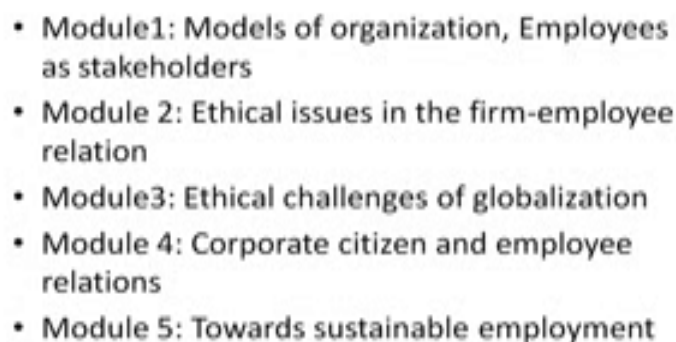**Business Ethics**
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Lecture - 27
Models of Organizations

Welcome. Today we are going to discuss on the relationship of employees and with organization and ethical issues with respect to that. If you remember we have identified employees as one of the important stakeholders of the organization; if who contributes to the function of the business and also who get affected by the business processes. In the earlier class when we started with contextualizing business ethics. We started with one of the stakeholder's important stakeholders whom we call the shareholders. And in today's discussion we will be focusing on the employees at the business ethics. Let us see the flow of today's discussion.
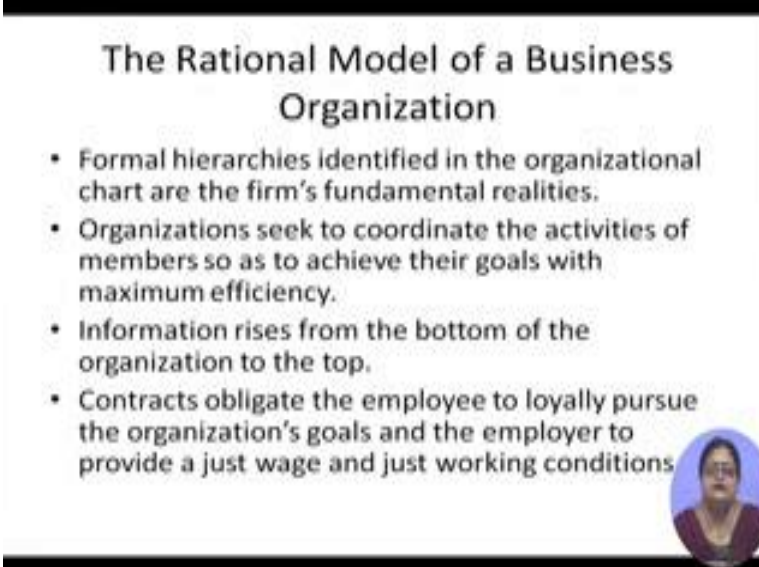
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- Module1: Models of organization, Employees as stakeholders
- Module 2: Ethical issues in the firm-employee relation
- Module3: Ethical challenges of globalization
- Module 4: Corporate citizen and employee relations
- Module 5: Towards sustainable employment

The total discussion is subdivided into 5 models. Module 1: deals with the models of organization and the employees as stakeholders. Module 2: deals with the ethical issues of the firm employee relation. Module 3: deals with the ethical challenges of globalization. Module 4: deals with corporate citizen and employee relations. And

module 5: deals with towards sustainable environment so first we will start our discussion with the models of organization.

There are 3 modules based on which an organization is discussed. First is the rational model of the organization. Second is the political view of the organization and third is the caring aspect of the organization. First will be start our discussion with the rational model of the organization. When you try to understand what is the rational model of the organization. It is the formal set of hierarchy which is present in the organization. It is the set of organizational structures.
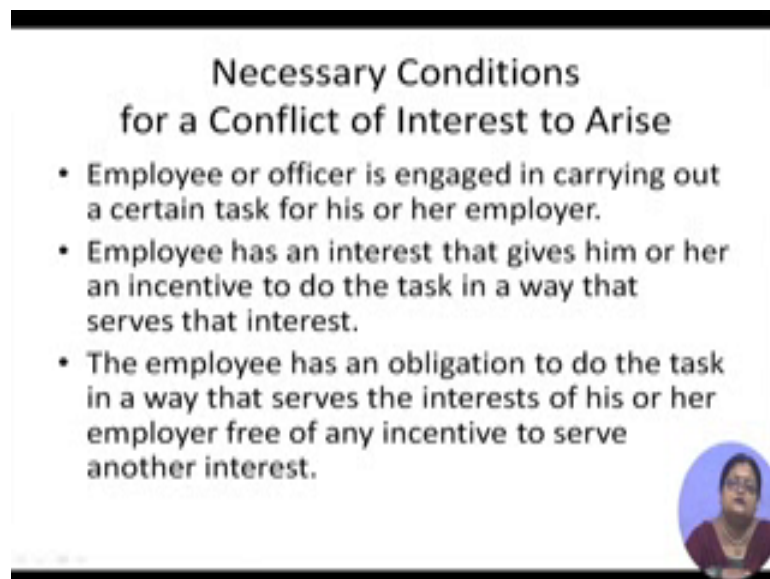
How it is well defined, and how it is the organizational chart. How it looks like, which shows the division of the goals and responsibilities. And how the decision making flows from top to bottom and the information also moves up from bottom to top so when you are discussing of the rational model of the organization, we are focusing it is that view of the organization which is focuses on an explicitly defined structure of the organization, and which is explicitly defined an openly employee and the structure is so defined that it helps to achieve the goals of the organization with the best possible or the maximum efficiency. It is the rational coordination can tell. It is the rational coordination activities so that the members can achieve their maximum goal and also the organization can

achieve it is maximum goal.

Also if you can understand it is the information which rises from the bottom of the organization to the top of the organization. And we can tell like there are 3 layers of the organization, the operations level the middle managing level and the top management level. And because it is a formal set of relationship, and it is a formal structure as defined by the organization. Then there is also a contract which binds the 2 parties which is the employer and the employee. And there is a contractual obligation. What is that contractual obligation? It is the contract obligates the employees to loyally perceive the organizations goals, at the employer also has a moral responsibility to provide for a just wage and just working condition.

So by the bindings of the employment contract and also by the expectations of the psychological contract, the employee is supposed to work loyally towards like working towards objective of the organization. So that is fulfilled and the employer's responsibility corresponding responsibility is to provide the employees with just wage and work just working conditions.

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However, it may so happen the ethical issues with relevance to this, are conflicts of

interest may happen when the employee or the employer work not for the interest for what they are defined to work inside the organization, but they work for fulfilling some self-interest within the organization. So the necessary conditions are for a conflict of interest arise is employee may be interested so to work for the sake of incentives, and incentives which are going to satisfy his or her own need. So employee or officers engaged in carrying out a certain task for his or her employer.
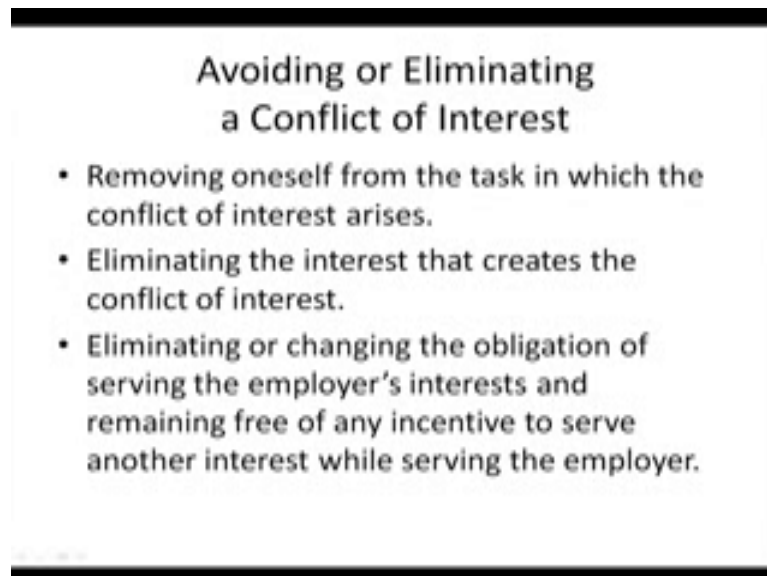
So what happens, he may work against the need of the demands of the organization to satisfy some of his or her personal need. The employer also may correspondingly work for fulfilling his or her own self-interest and deprive the workers of the rights which like the right to just wage and the right to just working condition which they are supposed to get as a part of that contract. They may be deprived of that because the employer may be moved by the decision by the self-interest to gain maximize the profit for oneself. So here we may understand that organization and the managers they do have an agency relationship. The employees also do have an agency relationship with the organization or the principle.

So, in any case any of the act done by the manager or the employee which goes against his agency relationship and the function to fulfill their own self-interest these give rise to conflicts of interest, will discuss in details about these things. When we are going to discuss issues like taking of gifts and bribes taking of like stealing away information from the organization insider trading, these are certain things we will discuss in details more when we are discussing on the ethical issues of employee and firm's relationship.

For now, we have to understand like the rational view of the organization is the formal well defined structure roles and responsibilities of the organization which gives us a clear picture how the organization has decided to function, so that there is they can reach the goal efficiently. How the information is expected to flow through a formal channel and how the decision making flows from top to bottom, and what are the channels of that decision making. And it directs us towards the thing like the employee and employer like they have a contract with each other, which they must be mutually respecting.

And if anyone does again go against this contract for any of the personal reasons moved more by some of the self-interest and compromising the interest better interest for the organization that they are in then that leads to conflict of interest.

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Avoiding or Eliminating a Conflict of Interest

- Removing oneself from the task in which the conflict of interest arises.
- Eliminating the interest that creates the conflict of interest.
- Eliminating or changing the obligation of serving the employer's interests and remaining free of any incentive to serve another interest while serving the employer.

How we can deal with the conflicts of interest is like removing oneself from the task in which the conflict of interest arises. Eliminate the interest that creates the conflict of interest. Eliminating or changing the obligation of serving the employer's interest and remaining free of any incentive to serve another interest while serving the employer. So this is like the way that we eliminate this conflict is sometimes it may so happen because both the managers and the employees are in an agency responsible towards the organization. Then the question the dilemma that may arise in the employee's mind is responsible to whom.
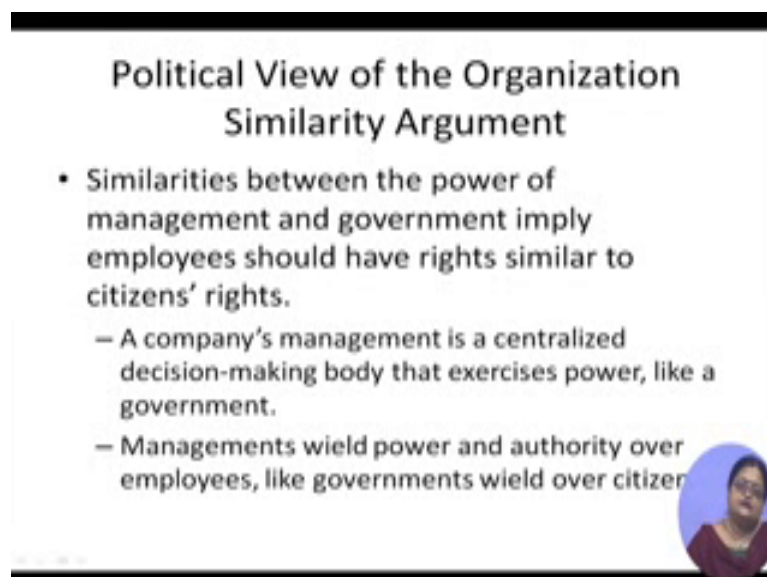
In many cases it may so happen like the employee may get directions from the employer to act in the interest of the employer which may be against the interest or the good of the organization or the society at large. So at that point of time the dilemma may come in a person, mind like whom I am responsible to, is it like that whatever my employer is asking me I have to do that because I have entered into a contract with the employer or I am responsible more to the organization and the society at large. So these type of

conflicts may arise and due to this because along with contract comes a feeling of obligation to respond to the contract. Because the employer is giving a fare with employer is giving a good working condition so the employee feels obligated to respond to the like demands of the employer.

But is the demand being in same line with the greater interest of the organization, then there is no conflict with that. But when there is suppose a conflict arises when the employer functions for his own specific self-interest, and tries to utilize the employee to meet that end. In that case the in controversy of conflict may arise in the employee's mind whom I am more responsible to. And to eliminate that, to put a check on that the employee may either eliminate or change the obligation for serving the employers interest or they may remain free of any incentive to serve any other interest while serving the employer. This is when maybe the second case is when the employer is you are in an employment contract with one employer and another employer is maybe trying to establish a relationship with you to know some of the inside information of how the business is functioning.

So these are the situations where conflict of interest may happen and these are some of the techniques to eliminate that conflict of interest.

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Political View of the Organization
Similarity Argument

- Similarities between the power of management and government imply employees should have rights similar to citizens' rights.
  - A company's management is a centralized decision-making body that exercises power, like a government.
  - Managements wield power and authority over employees, like governments wield over citizens

Second, we are going to discuss about the political module of the organization. In the political model of the organization, we understand like though there is a formal structure given in the organization, which deals with actually how ideally rather how information is flowing across the different organizational levels or how the decision gets made in the organization. But in real cases what happens the there are many informal links formed within the organizational structure itself which is beyond the formally defined structure based on certain power pockets from or the formal or informal powers enjoyed by individuals or a group of individuals, that determine the direction in which were decisions are actually made or how the information actually flows.
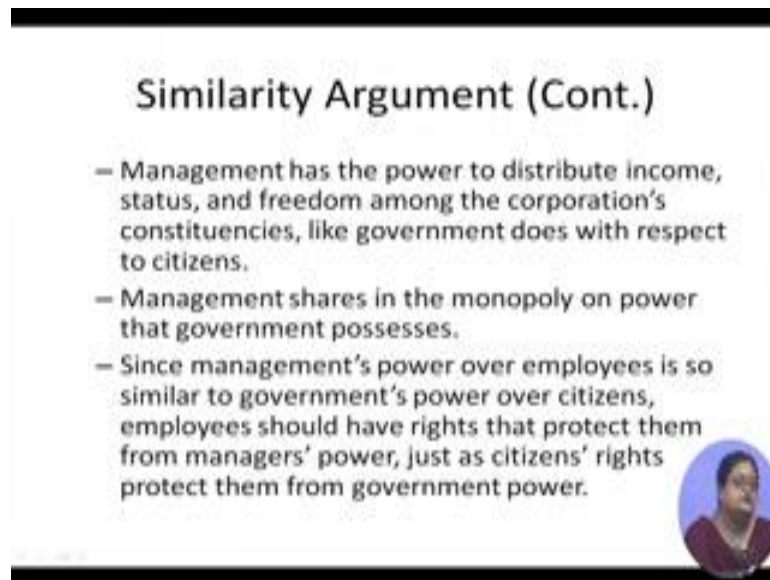
So, this is called the political model of the organization, which is based on not as how the formal structure looks like or ideally how they information or responsibility flows like. But this structure is a network of relationships formed within the organization based on the power difference shared in the organization power dynamics, between one individual and the group or a group of individual and another group of individuals within the organization. This is called a political view of the organization.

So, based on this power dynamics, it may so happen like the employees may be like exploited by the management, because they have more power than that of the employees. So the political view of the organization sometimes compares the organization with that of the government and there is a similarity of argument and there is a dissimilarity argument also. Whether the corporate is like the similar like the government or it is dissimilar from the government. Like 2 of the viewpoints have their own arguments and based on that what it decides to be the right of the employees and just compare to the rights of the citizens. Let us have a look into these 2 different arguments of similarity argument and dissimilarity argument, whether the organization is like the government or not.

The similarity view tells like the, it defines the similarity of power between the management and the government. And it implies that the employees should have rights similar to that of citizens' rights. The argument it puts forward is that a company's management is a centralized decision making body that exercises power like a

government. And the management exercises their power over them and authorities over the employees like the government exercises their power over the citizens.

Similarity Argument (Cont.)

- Management has the power to distribute income, status, and freedom among the corporation's constituencies, like government does with respect to citizens.
- Management shares in the monopoly on power that government possesses.
- Since management's power over employees is so similar to government's power over citizens, employees should have rights that protect them from managers' power, just as citizens' rights protect them from government power.
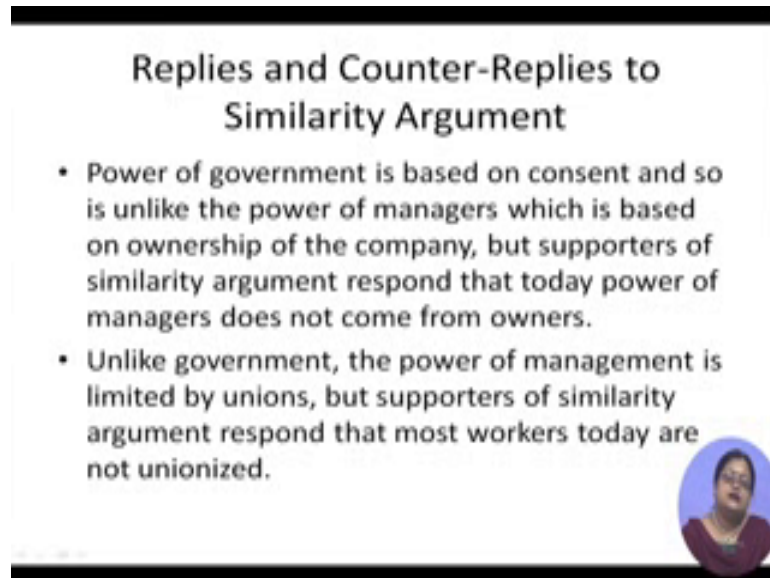
So, to safeguard this the employees must be having a corresponding right as a similar to that of the citizens to safeguard their own rights from being exploited by the organization the employer or the similar to like that the citizens are getting exploited by the government. The similarity argument also tells like the management has the power to distribute income status and freedom among the corporation's constituencies like the government as with respect to the citizens. So and also the corporation shares the monopoly of the power and power like the government possesses.

And it in the same write it argues like since the management power with employees is similar to that government powers with citizen. So the employee should be having certain rights to protect them from the managements power just as the citizens have right to protect them from the government power. So here we will be discussing in the subsequent discussion again, the right to privacy, right to employment, right to fair wage, right to good working conditions. This will be coming again like this will be discussing again when will be discussing the firms and employee's relationships with business ethics. So these are certain rights and correspondingly also there are certain of the

employee's duties also towards the firm. Just like the citizens do have certain duty towards the government.
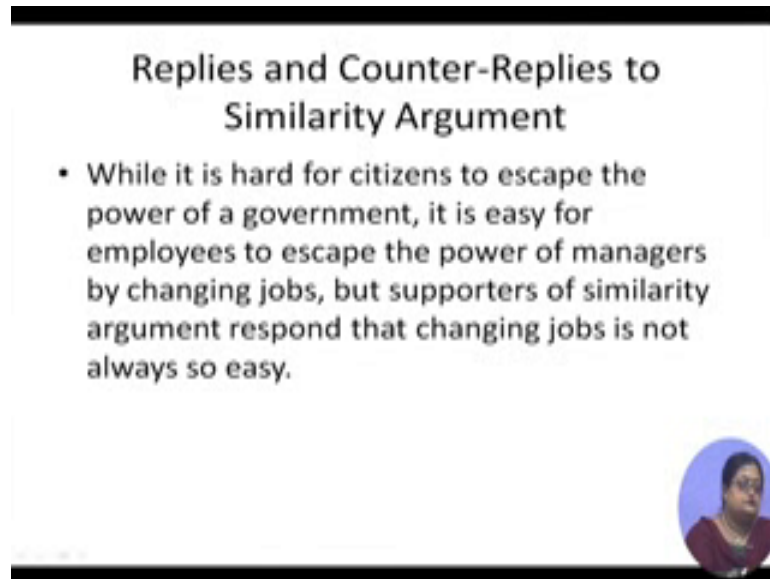
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Replies and Counter-Replies to Similarity Argument

- Power of government is based on consent and so is unlike the power of managers which is based on ownership of the company, but supporters of similarity argument respond that today power of managers does not come from owners.
- Unlike government, the power of management is limited by unions, but supporters of similarity argument respond that most workers today are not unionized.

So, again there are counter replies to this similarity argument, which tells like the power of government is based on consent and so is unlike the power of managers which is based on the ownership of the company. But again there is a counter argument which the similarity proponents of the similarity arguments tell like; today the power of the managers does not come from that of the ownership, because ownership and management have been separated now. So another view point is that the power of management is limited by unions. But the similarity proponents again tell like in many organizations today there were no workers are not unionized. So we cannot tell that they are the corporation is not having similarity to that of the government and so correspondingly like employees are not having.

Similar rights like that of the citizen. The counter argument for similarity argument tells like it is not citizens to easy for citizens to escape the power of government. But the employees if they got can escape the power of managers. But again the counter argument is that it is not always easy to find the job or change the job. So even if the employees want it is not easy for them to find out the second employer or change the job.

Here in this framework we will also discuss about organizational politics. The difference between the political model of the organization and the organizational politics is in that political model of organization that we were discussing now, is the power structure as is evident from the formal views of the organization. And which gives rise to certain rights of the employees and to protect them from getting exploited by the employers. But when we are discussing organizational politics, it is more of the power gain power played within the organization which arises from informal relationship.

Organizational political model of the organization that we discussed, these models the political model of the organization is the power structure which is there within the organization and it helps in the organization to function effectively or not. When we talking of organizational politics, these are certain political techniques tactics which have been given rise by the informal relationship, informal coalitions from and these are directed more towards the self-interest of the people and not directed towards the organizational objectives. These are using resources of the organization for some personal self-motivating gains.

So, what are these political organizational politics are played some of the examples are it is like blaming or attacking others, so that you can pass of the responsibility of something and to others, controlling of information and purposefully creating some information asymmetry within the organization. So that by the information prodding you gain and others are not able to have an access to that particular information. Developing a base of support for once ideas before you enter into a meeting you establish a network of people who are going to support your views.

So, it may so happen whatever discussion is done in a meeting the conclusion of it is favor goes in favor of use favorable to your self-interest, but may not be favorable for the purpose of the organization. Ingratiation news you go on pressing your leaders your bosses without challenging them to be in their good book, so that you get recognized by them and they take a favorable approach towards you and your demands and give some like concessions to you when required.
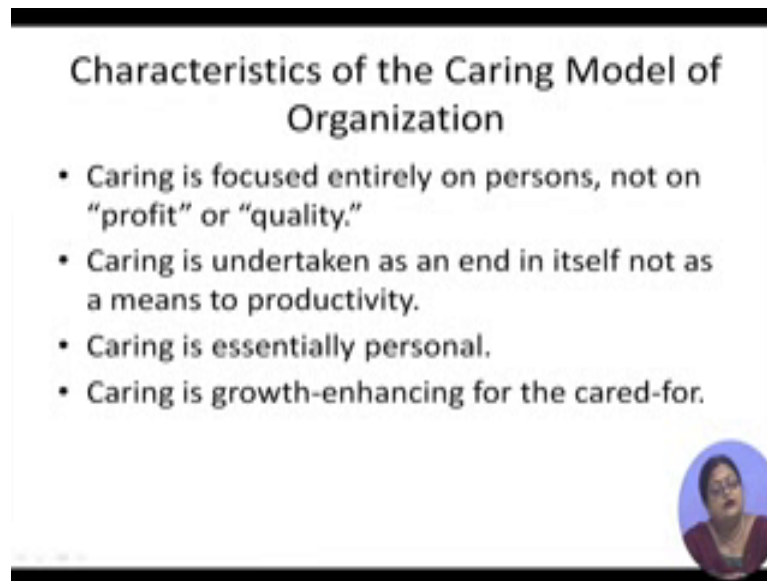
Association with the influential, you get associated with influential people. So that you remain within a powerful circle and by that you also gain some power that is we call the right power. You develop power coalitions with others and develop strong values of yourself, so that you get protected and you gain your strength from that strong like coalitions that you formed.

Creating obligations, you do something good favorable to other person even when not asked for, even when they do not want it and you like create obligations of other people to serve your interest. So other things could be getting control over scarce a resource which is also desired by others and that is how you get gain power in the organization. And you establish favorable relationship with in friendship people in the organizations, so they can think of you when time comes and like leads to your image building and impression management.

So, all these can be explained from the utilitarian perspective from the justice prospective rights prospective and care prospective. We have to keep in mind like when all these techniques whichever perspective you are taking, goes against the purpose for which the organization exist, and these are utilized for the purpose of serving the self-interest of the organization, which may or may not be in similar lines with the main organization purpose. Then on case to case basis we can tell like whether it is ethical or unethical in nature.

For that reason, the goal of the organization itself first have to be an ethical goal, and then with comparison with that we can tell whether adoption of these political techniques, tactics, are based on the 4 different principles that we have learnt is ethical or unethical in nature.

Characteristics of the next are: the caring model of the organization. Here the caring model talks of like, it is again a feminist orientation model where we are more focused into the relationships that the employer or employee have towards one another, and one employee has to have relationship with the other employee, the employee's relation with the organization. And how to respect that relations with and where the employees are and taking care of the employees that is the end in itself, and employees are not made a means for gaining productivity in the organization.

So respecting the employee's needs and demands, and taking care of the employees. Keeping in mind employee are important stake holders as they are the ending themselves, and they cannot be utilized as means to a particular end. So caring is focusing entirely on persons and caring is undertaken as the end in itself not as an instrument for productivity. And it is personal and it is growth enhancing for the cared for means will focus on the personal development and growth of the employees.

However, there could be some flipside to the being a caring organization. And these approach this people orientation of the organization. This caring approach of the organization has to be done with like very precautionary step otherwise it may get mutualized or misinterpreted. So caring for the needs of others without thinking of oneself may give rise to burn out. So that is when we are always thinking of how the other person is going to be happy and you are not taking care of own self. So that may lead to a feeling of burn out or getting exhausted.

This is what suppose; if you are too employee centric may ignore to be productive product centric also, and you think of the personal growth and development of the employees and start may be giving less of value to the organizations, corresponding development of the organization in meeting of the organizations need. It may so happen like you get drained in your resources, but adding no value for the sustenance of the organization itself. So this has to be a well balanced approach where the there is a development of the individual and also the development of the organization both together.

Not caring enough for others, because fatigue self-interest or disinterest leads us to ignore their needs on the other hand. If you are too production centric and you are closing

your eyes to the demands and responsibilities towards the employees, that of the demand and responsibilities as expected by the employees, there may be a feeling of alienation from the employees, who may not feel any motivation sense of involvement to stay back with the organization.

Because they are not able to see their personal growth in your growth plan, and then you feel like they are getting exploited for the cause of the organization, and there is no appreciation of their values. But depreciation is happening based on that they are also getting drained off each day, without being taking care of. The organization systematically drives out caring with layoff bureaucracy managerial styles that see employees as disposable or rewards that encourage competitiveness and discourage caring.

So, this may also happen, because organization through it is practices HR practices and the organizational structure design may take up things which show like they are less caring to their employees. So when it comes for downsizing, when it come for restructuring the first person who is to face the first like the stakeholder or the first entity who needs to get addressed to be so that this restructuring downsizing is done is the employee. And without thinking of whether our technology was proper whether the project plans that we developed was proper or not, first hit comes to the employee, and like we are talking of rewards or encouraged and for being competitive in nature.

So questions will obviously; there are pockets of question which can be asked over here at the cost of what. If the answer to that is at the cost of the realms of the employees at the cost of the employees getting over than the organization, they have been asked in the name of employee engagement, we are asked to give more than that they can actually stretch them to that ultimate level. So these are may be signals for organization which through it is design like search it is discouraging the caring aspects of the organization.

So, what we are trying to tell over here. When you are talking of a caring organization there, should be a balance between how much to care whom to care for and to what extent, and that is called the due care theory. So if you have moved towards the balanced

care approach where there is a balance between the care shown to the employees for their personal growth and development and that is balanced by the organizational growth and development also. Then it is a true care which is taken.

Otherwise it may be if may interpreted this caring concept may be used in a wrong sense like that of pampering or if not used also, it may happen that the organization is again giving like dumb ear, deaf ear is dumped towards the towards respecting the employees demands and needs and looking towards the growth and development of the employees which may again because it is an again a stakeholder theory, which may have a negative effect on the image of the business and how it is run.

So, this brings us to the conclusion of the models of the organization, which where we have discussed the 3 different models, the rational model political model and the caring aspect. And we have discussed the pros and cons of each and the employee's relation with the organization, how it is happening with respect to these three different models. Based on these models we understand that, based on these form employee relations certain ethical issues which we have mentioned develops which we will be taking up in details in the next module of our discussion.

Thank you.