussion and agreement should take place within an indentifiable, autonomous organization (as opposed to among representatives of different organizations, as in within a trade association) is supported by several considerations. The specific details of questions and situations needing discussion will vary from organization to organization, and

discussion within a particular organization can thus be more pointed and salient. Most importantly, the potency of the promises and agreements established derives in large part from feelings of accountability to colleagues who will be intimately familiar with one's future behavior. Finally, organizational loyalty and consequent concerns about "washing our dirty linen in public" as well as real fears about exposure to damage claims or soiled corporate image can act as blocks to depthful discussion (Waters, 1978).

At this point then, we turn our attention to ways in which a concerned CEO or senior management group might seek to follow through on the ideas presented. That an audience of concerned senior managers exists is clear to us from the interviews. Moreover, as discussed earlier, throughout this research we have tried to avoid imposing our moral feelings on the interviewees or the analysis of their comments. Consistent with that posture, our proposals are not aimed at telling senior managers how they *should* act, but rather at suggesting how they *could* act to intervene effectively with respect to moral issues in their own organization if they so desire.

One overarching perspective on intervention is a concern for process rather than content. More specifically, we believe that more moral exhortation and more overlays of moral principles will be disfunctional. Discussion of moral ideas in the abstract, apart from specific cases, will lead to idealism and, as discussed above, increased moral stress will be the likely result. And the consequence of higher moral stress will be the increased use of the strategems discussed earlier for reducing personal feelings of accountability.

Another overarching idea about intervention is that the process of influence and control with respect to moral issues will take a cultural rather than bureaucratic form. As suggested earlier, conventional structural relationships and interventions such as rules and procedures, goal-setting, formal budgeting and review, and accounting audits lack the scope, flexibility and sensitivity required to grapple with "soft" questions of morality (see Waters and Chant, 1982, for a discussion of the limitations of conventional control procedures in this regard.)

In contrast, the notion of a cultural form of influence and control implies more amorphous and subtly pervasive means for coordination of behavior. Anthropologists describe how culture shapes behavior through symbols, myths, heroes, legends, rites and rituals. In more managerial terms, a strong culture lets individuals know "the way we do things around here" beyond formal directions and guidelines.

We have argued that moral standards will frequently lack clarity and authority so long as they remain only private intuitions of cultural conventions. We may add that they gain clarity and authority only as they are interpreted in relation to specific relevant cases, and these cases in turn become exemplary precedents for the organization in question. And exemplary precedents become part of the organization's culture through social interaction over time as the stories are told and retold, discussed and perhaps embellished, eventually achieving the status and power of legends or myths in signalling the behavior that is valued in this organization.

The manner by which social interaction in an organization over time can produce an enduring culture defies complete detailed understanding much less direct control and management. As a result, the management of culture in general and the management of the moral dimension of culture in particular can best be visualized as an indirect process. This indirect process of creating relevant precedent in the form of "moral exemplars" will likely consist of two complementary components, articulation and communication of an explicit managerial ideology, and facilitation of discussions and agreements on moral questions among all organization members.

Articulation and communication of an explicit managerial ideology, an expression of the leadership's philosophy and values, can be visualized in terms of direct communication from the leadership in the form of policy statements, speeches and the like. They set the stage for more open discussion of moral issues by signalling senior management attention and conviction, and by providing vision and direction to the organization.

Drawing on previous research concerning internal whistle blowing (Waters, 1978), we can suggest that the impact of such communications can be strengthened in two particular ways. First, senior management must remove any ambiguity that exists with respect to organizational priorities. If legal and moral constraints are to be obeyed, they must be accorded higher priority than conventional economic goals, and this must be stated repeatedly and publically.

Second, such communications must move from the "do good and avoid evil" level of abstraction to a discussion of concrete examples. Avoiding discussion of specific examples that would be obvious to anyone in the company will raise doubts about the seriousness of the convictions expressed. To avoid talking about such issues as, for example, dishonest performance appraisals, price-fixing, pressuring of suppliers, avoidance of health and safety regulations, etc., not only misses an opportunity to identify and help create exemplars, but such avoidance becomes an ambiguous signal in itself.

Nevertheless, communication of senior management ideology can be viewed as necessary but not sufficient in this context. Such communication sets the stage for but does not displace the need for discussion and agreement with respect to moral issues among those immediately involved in the issues. These discussions may take varied forms and might, for example, take place in training programs and workshops, for both new and experienced employees. Managers could hold "deep sensing" sessions in which they could discuss moral questions and concerns with employees from lower levels. Newspapers and journals can be monitored for examples of questionable practices that might be relevant in one's own organization, and these could be the subject of planned discussions throughout the organization. The outcomes of many of these discussions might in turn become inputs for policy statements and speeches by senior management which, in an obviously circular way, can stimulate new discussion and agreement within the organization.

More directly, managers of particular work units need to encourage open discussion between and among themselves and their subordinates about specific moral questions as they arise in the conduct of each employee's work.

Such discussions, involving argument and debate and expression of moral sentiments, can lead to decisions and actions which will become the exemplary precedents that clarify, extend, modify and/or reinforce existing moral standards.

It is in decision- and action-oriented work sessions like this that managers can get beyond expressions of ideals to probe the substance and form of general moral standards and agree upon what constitutes morally appropriate behavior in the specific, concrete situation under consideration. It is in this kind of discussion that the short- and long-run consequences of different approaches to moral questions can be examined, clarified and analyzed. To the extent that morally appropriate behavior requires that additional costs be borne or revenues forgone in the short-run in the service of longer-run benefits to the organization, decisions to do so can be made publically and explicitly with responsibility lodged at the proper level. Finally, another benefit of repeated sessions of this sort is that managers will be encouraged to bring up for discussion topics which may have been avoided in the past, such as, for example, the fact that the firm is dumping toxic waste in a local river or that air quality in the plant is below minimal health standards.

In all these suggestions, the meta-message is that discussion of moral issues must become a familiar, comfortable part of the manager's job. A very apt analogy was made by one of the managers we interviewed, a plant manager, when he suggested that the question of morality had about the same managerial status as the question of safety did twenty years ago. At one point, he said, it was difficult to get people interested in safety and it was seldom discussed among managers. Through a lot of management effort, that situation was gradually changed to the point where, within his own organization, a discussion of safety is routinely treated as the first agenda item at every meeting. It is important to note that the topic of safety was in many ways *forced* into managerial consciousness. Requiring safety to be the first agenda item at all meetings was undoubtedly experienced as an awkward artificial device when the practice was first instituted. Now, attention to questions of safety is simply accepted as good business practice.

In drawing the analogy, this manager was explicitly predicting that moral issues in management would eventually achieve the same attention that the issue of safety now enjoys. Implicit in his prediction was the judgment that just as inattention to safety was bad management and bad for the institution of business, so is inattention to moral questions. Based on our research, we can only echo his judgment and add that a great deal of conscious effort and commitment on the part of many managers will be required to make his prediction come true.

Acknowledgement

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