

### Chapter 3

## Management, Supervision, and Workplace Issues

### THE OBJECTIVES OF THIS CHAPTER ARE TO:

- Identify a variety of ethical workplace issues relevant to the fashion and retailing industries
- Understand the realm of ethical decisions that affect workplace satisfaction and work productivity
- Explore ways to approach workplace ethical dilemmas to achieve appropriate and optimal outcomes

One of the greatest challenges for businesses is to recognize that employees may bring personal values into workplaces that do not align with those of the organization. Further complicating the matter is the human ability to rationalize practically anything. Research has shown that individuals tend to view others based on their behaviors, whereas they view themselves based on their intentions (James, 2002). Therefore, companies interested in maintaining a high ethical standard throughout their operations, including the work environment, need to provide structured workplace opportunities to reconcile individuals' preexisting values with the values implicit in a formula for workplace success. In other words, companies need to equip employees to apply the organization's values (not theirs) when making business decisions (Lagan, 2006). A recent example of this involved Walgreens, in which four of its pharmacists in the St. Louis area were disciplined for not filling prescriptions for an emergency contraceptive pill (i.e., the "morning after" pill). The pharmacists, who were placed on unpaid leave, cited religious and moral objections to filling the prescriptions, but Walgreens claimed that the four

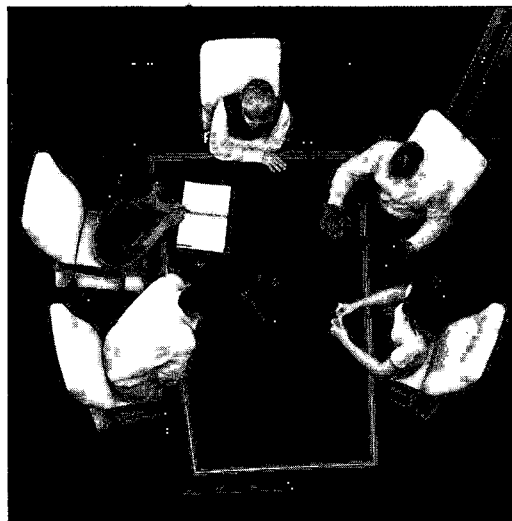


FIGURE 3.1 It is important that ethical decisions are made in the workplace.

were in violation of a state law. In states where there is no law prohibiting the actions taken by the pharmacists, Walgreens' policy says that pharmacists can refuse to fill prescriptions to which they are morally opposed. However, they must also take steps to have the prescription filled by another pharmacist or store ("Pharmacists disciplined," 2005). Situations such as this, where service providers act independently of store or company policy, introduce serious challenges for retailers. Consider the sales associate who does not want to sell fur coats or the brand repre-

sentative who is opposed to promoting diamonds mined in South Africa. The individual ethical decisions of employees can have significant impacts on the well-being of retailers' bottom lines and reputations.

### INTRODUCTION TO ETHICAL BEHAVIOR AT WORK

A big challenge facing young professionals as they transition into their careers is how to best handle the many ethical issues the corporate world will introduce. According to an article in *Retail Merchandiser*, ethical issues for retailers are expected to increase in the years ahead (Hisey, 2002), making preparation for such challenges essential. Just like any other business venture, the increase in ethical dilemmas is partly driven by the tremendous pressure on retailers to perform and to meet sales projections.

Although the retail industry has been considered a relatively "clean" sector, it has certainly not been without its own ethical scandals. Several examples of unethical behavior include the collapses of Phar-Mor and Crazy Eddie's in the 1990s due to stock fraud; Wal-Mart being publicly scandalized for the sale of foreign-made products billed as "Made in the USA," and more recently, for unfair employee wages and benefits; Sears' use of high-pressure sales tactics with automotive consumers to sell more expensive brakes and batteries rather than lower-priced products that

were better suited for their particular vehicles; Saks, Inc.'s involvement in fraudulent chargebacks with many of the company's key vendors; and Abercrombie & Fitch for illegal hiring practices (selecting employees based on their appearance).

As previously mentioned, a key reason for misbehavior in the retailing arena is the incredible pressure companies are under to perform at profitable levels. These pressures, and sometimes unrealistic goals, often give employees strong temptations to cheat and lead them to ethical lapses. Ken Clark (2006), in a cover story for *Chain Store Age*, reported that experts believe bad behavior manifests as mistreatment of employees by management, mistreatment of customers by employees, and employees behaving badly toward the company. For example, in order to meet sales projections, managers will sometimes put undue pressure on salespeople resulting in questionable sales techniques being used with customers (see Chapter 8 for further discussion on this topic). Such pressures can result in unhappy employees, which may lead them to commit petty theft, timecard fraud, substance or alcohol abuse at work, and perform careless recordkeeping (Clark, 2006). This situation should be taken very seriously by retailers because, according to a report released by the National Retail Federation (NRF) and the University of Florida (Giovis, 2007), retailers in the United States lost a record \$41.6 billion in 2006 to employee theft, fraud, shoplifting, and internal accounting errors! This figure represents an 11.2 percent increase over 2005, with the losses remaining at about 1.6 percent of total annual retail sales.

Wal-Mart recently reported experiencing an increase in shrinkage and suggested that employee theft, paperwork errors, supplier fraud, and shoplifting could be increasing. It was estimated that Wal-Mart would lose \$3 billion in 2007 to such behavior. Analysts tie the increase to three factors: first, in 2006 Wal-Mart decided to no longer prosecute minor (less than \$25) shoplifting cases in order to concentrate on organized shoplifting rings. The second factor is the reduction in loss-prevention staff and the redesign of their jobs, making them more administrative and less active. Third, is the perception and/or proof of mistreatment of employees—for example, poor pay/benefits and gender discrimination—as the reason for shrinkage (see also the discussion of this in Chapter 2). One former employee of the company stated that, although she was not the type to steal, she was so unhappy with the mistreatment of co-workers that when she saw others walking out of the store with bags of unpaid merchandise, she simply turned her head rather than reporting it (D'Innocenzio and Kabeł, 2007).

From a human-interest perspective, it is intriguing that in many cases of unethical behavior, a variety of players at several different levels can agree to go along with bad behavior. A number of studies suggest that such observations are not

surprising (Gurchiek, 2006; Millage, 2005; "Whistleblowing," 2006). For example, a survey conducted in 2005 by the Ethics Resource Center (ERC) found that over half of the 3,000 U.S. workers polled had observed at least one type of ethical misconduct in the past year, but only 47 percent of them had reported it. Abusive or intimidating behavior toward employees (21 percent) and lying to employees, customers, vendors, or the public (19 percent) were the two most common types of misconduct observed by the respondents. The top three reasons given by Gurchiek and Millage for not reporting the bad behavior were:

1. Belief that the organization wouldn't take appropriate action to correct the misconduct
2. Fear that one's supervisor or management would retaliate
3. Distrust that whistle-blowing efforts would be treated confidentially

Although it may be surprising that unethical behavior goes unreported, this is most likely due to the fact that "whistle-blowing" can be very risky. In fact, studies have shown that up to 95 percent of whistle-blowers lose their jobs when they report a problem! If retained, they are often made to feel so uncomfortable that they leave their jobs on their own. This creates a type of "catch-22" for employees because if they read and sign a code of ethics, usually they are obligated to report violations; however, reporting the problem can have serious consequences for the whistle-blower rather than for the person committing the ethical violation. In a recent survey by LRN, an ethics research and consulting firm, about one-third of the workers who took part said they didn't report an unethical incident they had witnessed, and of those, 14 percent said they were not confident about how it would be handled if they had reported the incident (Gogoi, 2007).

Although most students have work experiences in environments that practice and encourage good ethical behavior (Paulins, 2001), future retail managers and apparel/product development supervisors are, unfortunately, introduced to myriad workplace dilemmas early in their careers. In a survey of merchandising interns (Paulins and Lombardy, 2005), students reported ethical dilemmas in the areas of management, selling, employee relationships, professionalism, policy implementation, stealing, and honesty. The "top five" universally recognized ethical dilemmas reported, in terms of their ratings of severity by another group of

internship students, were employees stealing money, employees stealing merchandise, racism, pornography in the workplace, and suspicion of theft that goes unreported. These activities are clearly inappropriate in the workplace; however, the behaviors that were rated less ethically problematic are also worthy of exploration and discussion because they present greater controversy and conflict for the employees involved. Identified among the least problematic ethical dilemmas were employees using merchandise holds against company policy; lying to customers about how clothing and accessories look on them in order to make sales; employees taking items such as paper, pens, envelopes, and postage for personal use; managers adopting "favorite" employees who are assigned more desirable tasks; and supervisors engaging in romantic relationships with subordinates. The fact that these behaviors ranked among those that are unethical indicates the presence of principles in future fashion industry leaders, but the fact that these issues were rated as minor could be problematic if a person actually finds him- or herself embroiled in such a controversy.

Ethics orientation and training was found to be a component of students' retail merchandising internships for 43 percent of students in a study conducted several years ago (Paulins, 2001). Ethics training activities included reviewing codes of conduct, attending seminars, watching relevant videos, and signing policy adherence forms. Although this study found that in general students and supervisors reported good ethics being practiced in the field, interestingly, supervisors had a significantly more positive view of the ethical environments in which they work than their interns. This difference contrasts somewhat with a longitudinal study (Glenn and Van Loo, 1993) that found, when comparing students and practitioners, the former consistently make less ethical choices than the latter. These findings present an opportunity to explore whether students' initial interpretations of ethical environments change over time as they become "acclimatized" to the workplace, and whether managers rationalize behaviors in different ways than their interns. Whether behaviors accurately reflect attitudes is another important area of inquiry. This also raises the question of whether students go into workplaces with sufficient information to make appropriate ethical choices. You, the reader, are encouraged to think about the ethical environments of your workplace and to evaluate the way your approach to ethics may or may not change. This can be particularly difficult for interns and employees new to their positions, so it is important to consider possible problems in anticipation of ethical dilemmas.

### BOX 3.1 CORPORATE POLICIES/POSITION: BUSINESS ETHICS—MACY'S, INC.

- Each Federated associate and any member of an associate's immediate family will avoid any situation that creates, potentially creates or gives the appearance of creating a conflict between the associate's personal interests and the interests of the Company. Further, no Federated associate or any member of an associate's immediate family will request or accept—or direct others to request or accept—gifts, gift certificates, discounts, gratuities, or any other item of significant value (including services of any nature) from any vendor, supplier or resource with whom Federated or any of its divisions has an existing or potential business relationship.
- No Federated associate or member of his or her immediate family is permitted to have any financial or other interest direct or indirect in any of the Company's suppliers or other companies with whom Federated has business dealings. This requirement applies regardless of whether the associate has any direct Company-related business dealing with the supplier or vendor. If an associate becomes involved in such business dealings with a company in which the associate or a member of his/her immediate family holds a financial or other interest, the associate is required to disclose to the Company any such holdings. Disclosures of potential conflicts of interest are to be made to the Office of Compliance immediately upon their origination, as well as annually on the Business Ethics Statement. Ownership of a small minority interest in a publicly owned company whose shares are traded through normal markets will not ordinarily give rise to a conflict.
- Within reasonable bounds, Federated associates are not permitted to requisition Company property, funds or personnel—or use Company time, facilities or equipment for personal use—without proper authorization and reimbursement.
- No Federated associate shall disclose to anyone outside of the Company, or use in other than the Company's business, any confidential information relating

### CORPORATE CODES OF ETHICS

In order to provide guidelines for employees concerning their expected behavior, most major retailers have developed a code of ethics. These written statements usually provide employees with general guidelines for making decisions; some also define forbidden behaviors. Macy's, Inc. specifically spells out its corporate policies of expected behaviors for each associate in terms of discrimination, conflicts of

### BOX 3.1 continued from page 56 CORPORATE POLICIES/POSITION: BUSINESS ETHICS—MACY'S, INC.

- to the Company's business or future business plans unless such disclosure is specifically authorized in advance by the Company.
- A Federated associate may not use for personal advantage or enable others to use material, non-public information about Federated or any company with whom Federated or its divisions have a business relationship.
- Federated and its divisions will take appropriate steps to avoid and correct, or to monitor and control, hazardous workplace conditions when they exist.
- It is against Company policy for any associate, male or female, to unlawfully harass another associate.
- The Company prohibits the use or possession of illegal drugs or alcohol by an associate in the workplace, including working under the influence of such substances.
- Unlawful discrimination in any form will not be tolerated within the Company. The Company will be proactive in keeping the workplace free of such discrimination.
- The Company encourages associates to participate in constructive charitable causes and with established community organizations whose missions are to better the quality of life for persons in the communities in which our associates live and work.
- Federated and its divisions will annually target a percentage of their pre-tax earnings for such charitable contributions, believing that it is fundamentally good business to support the communities that support us.
- Federated and its divisions will strictly adhere to all federal, state and local laws governing campaigns and elections. No corporate funds will be used for political contributions in support of any party or candidate in any federal, state or local election.

SOURCE: <http://www.federated-fds.com/company/ethics.asp>. Reprinted with permission

interests, use of drugs and alcohol, personal use of equipment during work hours, and the disclosure of confidential company information (see Box 3.1 for Macy's, Inc. Corporate Policies/Positions concerned with individual associate behavior).

JCPenney also outlines its expectations for employee behavior; this includes three key principles that address compliance under the law, conflicts of interest, and preservation of company assets. All managers and associates are required to

## BOX 3.2

## THE JCPENNEY IDEA

1. To serve the public, as nearly as we can, to its complete satisfaction.
2. To expect for the service we render a fair remuneration and not all the profit the traffic will bear.
3. To do all in our power to pack the customer's dollar full of value, quality, and satisfaction.
4. To continue to train ourselves and our associates so that the service we give will be more and more intelligently performed.
5. To improve constantly the human factor in our business.
6. To reward men and women in our organization through participation in what the business produces.
7. To test our every method, and act in this way: "Does it square with what is right and just?"

SOURCE: Davis, G. L. (2004). Business ethics: It's all inside JCPenney grounded in golden rules of business conduct. *American Journal of Business*, 19, 7–10. Reprinted with permission.

read and electronically sign a certificate of compliance (Davis, 2004). Furthermore, the company outlines "The JCPenney Idea," presented in Box 3.2.

Experts agree that creating strong ethical environments should be the top priority of all companies, even those without formal ethics programs (Vershoor, 2005). Schwartz (2004) reports that the mere existence of an ethical code alone will not positively affect employee behavior; for that type of company, possessing such a code may expose it to criticisms of mere "window dressing" if the company does not actually promote the ethical culture outlined. In fact, Valenti (2002) states that ethics' codes are sometimes more of an insurance policy for companies rather than a true commitment to their employees. A company can greatly reduce the amount of fines it might have to pay for employees who break the law by having a code of ethics in place.

The results of the 2005 National Business Ethics Survey (NBES) showed that less wrongdoing and more reporting of misconduct is associated with a superior

ethical culture. In fact, the presence of a formal ethics and compliance program has less impact than an ethical culture, although the 2007 NBES found that companies with ethics programs in place had fewer employee problems in terms of unethical behaviors and decision making. An ethical company culture also helps prevent many causes of unethical behavior, including stress, perceived powerlessness, organizational culture, injustices, and labor-management issues (Kidwell and Koshcnowski, 2005).

The previous discussion highlights the importance of making sure you are in the right work environment so that you are less likely to witness behavior that makes you uncomfortable. As Daniel and Brandon (2006) state, you should never underestimate the importance of a good job fit, and moreover, one of the major contributing factors to a bad job fit is holding opposing views on etiquette or ethics. (Chapter 10 discusses this in greater detail.)

Although many people do not feel comfortable reporting unethical behavior, Ryan (2006) provides some suggestions about what employees can do when they encounter tough situations at work. She suggests that people listen to themselves and heed "gut" feelings. Second, she advises that if something does not feel right, it is probably a good idea to simply say, "I feel uncomfortable with this [decision/action]." Stating this will be more difficult for some people than others, but for the person who does speak up, it may be easier to live with that decision. The cost of not saying anything includes living with the regret of not doing what the person believed to be the right thing. In situations where unethical behaviors are scrutinized, people who were aware but silent can be held responsible by their companies for harboring important information and may face negative career repercussions. Of course, only the employee can know about his or her particular situation and what consequences speaking up may likely bring. If that person is in a positive environment, while the speaking up may make others uncomfortable or frustrated, the person is likely to be rewarded in the long run for following the company ethical code. Gary Davis former vice president for Human Resources at JCPenney, believes that each individual in a company, and particularly those in leadership roles, is responsible for building integrity and should do so in a positive way on a daily basis through every interaction with customers, co-workers, and superiors (2004). If the "emperor has no clothes," it's probably best to say so even though it will require a lot of courage. The goal is for a person to be able to look back on his or her professional life and feel good about his or her decisions and their positive effect on others. Remember too that building a reputation of integrity is a lifelong process—and one bad decision can wipe out years of work! To begin developing



**Box 3.3****WORKPLACE VALUES FOR STUDENTS TO PRACTICE DAILY**

1. **Honesty:** Everyday you should tell the truth, even if doing so may shed negative light on you or your behaviors.
2. **Quality:** Do the best job you can in everything you do. Go above and beyond!
3. **Reliability and Dependability:** Show up when you say you will and be prepared to contribute to your class or group meeting. Show people that they can count on you!
4. **Respect:** If you want it, you have to give it and earn it!
5. **Mutual Support:** Take care of your teammates and classmates from an emotional standpoint. Be there when they need you.
6. **Sense of Urgency:** Get the job done in a timely manner but do it right and take your time as necessary.
7. **Fairness:** Everyone wants to be treated fairly but everyone defines it differently. What is your definition? Remember, life isn't always fair but at work you will need to decide what "fairness" is and distribute it as evenly as possible.

SOURCE: Davis, G. L. (2004). Business ethics: It's all inside JCPenney grounded in golden rules of business conduct. *American Journal of Business*, 19, 7-10. Reprinted with permission.

good workplace habits, Box 3.3 provides suggestions to help you start practicing positive workplace values.

On a related note, most people do not feel comfortable saying no to a boss who asks them to do something questionable (Valenti, 2002). Workers today do not want to make waves at work for fear that they will be alienated from their co-workers or even fired. Perhaps one of the best recent examples of this situation in the apparel retailing industry is the case of Saks Fifth Avenue. In 2005, Saks Fifth Avenue, Inc. was embroiled in a major scandal involving unethical behavior on the part of the company's senior executives, management, and members of the buying staff. In other words, people at all levels were allowed to act unethically without anyone speaking up. On a basic level, the scandal involved the improper

collections of markdown money in the estimated amounts of \$8.2 million from 1996 to 1998 and \$26 million from 1999 to 2003 (Young, 2007). Markdown money is a common practice in the retailing industry today and is basically money given back to the retailers (buyers) by a vendor in situations where the vendor's merchandise had to be marked down in order to sell. Because markdowns lower the profit margin for the retailer, the buyer will try to negotiate a new lower price with the vendor on the marked-down merchandise to meet their projected level of profit. The difference in the negotiated new price and the old price (i.e., the markdown money) is deducted from the next season's order. This can place tremendous pressure on the vendor because failure to comply can result in the store placing no further orders. An even bigger problem in the case of Saks is that it collected markdown money for merchandise that was either not marked down at all, or was marked down to a lesser degree than what it claimed. The increased revenue it collected from vendors was reflected positively in Saks profit reports until information about this situation was revealed (Hogsett, 2005; Kratz, 2005 and 2006). Once the scandal surfaced, eight bridge department buyers were confronted and escorted out of the Saks store offices. Additionally, the company's Chief Administrative Officer, a Senior Vice President, and the Chief Accounting Officer were fired. Other firings and resignations also occurred in the months following (Moin and Young, 2005). After the scandal, Saks profits fell by more than 20 percent while competitors in the luxury market saw strong gains (Hogsett, 2005; Kratz, 2005 and 2006). By the time Saks had settled charges in the case with the Securities and Exchange Commission (SEC) in 2007, it had repaid vendors \$48.2 million for reimbursement of markdown allowances and interest and had publicly faced a charge of violating the Securities and Exchange Act of 1934. Young (2007) reported that, according to the SEC complaint, "improper accounting by Saks resulted in aggressive financial targets the company set for its SFA division, and some SFA buyers believed they were expected to achieve their targets by deceptive means, if necessary." Saks continues to suffer from the negative impact of its actions. The interesting fact remains that nobody working at Saks formally spoke up while the unethical behavior was occurring!

Another high-profile retailer, Home Depot, discovered that four of its flooring buyers and merchandise managers received approximately \$1 million in kickbacks from vendors for displaying their flooring products prominently in Home Depot stores. In addition to firing these employees, Home Depot instituted a zero-tolerance gift and entertainment policy for vendor-merchant relationships (Schultz, 2007).

### Current Issues in Workplace Ethics

Just as the Saks scandal dominated the fashion industry news in 2005 and 2006, several other issues, including workplace bullying, sexual harassment, and appearance, are in the forefront today.

**WORKPLACE BULLYING.** Although most of us may think of bullying as something that was left on the school playground, it is actually quite common in today's workplace. According to the Workplace Bullying Institute (WBI) (<http://BullyingInstitute.org>), "workplace bullying: (a) is driven by perpetrators' need to control the targeted individual(s), (b) is initiated by bullies who choose target, timing, place, and method, (c) escalates to involve others who side with the bully, either voluntarily or through coercion, and it (d) undermines legitimate business interests when bullies' personal agendas take precedence over work itself." Bullies in the workplace display intimidation tactics such as screaming, yelling, and threatening others with termination or retaliation. They are also likely to make unreasonable job demands, constantly criticize performance, purposely exclude certain employees from meetings or necessary information, and block promotions. Just over 80 percent of bullies are those in a supervisory role, and 84 percent of targets by bullies are women. Although women and men are equally likely to be bullies, female bullies are more likely to target other women rather than men (Brunner and Costello, 2003). This suggests that females working under a female supervisor, a common situation in the fashion industry and the retailing field, are more likely to encounter bullies at work. However, Elias (2004) reports that more than 90 percent of all adults are likely to experience workplace abuse over the span of their careers.

In recent studies specifically examining bullying behavior, 80 percent of 800 respondents reported being bullied at work ("How to: beat the bullies," 2007) and nearly 45 percent of respondents reported having an abusive boss (Leonard, 2007). Although the causes for bullying vary, bullies are usually people with low self-esteem and when women in power bully other women, it has been suggested that they do so in order to protect the power base that they have already achieved. Bullies often will target those they feel most threatened by or inferior to. It is therefore not uncommon for overachievers to be targeted by bullies. Sadly, this often keeps other competent women from advancing. Furthermore, the female bully also serves as a poor role model for working women (Brunner and Costello, 2003).

Amble (2007) reports that one of the factors contributing to workplace bullying is that companies stress market processes, individualism, and the importance of

managers over workers. However, many bullies do so simply because "they can." At the time of this writing, there is no U.S. law that specifically prohibits bullying (Canada, however, has recently passed an anti-bullying law in Quebec). As the issue becomes more prevalent and receives more national attention, workplace bullying will most likely be addressed in the courts. Nearly 65 percent of American workers surveyed believe that employees in the United States should have some legal recourse (Leonard, 2007). Several states have currently introduced anti-bullying legislation, an effort that is being driven by the Workplace Bullying Institute.

Despite the absence of law to protect against bullying, the wise employer will actively prevent it. Bullying, when allowed to continue, results in turnover, low morale, absenteeism, reduced credibility, and loss of reputation. The cost of replacing an employee who leaves because of bullying can be as high as 150 percent of the former worker's salary when taking into account the recruiting, training, and lost productivity costs (Amble, 2007). Furthermore, those being bullied can experience depression, insomnia, alcohol and drug abuse, decreased productivity, elevated stress levels, and diminished job satisfaction (Elias, 2004). Bullied employees will also often refocus their energies from workplace productivity to self-protection and decide to "punish" their employer by not coming to work, lowering the quality of work, or quitting (Johnson and Indvik, 2006). For suggestions on how to deal with bullying, see Box 3.4.

**SEXUAL HARASSMENT.** Another issue closely aligned with workplace bullying, and which often includes bullying tactics, is sexual harassment. Sexual harassment is broadly defined as any unwanted sexual attention. According to Frank Till, the five categories of sexual harassment include:

1. Generalized sexist remarks or behavior.
2. Inappropriate and offensive, but essentially sanction-free, sexual advancements.
3. Solicitation of sexual activity or other sex-linked behavior by promise of rewards.
4. Coercion of sexual activity by threat of punishments.
5. Sexual assaults.

## BOX 3.4

## WHAT CAN YOU DO IF YOU ARE BEING BULLIED AT WORK?

1. Talk to someone you can trust. Bullies often operate with the confidence that people will not speak up because of the fear of retaliation. Therefore it is important to speak up. If you do not feel comfortable speaking directly to the bully, find someone in authority who you trust to help you and who can investigate your situation. Most importantly, you cannot allow the bully to intimidate you because this will allow the bullying to continue.
2. Document, in detail, all occurrences of bullying. Some bullies are foolish enough to e-mail threats, or demonstrate their bullying through written communication; all of which you should print, put in a folder, and take home for safekeeping. For incidences where you do not have written or documented evidence, you should keep a detailed log of specifically what happened and how it made you feel. You should also note any workdays you missed, or illness(es) you believe you suffered because of the stress and pressure caused by the bully. It is very important to document everything in case you need to defend yourself against being fired, or if you file a grievance or lawsuit. Sometimes just letting others know you have "evidence" will deter future bullying and may even prompt management to address the problem before any formal action is taken.
3. Do not blame yourself. Bullying is an expression of a person's need for control and generally has nothing to do with the actions of the person being bullied. That

Younger, unmarried, females are more likely to experience sexual harassment than their older, married counterparts (Norton, 2002). Because two-thirds of retail sales personnel employed in the clothing, accessories, and general merchandise sectors are females under the age of 24, the risk of sexual harassment is greater than in other industries (U.S. Department of Labor, 2006). Workman (1993) found that 73.5 percent of female undergraduate students with fashion retail experience had experienced some type of sexually harassing behavior. Ten years later, the study was replicated (Leslie and Hauck, 2003) and concluded that sexual harassment continues to be a critical issue in the industry. The researchers also noted that, based on the current findings, it is possible that three-fourths of the graduates of retail and apparel merchandising programs will experience sexual harassment in the workplace! Because the

## BOX 3.4 continued from page 64

## WHAT CAN YOU DO IF YOU ARE BEING BULLIED AT WORK?

is why most verbal abuse will take place in a one-on-one meeting where there are no other witnesses. In fact, many co-workers may actually blame the person being bullied because the "nice" person in power is not bullying them nor have they ever seen that person bullying anyone. Consequently the employee being bullied will not receive any validation of what is happening to him or her, which may result in self-blaming.

4. Attend training classes. If the bullying continues, you may want to sign up for assertiveness training classes and attend stress management classes. Learning how to better cope with the situation, while boosting your self-esteem, will help you identify strategies for addressing the bully and will also give you confidence to ward off any future workplace bully.
5. Change jobs. If the situation becomes intolerable and starts affecting you mentally or physically (usually it is both!), consider finding another position. Even though the situation is not your fault, you should not stay in a position that is having a negative affect on you. Companies are always looking for good employees, so there is no reason to stay at a company that allows bullying and verbal abuse to continue. Sometimes it is better to cut your losses and move on rather than to risk retaliation and further bullying. Only you can decide what is best for you!

majority of the cases reported tended to be the least severe types of sexual harassment, the authors of the study suggest that companies—at minimum—provide assertiveness training in how to deal with sexual harassment in an "informal" way. The informal methods for dealing with the unwanted sexual attention include avoiding the harasser, ignoring the behavior, and making a joke of the behavior. When victims were asked why they did not report the incidences or take more formal action, they responded that they thought it would make their workplace environment more unpleasant or that nothing would be done about it. Findings from the same study (Leslie and Hauck, 2003) also indicate that people who do not face sexual harassment report a more positive work environment than do victims, and that the former group also feel more positive than victims about their department's effort to stop sexual harassment.



A recent and noteworthy example of sexual harassment and sexual issues in the workplace can be illustrated by the case of Dov Charney, the CEO and founder of American Apparel Company. Specializing in casual clothes for men, women, and children, American Apparel opened its first store in 2003. The company's growth has been impressive since then; in 2007 the company had 143 stores in 11 countries with estimated sales at \$300 million. American Apparel is known for its moderately priced (about \$12), brightly colored T-shirts, as well as sweatshirts, underwear, and jeans. As discussed in Chapter 2, Charney has been praised for his anti-sweatshop manufacturing policies and for paying his employees significantly more than the minimum wage. He also provides employees with health insurance, shares of stock, English lessons, and subsidized meals ("Face value: Dov Charney, the hustler," 2007). However, in spite of all the good press surrounding Charney, his company may be best known for the sexually explicit image it has acquired through its advertising campaigns and through Charney's personal conduct. Box 3.5 provides a brief list of some actions and strategies that critics of American Apparel find offensive. Due to the atmosphere at American Apparel, four former employees have filed sexual harassment lawsuits against Charney claiming that he disgusted them with dirty talk and gestures, sexualized the workplace, made their life miserable, and fired them when they complained. To date, three of the cases have been settled and one is still pending ("Face value: Dov Charney, the hustler," 2007; Dean, 2006; Wolf, 2006). As a result of the lawsuit, and to prevent further sexual harassment cases, all employees of American Apparel are now required to sign an agreement stating that they realize that part of their job involves sexual language and visuals (Wolf, 2006). Dozens of young people contact American Apparel every week wanting to be part of the company's ads and thousands continue to pursue careers with the company at the retail level.

### Codes and Regulations for Appearance

One of the more controversial ethical issues in the fashion industry today continues to be the impact it has on promoting eating disorders and an unhealthy lifestyle (see Chapter 7 for a discussion of issues related to advertising images). Although the fashion industry has been criticized for years for its promotion of an unachievable beauty ideal, in 2006 the death of Brazilian model Ana Carolina Reston at 23 from anorexia served to amplify the debate over the use of ultra-thin models. At the time of her death Reston weighed 88 pounds. Critics allege that clothing designers' use of underweight runway and print models encourages eating disorders such as

#### Box 3.5

#### WHY ARE THE CRITICS MAD AT DOV CHARNEY AND AMERICAN APPAREL?

- Dov Charney, CEO and founder of American Apparel, decorates his office with vintage Playboy magazines, and pages ripped from a "Girls of Polynesia" calendar, which is also the merchandising theme in American Apparel's retail stores which feature covers from erotic magazines such as Oui and Penthouse. Among the stores offerings, besides T-shirts and underwear, are paperback books containing collections of erotic Japanese photos.
- Mr. Charney has been known to have his store managers call together store employees and tell them that they no longer work at American Apparel because their appearance does not fit the image of the store.
- Sexuality is at the core of American Apparel's ad campaign. The majority of the images found in the company's ads are taken by Mr. Charney and feature friends, employees, and people off the street. Most are in sexually explicit poses; some of which are in the shower or in bed, lounging on a sofa with legs spread, and are frequently wearing only one item of clothing. On occasion the models featured are Mr. Charney's girlfriends, whose pictures are taken on his bed suggesting that they were taken during a sexual encounter.
- American Apparel's Web site was cited by Adult Video News, a trade publication aimed at the porn industry, as one of the best soft-core Web sites. The Web site features sexually implicit pictures of American Apparel models, and at one point also featured a video of Mr. Charney walking around his office and workplace in nothing but his underwear.
- During an interview with a *Jane* magazine reporter, when the conversation turned to sexuality and masturbation, he decided to provide the reporter with a demonstration as the interview continued.
- Dov Charney does not believe in marriage, monogamy, nor is he ashamed to acknowledge consensual sexual relations with his employees. He also encourages employees to have sex with each other because he believes it enhances the creativity within his company.

SOURCES: Dean, J. (September 2005). Dov Charney, like it or not. *INC* magazine, 124-131; Face value: Dov Charney, the hustler (January 6, 2007). *Economist*, 382(8510), 55; Wolf, J. (April 23, 2006). And you thought Abercrombie and Fitch was pushing it? *The New York Times Magazine*, Section 6, 58.

**Box 3.6****CFDA GUIDELINES FOR HEALTHY MODELS**

- No models will be under 16 years of age
- Education in the industry concerning the warning signs of eating disorders
- Models with eating disorders should be given professional help and not allowed to work again until given a doctor's permission
- Develop workshops on the causes of eating disorders and raise awareness of the effects of smoking and tobacco-related disease
- During fashion shows, healthy food and snacks should be provided along with banning alcohol and smoking

SOURCE: Guidelines reprinted with permission of Steven Kolb, Executive Director, Council of Fashion Designers of America (CFDA).

anorexia and bulimia. However, many fashion designers feel that they are being unfairly targeted and that they are not solely responsible for the growing number of young women suffering from such disorders.

Regardless of who is responsible, the controversy has resulted in changes for the industry. The first city to place restrictions on model size was Madrid, Spain; in 2006 the city instituted a minimum Body Mass Index<sup>2</sup> of 18 for all models. And beginning in 2007, all models participating in Milan fashion shows were required to obtain a license before they could do shows or shoots. The license, which guarantees the health of the model, is issued by the Chamber of Fashion, the Association of Fashion Service, Milan city officials, the Associazione ServiziModa (Assem—the Association of Modeling Agencies in Milan), and a group of doctors, nutritionists, psychologists, and other experts. The guidelines for obtaining the license state that the models cannot be under the age of 16 and must have a Body Mass Index (BMI) of at least 18.5. The license has been called an “ethical code of self-regulation” (Zargani, 2006) because it reflects concern for the health of the models and also for the well-being of the young people who see them as role models for beauty. Additionally, plans are underway to include nutrition and physical activity courses in Italian modeling schools (Zargani, 2006).

In the United States, the Council of Fashion Designers of America (CFDA) issued voluntary guidelines for fashion models in anticipation of NYC Fashion week in February 2007. These guidelines, which are suggestions and not binding, are outlined

in Box 3.6. Although many concerned industry observers believe the guidelines are a step in the right direction, critics believe that they do not go far enough because they are only “suggestions” with no method for enforcement, and they do not set a BMI as was done in Madrid and Milan (Critchell, 2007a, 2007b; Johnson, 2007).

After the CFDA released its guidelines, some fashion designers (such as Karl Lagerfeld) stated that they would not be dictated to by different fashion organizations and that they were not planning to make major changes in their hiring practices for upcoming shows. And many designers believe that the responsibility for screening models falls primarily on the modeling agencies (Staff, 2007). However, Lynn Grefe, chief executive of the National Eating Disorders Association (NEDA), responded to the issuance of the guidelines by saying, “This is long overdue. I consider this a workplace issue. You have this industry that has really not been looking out for the health and welfare of those who are in it” (Johnson, 2007).

### THE ROLE OF THE MANAGER IN PROMOTING ETHICAL BEHAVIOR

Regardless of what work environment you choose in the fashion industry, you will encounter some type of unethical behavior during your career. One of the challenges you will likely face at the management level is how to handle employees who misbehave, treat others rudely, act disrespectfully, or who are quite simply “jerks.” It is very important that these employees are handled in a way that is swift, compliant with policy, and legal. Ignoring just one employee’s bad behavior can result in high turnover, low morale, and can even cost the company a lawsuit if the actions toward others become discriminatory. In his article *Jerks at Work*, Janove (2007) offers several useful suggestions for dealing with behavior issues (short of firing the employee who then, in turn, may sue the company for unjustified termination):

- The employee acting badly must be specifically told how his or her actions deviate from expected behavior, and what needs to be done to close that gap.
- The person must be given adequate time to change his or her behavior and also told what consequences will result (e.g., termination) if the behavior does not change.
- Last, each of these steps must be meticulously documented to protect the company from potential legal action by the employee who has disregarded the standards.

To avoid bad behavior in the first place, Janove suggests that job descriptions explicitly state what is expected in terms of getting along with others and how to appropriately respond to criticism from supervisors.

The importance of a strong leader cannot be minimized, and one of the most exciting things about a career in fashion is the pace at which hardworking people can be promoted into leadership roles. New college graduates often assume those roles immediately upon entering the career world. Of course, these positions include tremendous responsibility, not only for one's own actions, but also for the actions of subordinates. Your employees will look to you as a model for appropriate ethical behavior, and the actions of those who report to you will serve as reflections of your leadership and reputation. Your employees will also expect you to set the tone in creating a positive work environment. This is a key issue because a positive work environment not only helps to eliminate employee stress, but it also has a direct impact on employee retention. At companies with a strong ethical culture and "full formal programs," employees are 36 percent less likely to observe misconduct ("Unethical workplace," 2006) and more likely to report it when it does occur.

As a manager, the role of teaching and cultivating ethical behavior—honesty—in the workplace is one of the most important responsibilities you will undertake. Although written rules, regulations, and codes of ethics are essential, what employees want are leaders they can trust, who foster fairness, and who show concern for employees as individuals (Asacker, 2004). Furthermore, a key to success in today's businesses is the character and skill of leaders, managers, and employees who recognize their role in instilling their organization's ethical values and modeling the corresponding behaviors.

### QUESTIONS FOR DISCUSSION

1. Thinking back on the managers you have worked for, what were some ethical behaviors they modeled? Were there any unethical behaviors?
2. What are some unethical behaviors you have witnessed at work or school? How were they handled?
3. Would you feel comfortable reporting unethical behavior to a teacher or manager? Why or why not?

4. Why do you think most people choose not to speak up when they witness unethical behavior?
5. Review the workplace values listed in Box 3.3. Give specific examples of how you practice at least three of these.
6. Have you ever witnessed—or been the victim of—bullying? Explain the circumstances and what was done (if anything) to correct the situation.
7. Aside from the reasons presented in the chapter, why do you think some people feel the need to bully others?
8. Review the suggestions provided for dealing with bullies. What other suggestions do you have?
9. Have you ever witnessed or been a victim of sexual harassment? Explain the circumstances and what was done to correct the situation.
10. Considering what you have read about American Apparel, would you want to work at this company? Explain your answer.
11. Why do you think people want to work for American Apparel?
12. Do you believe the fashion industry should dictate models' weight?
13. Why should the fashion industry be interested in the appearance and health of fashion models?

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