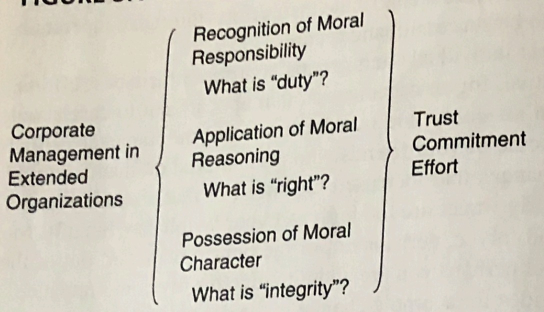
FIGURE 5.1 **Building Trust, Commitment and Effort within an Extended Organization**



and actions. Many managers don't want to know that this is happening. If they don't know, the reasoning goes, they can't be held responsible. Perhaps, however, the most basic responsibility that managers can be said to have is to know what is happening to the wide range of the individuals, groups, and organizations—the stakeholders—associated with their company.

2. *Moral reasoning* is the process of examining and then resolving these recognized moral problems in a way that will be convincing to others. We can't just say, "Well, this will certainly benefit us as a company so I know you'll understand," or "We feel badly that this is happening to you, but as a company we have to continue to move forward." As you doubtless realize from having studied the first four chapters of this book, the major theme contained in those chapters is that managers, when faced with a difficult problem in which some people will be harmed or have their rights ignored, have to *logically* explain their decisions and actions in response to that problem, and *rationally* combine the economic outcomes, legal requirements, and ethical duties of the situation into a logical, equitable, and fair-to-all solution. Otherwise, they cannot build the trust, commitment, and effort among all the individuals, groups, and organizations associated with the firm that will enable everyone to *jointly* move forward.
3. *Moral character* is the possession of the courage to first recognize a moral problem and then propose a moral solution. Many mangers are not willing to face up to moral problems. They are not willing to say, "This is what is happening to some of the individuals, groups and organizations associated with our firm. These are the alternatives we have. And, this is what I recommend and why I recommend it." Managers with moral character know that their proposed actions will not be popular in some parts of their firm. They may fear reprisals from those parts. That is why courage is a part of character, and why integrity—the willingness to act on principle rather than preference—is essential to building trust, commitment, and effort among all of the stakeholders in an extended organization.

Extended Organizations

What is an "extended organization"? The term is used in Figure 5.1 on the development of trust, commitment, and effort, and is included in the subsequent discussion of those characteristics. It is an advancement of the stakeholder concept. Companies have

become not only much larger, but also more dependent upon a wider range of other firms and institutions, beyond the formal boundaries and hierarchical controls of their own company. Material and component suppliers, for example, are clearly outside the formal boundaries and direct controls of a producing firm, yet they obviously influence the quality and cost of that company's goods and services. Many suppliers now participate in the original design of those goods and services, almost on a partnership basis, and most suppliers now promise "just-in-time" shipping deliveries, where failure to perform could shut down the product lines of their customers. The wide range of these dependencies is shown in Figure 5.2.

FIGURE 5.2 **Components of an Extended Business Organization, with Multiple Stakeholders**