

CHAPTER 2

ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

Eating is one of life's most fundamental needs and greatest pleasures. Yet all around the world many people go to bed hungry. Food companies have played an important role in reducing hunger by producing vast quantities of food cheaply. So much food, so cheaply that, in America, one in three adults and one in five children are obese. Some critics argue that food companies bear responsibility for this overeating because they make their products too alluring. Many processed food products are calorie bombs of fat (which is linked to heart disease), sugar (leading to diabetes), and salt (causing high blood pressure).

What obligation do food producers and restaurants have to their customers? After all, no one is forcing anyone to eat. Do any of the following examples cross the line into unethical behavior?

1. *Increasing addiction.* Food with high levels of fat, sugar, and salt not only taste better, they are also more addictive. Food producers hire neuroscientists who perform MRIs on consumers to gauge the precise level of fat, sugar, and salt that will create the most powerful cravings, the so-called bliss point. To take one example, in some Prego tomato sauces, sugar is the second-most-important ingredient after tomatoes.¹
2. *Increasing quantity.* Food companies also work hard to create new categories of products that increase the number of times a day that people eat and the amount of calories in each

¹To find nutritional information on this or other products, search the Internet for the name of the product with the word "nutrition."



© Creative Travel Projects/Shutterstock.com

Food with high levels of fat, sugar, and salt not only taste better, they are also more addictive.

Not For Sale

session. For example, they have created a new category of food that is meant to be more than a snack but less than a meal, such as Hot Pockets. But some versions of this product have more than 700 calories, which would be a lot for lunch, never mind for just a snack.

3. *Increasing calories.* Uno Chicago Grill serves a macaroni and cheese dish that, by itself, provides more than two-thirds of the calories that a moderately active man should eat in one day, and almost three times the amount of saturated fat. Should restaurants serve items such as these? If they do, what disclosure should they make?

4. *Targeting the poor.* To sell Coca-Cola in the slums of Brazil, the company offers small bottles that cost only 20 cents. Said Jeffrey Dunn, the former president and chief operating officer for Coca-Cola in North and South America, “These people need a lot of things, but they don’t need a Coke. I almost threw up.”² When Dunn tried to develop more healthful strategies for Coke, he was fired.

2-1 INTRODUCTION

This text, for the most part, covers legal ideas. The law dictates how a person *must* behave. This chapter examines **ethics**, or how people *should* behave. Any choice about how a person should behave that is based on a sense of right and wrong is an **ethics decision**. This chapter will explore ethics dilemmas that commonly arise in workplaces, and present tools for making decisions when the law does not require or prohibit any particular choice.

Laws represent society’s view of basic ethics rules. And most people agree that certain activities such as murder, assault, and fraud are wrong. **However, laws may permit behavior that some feel is wrong, and it may criminalize acts that some feel are right.** For example, assisted suicide is legal in a few states. Some people believe that it is wrong under all circumstances, while others think that it is the right thing to do for someone suffering horribly from a terminal illness

One goal of this chapter is for you to develop your own **Life Principles**. These principles are the rules by which you live your life. As we will see, **research shows that people who think about the right rules for living are less likely to do wrong.**

How do you go about preparing a list of Life Principles? Think first of important categories. A list of Life Principles should include your rules on:

- Lying
- Stealing
- Cheating
- Applying the same or different standards at home and at work
- Your responsibility as a bystander when you see other people doing wrong, or being harmed

²Michael Moss, “The Extraordinary Science of Addictive Junk Food,” *The New York Times*, February 20, 2013.

Ethics

How people should behave

Ethics decision

Any choice about how a person should behave that is based on a sense of right and wrong

Life Principles

The rules by which you live your life

Specific is better than general. Many people say, for example, that they will maintain a healthy work/life balance, but such a vow is not as effective as promising to set aside certain specific times each week for family activities. Another common Life Principle is “I will always put my family first.” But what does that mean? That you are willing to engage in unethical behavior at work to make sure that you keep your job? Or live your life so that you serve as a good example?

Some Life Principles focus not so much on right versus wrong but rather serve as a general guide for living a happier, more engaged life: I will keep promises, forgive those who harm me, say “I’m sorry,” appreciate my blessings every day, understand the other person’s point of view, try to say “yes” when asked for a favor.

It is important to think through your Life Principles now, so that you will be prepared when facing ethics dilemmas in the future.

2-2 THE ROLE OF BUSINESS IN SOCIETY

Nobel Prize-winning economist Milton Friedman is famous for arguing that a corporate manager’s primary responsibility is to the owners of the organization, that is, to shareholders. Unless the owners explicitly provide otherwise, managers should make the company as profitable as possible while also complying with the law.³

Others have argued that corporations should instead consider all company stakeholders, not just the shareholders. Stakeholders include employees, customers, and the communities and countries in which a company operates. This choice can create an obligation to such broad categories as “society” or “the environment.” For example, after the shooting in Newtown, Connecticut, in which 20 first-graders and 6 educators were murdered, General Electric Co. stopped lending funds to shops that sell guns. GE headquarters are near Newtown. Many of its employees lived in the area, and some had children in the Sandy Hook Elementary School where the shooting took place. In this case, GE was putting its employees ahead of its investors.

As we will see in this chapter, managers face many choices in which the most profitable option is not the most ethical choice. When profitability increases and, with it, a company’s stock price, managers benefit because their compensation is often tied to corporate results, either explicitly or through ownership of stock and options. That connection creates an incentive to do the wrong thing.

Conversely, making the ethical choice will sometimes lead to a loss of profits or even one’s job. For example, Hugh Aaron worked for a company that sold plastic materials.⁴ One of the firm’s major clients hired a new purchasing agent who refused to buy any product unless he was provided with expensive gifts, paid vacations, and prostitutes. When Aaron refused to comply with these requests, the man bought from someone else. And that was that—the two companies never did business again. Aaron did not regret his choice. He believed that his and his employees’ self-respect were as important as profits.

2-3 WHY BE ETHICAL?

An ethical decision may not be the most profitable, but it does generate a range of benefits for employees, companies, and society.

³He also mentions that managers should comply with “ethical custom” but never explains what that means. Milton Friedman, *The New York Times Magazine*, September 13, 1970.

⁴Virtually all of the examples in this chapter are true events involving real people. Only their first names are used unless the individual has consented or the events are a matter of public record.

Not For Sale

2-3a Society as a Whole Benefits from Ethical Behavior

John Akers, the former chairman of IBM, argued that without ethical behavior, a society could not be economically competitive. He put it this way:

Ethics and competitiveness are inseparable. We compete as a society. No society anywhere will compete very long or successfully with people stabbing each other in the back; with people trying to steal from each other; with everything requiring notarized confirmation because you can't trust the other fellow; with every little squabble ending in litigation; and with government writing reams of regulatory legislation, tying business hand and foot to keep it honest. That is a recipe not only for headaches in running a company, but for a nation to become wasteful, inefficient, and noncompetitive. There is no escaping this fact: The greater the measure of mutual trust and confidence in the ethics of a society, the greater its economic strength.⁵

In short, ethical behavior builds trust, which is important in all of our relationships. It is the ingredient that allows us to live and work together happily.

2-3b People Feel Better When They Behave Ethically

Every businessperson has many opportunities to be dishonest. But managers want to feel good about themselves and the choices they have made; they want to sleep well at night. Their decisions—to lay off employees, install safety devices in cars, burn a cleaner fuel—affect people's lives. Bad decisions are painful to remember.

2-3c Unethical Behavior Can Be Very Costly

Unethical behavior is a risky business strategy—it can harm not only the bad actors but also entire industries and even countries. For example, when VIPshop recently offered its shares publicly in the United States, they plummeted in price. This was the first Chinese company to go public in the United States in nine months, since a series of accounting frauds in other Chinese companies had caused billions of dollars in losses. Although VIPshop had done nothing wrong, investors were skeptical of *all* Chinese companies.

Unethical behavior can also cause other, subtler damage. In one survey, a majority of those questioned said that they had witnessed unethical behavior in their workplace and that this behavior had reduced productivity, job stability, and profits. **Unethical behavior in an organization creates a cynical, resentful, and unproductive workforce.**

Although there is no *guarantee* that ethical behavior pays in the short or long run, there is evidence that the ethical company is more *likely* to win financially. Ethical companies tend to have a better reputation, more creative employees, and higher returns than those that engage in wrongdoing.⁶

But if we decide that we want to behave ethically, how do we know what ethical behavior is?

2-4 THEORIES OF ETHICS

When making ethical decisions, people sometimes focus on the reason for the decision—they want to do what is right. Thus, if they think it is wrong to lie, then they will tell the truth no matter what the consequence. Other times, people think about the outcome of their actions. They will do whatever it takes to achieve the right result, no matter what. This choice—between doing right and getting the right result—has been the subject of much philosophical debate.

⁵David Grier, "Confronting Ethical Dilemmas," unpublished manuscript of remarks at the Royal Bank of Canada, September 19, 1989.

⁶For sources, see "Ethics: A Basic Framework," Harvard Business School case 9-307-059.

2-4a Utilitarian Ethics

In 1863, Englishman John Stuart Mill wrote *Utilitarianism*. **To Mill, a correct decision was one that maximizes overall happiness and minimizes overall pain, thereby producing the greatest net benefit.** As he put it, his goal was to produce the greatest good for the greatest number of people. Risk management and cost-benefit analyses are examples of utilitarian business practices.

Suppose that an automobile manufacturer could add a device to its cars that would reduce air pollution. As a result, the incidence of strokes and lung cancer would decline dramatically, saving society hundreds of millions of dollars over the life of the cars. But by charging a higher price to cover the cost of the device, the company would sell fewer cars and shareholders would earn lower returns. A utilitarian would argue that, despite the decline in profits, the company should install the device.

Consider this example that a student told us:

During college, I used drugs—some cocaine, but mostly prescription painkillers. Things got pretty bad. At one point, I would wait outside emergency rooms hoping to buy drugs from people who were leaving. But that was three years ago. I went into rehab and have been clean ever since. I don't even drink. I've applied for a job, but the application asks if I have ever used drugs illegally. I am afraid that if I tell the truth, I will never get a job. What should I say on the application?

A utilitarian would ask: What harm will be caused if she tells the truth? She will be less likely to get that job, or maybe any job—a large and immediate harm. What if she lies? She might argue that no harm would result because she is now clean, and her past drug addiction will not have an adverse impact on her new employer.

Critics of utilitarian thought argue that it is very difficult to *measure* utility accurately, at least in the way that one would measure distance or the passage of time. The car company does not really know how many lives will be saved or how much its profits might decline if the device is installed. It is also difficult to *predict* benefit and harm accurately. The recovered drug addict may relapse, or her employer may find out about her lie.

A focus on outcome can justify some really terrible behavior. Suppose that wealthy old Ebenezer has several chronic illnesses that cause him great suffering and prevent him from doing any of the activities that once gave meaning to his life. Also, he is such a nasty piece of work that everyone who knows him hates him. If he were to die, all his heirs would benefit tremendously from the money that they inherited from him, including a disabled grandchild who then could afford medical care that would improve his life dramatically. Would it be ethical to kill Ebenezer?

2-4b Deontological Ethics

Proponents of deontological ethics believe that utilitarians have it all wrong and that the results of a decision are not as important as the reason for making it. To a deontological thinker, the ends do not justify the means. Rather, it is important to do the right thing, no matter the result.

The best-known proponent of the deontological model was the eighteenth-century German philosopher Immanuel Kant. He believed in what he called the **categorical imperative**. He argued that you should not do something unless you would be willing to have everyone else do it, too. Applying this idea, he concluded that one should always tell the truth because if *everyone* lied, the world would become an awful place. Thus, Kant would say that the drug user should tell the truth on job applications, even if that meant she could not find work.

Kant also believed that human beings possess a unique dignity and that no decision that treats people as commodities could be considered just, even if the decision tended to maximize overall happiness, or profit, or any other quantifiable measure. Thus, Kant would argue against killing Ebenezer, no matter how unpleasant the man was.

Deontological

The duty to do the right thing, regardless of the result

Categorical imperative

An act is only ethical if it would be acceptable for everyone to do the same thing.

Not For Sale

The problem with Kant is that the ends *do* matter. Yes, it is wrong to kill, but a country might not survive unless it is willing to fight wars. Although many people disagree with some of Kant's specific ideas, most people acknowledge that a utilitarian approach is incomplete, and that winning in the end does not automatically make a decision right.

2-4c Rawlsian Justice

How did you manage to get into college or graduate school? Presumably owing to some combination of talent, hard work, and support from family and friends. Imagine that you had been born into different circumstances—say, a country where the literacy rate is only 25 percent and almost all of the population lives in desperate poverty. Would you be reading this book now? Most likely not. People are born with wildly different talents into very different circumstances, all of which dramatically affect their outcomes.

John Rawls (1921–2002) was an American philosopher who referred to these circumstances into which we are born as **life prospects**. In his view, hard work certainly matters, but so does luck. Rawls argued that we should think about what rules for society we would propose if we faced a **veil of ignorance**. In other words, suppose that there is going to be a lottery tomorrow that would determine all our attributes. We could be a winner, ending up a hugely talented, healthy person in a loving family, or we could be poor and chronically ill from a broken, abusive family in a violent neighborhood with deplorable schools and social services.

What type of society would we establish now, if we did not know whether we would be one of life's winners or losers? First, we would design some form of a democratic system that provided equal liberty to all and important rights such as freedom of speech and religion. Second, we would apply the **difference principle**. Under this principle we would *not* plan a system in which everyone received an equal income. Society is better off if people have an incentive to work hard, so we would reward the type of work that provides the most benefit to the community as a whole. We might decide, for example, to pay doctors more than baseball players. But maybe not *all* doctors—perhaps just the ones who research cancer cures or provide care for the poor, not cosmetic surgeons operating on the affluent. Rawls argues that everyone should have the opportunity to earn great wealth so long as the tax system provides enough revenue to provide decent health, education, and welfare for all. In thinking about ethical decisions, it is worth remembering that many of us have been winners in life's lottery and that the unlucky are deserving of our compassion.

2-4d Front Page Test

There you are, trying to decide what to do in a difficult situation. How would you feel if your actions went viral—on YouTube, the Huffington Post, all over Facebook, or the front page of a national newspaper? Would that help you decide what to do?

The Front Page test is not completely foolproof—there are times you might want to do something private for legitimate reasons. Some states prohibit the videotaping of mistreated farm animals. You would not want everyone to know that you had done so, even if you thought it the right thing to do.

2-4e Moral Universalism and Relativism

For many ethics dilemmas, reasonable people may well disagree about what is right. However, some people believe that particular acts are always right or always wrong, regardless of what others may think. This approach is called **moral universalism**. Alternatively, others believe that it is right to be tolerant of different viewpoints and customs. And, indeed, a decision may be acceptable even if it is not in keeping with one's own ethical standards. This approach is referred to as **moral relativism**. For example, Pope Benedict XVI

Life prospects

The opportunities one has at birth, based on one's natural attributes and initial place in society

Veil of ignorance

The rules for society that we would propose if we did not know how lucky we would be in life's lottery

Difference principle

Rawls' suggestion that society should reward behavior that provides the most benefit to the community as a whole

Moral universalism

A belief that some acts are always right or always wrong

Moral relativism

A belief that a decision may be right even if it is not in keeping with our own ethical standards

wrote that homosexuality is “a strong tendency ordered toward an intrinsic moral evil,” while his successor, Pope Francis took a different approach, saying, “If someone is gay and he searches for the Lord and has good will, who am *I* to judge?”⁷ Pope Benedict’s view reflects a moral universalism—he believes that homosexuality is always wrong—while Pope Francis is taking a more relativistic approach—under certain circumstances, he will not judge.

There are at least two types of moral relativism: cultural and individual. To cultural relativists, what is right or wrong depends on the norms and practices in each society. For example, some societies permit men to have more than one wife, while others find that practice abhorrent. A cultural relativist would say that polygamy is an ethical choice in societies where such practice is long-standing and culturally significant. And, as outsiders to that society, who are we to judge? In short, culture defines what is right and wrong.

To individual relativists, people must develop their own ethical rules. And what is right for *me* might not be good for *you*. Thus, I might believe that monogamy is bad because it goes against human nature. Therefore, I might decide that it is right for me to have relationships with many partners, while you believe that being faithful to one partner is the cornerstone of an ethical life.

Like so much in ethics, none of these approaches will always be right or wrong. It is, however, ethically lazy simply to default to moral relativism as an excuse for condoning any behavior.

2-5 ETHICS TRAPS

Very few people wake up one morning and think, “Today I’ll do something unethical.” Then why do so many unethical things happen? Sometimes our brains trick us into believing wrong is right. It is important to understand the ethics traps that create great temptation to do what we know to be wrong or fail to do what we know to be right.

2-5a Money

Money is a powerful lure because most people believe that they would be happier if only they had more. But that is not necessarily true. Good health, companionship, and enjoyable leisure activities all contribute more to happiness than money does.

Money *can*, of course, provide some protection against the inevitable bumps in the road of life. Being hungry is no fun. It is easier to maintain friendships if you can afford to go out together occasionally. So money can contribute to happiness, but research indicates that this impact disappears when household income exceeds \$75,000. Above that level, income seems to have no impact on day-to-day happiness. Indeed, there is some evidence that higher income levels actually *reduce* the ability to appreciate small pleasures.

Money is also a way of keeping score. If my company pays me more, that must mean I am a better employee. So although an increase in income above \$75,000 does not affect *day-to-day* happiness, higher pay can make people feel more satisfied with their lives. They consider themselves more successful and feel that their life is going better.

In short, the relationship between money and happiness is complicated. Above a certain level, more money does not make for more day-to-day happiness. Higher pay can increase general satisfaction with life but when people work so hard or so dishonestly that their health, friendships, and leisure activities suffer, it has the reverse effect.

⁷Rachel Donadio, “On Gay Priests, Pope Francis Asks, ‘Who Am I to Judge,’” *The New York Times*, July 30, 2013.

Not For Sale

2-5b Competition

Deep down, we all want to be better than the other fellow. In one telling experiment, young children elected to get *fewer* prizes for themselves, as long as they still got more than other participants. For example, a child chose to get one prize for herself and zero for the other person, rather than two for herself and two for the other participant.

2-5c Rationalization

Virtually any foul deed can be rationalized. Some common rationalizations:

- If I don't do it, someone else will.
- I deserve this because ...
- They had it coming.
- I am not harming a *person*—it is just a big company.
- This is someone else's responsibility.
- Just this once.

Deep down, we all want
to be better than the
other fellow.

For example, Duke professor Dan Ariely has found in his research that almost everyone is willing to cheat, at least on a small scale. We all want to get the greatest benefit but we also want to think of ourselves as being honest. If we cheat—just a little—then we can tell ourselves that it does not really count. Ariely did an experiment in which he paid people for solving math problems. Participants averaged four correct answers. But when people were allowed to grade the tests themselves without anyone checking up on them, all of a sudden they began averaging six correct answers. You can imagine how they might have rationalized that behavior—“I was close on this one. Today was an off day for me.” Surprisingly, when the participants were paid a lot for each correct answer (\$10 as opposed to \$0.50) they cheated *less*. Presumably, they would have felt worse about themselves if they stole a lot of money rather than a little.

2-5d We Can't Be Objective About Ourselves

Do you do more than your fair share of work at home? In your study group? Of course you do! At least, that is what most people think. **In reality, people are not objective when comparing themselves to others.** Many studies looking at groups as various as married couples, athletes, MBA students, and organizational behavior professors have found a tendency for people to overestimate their own contribution to a group effort. Another experiment showed that, when dividing up work, people tend to assign themselves the easiest tasks, but still rate themselves high on a fairness scale. In making a decision that affects you, it is important to remember that you are unlikely to be objective.

2-5e Conflicts of Interest

Suppose that your doctor is writing a prescription for you. Do you care that she does so with a pen given to her by a pharmaceutical company? You should. The evidence is that doctors are influenced by gifts, and, indeed, small gifts are surprisingly influential because the recipients do not make a conscious effort to overcome any bias these tokens may create. With larger gifts, the recipients are more aware and, therefore, take more effort in overcoming their biases. Doctors are not alone in their reaction. For everyone, the bias created by a conflict of interest tends to be unconscious and unintentionally self-serving. In short, if ethical decisions are your goal, it is better to avoid all conflicts of interest—both large and small. No one—including you—is good at overcoming the biases that these conflicts create.

2-5f Conformity

Warren Buffett has been quoted as saying, “The five most dangerous words in business may be: ‘Everybody else is doing it.’” Because humans are social animals, they are often willing to follow the leader, even to a place where they do not really want to go. If all the salespeople in a company cheat on their expense accounts, a new hire is much more likely to view this behavior as acceptable.

2-5g Following Orders

When someone in authority issues orders, even to do something clearly wrong, it is very tempting to comply. Fear of punishment, the belief in authority figures, and the ability to rationalize, all play a role. In a true story (with the facts disguised), Amanda worked at a private school that was struggling to pay its bills. As a result, it kept the lights turned off in the hallways. On a particularly cloudy day, a visitor tripped and fell in one of these darkened passages. When he sued, the principal told Amanda to lie on the witness stand and say that the lights had been on. The school’s lawyer reinforced this advice. Amanda did as she was told. When asked why, she said, “I figured it must be the right thing to do if the lawyer said so. Also, if I hadn’t lied, the principal would have fired me, and I might not have been able to get another job in teaching.”

2-5h Euphemisms and Reframing

The term “friendly fire” has a cheerful ring to it, much better than “killing your own troops,” which is what it really means. In a business setting, to “smooth earnings” sounds a lot better than to “cook the books” or “commit fraud.” “Right-sizing” is more palatable than “firing a whole bunch of people.” In making ethical decisions, it is important to use accurate terminology. Anything else is just a variation on rationalization.

Aerospace engineer Roger Boisjoly (pronounced “Bo zho lay”) tried to convince his superiors at Morton-Thiokol, Inc. to scrub the launch of the *Challenger* space shuttle. His superiors were engineers, too, so they were qualified to evaluate Boisjoly’s concerns. But during the discussion, one of the bosses said, “We have to make a management decision.” Once the issue was reframed as “management” not “engineering,” their primary concern was to please their customer, NASA. The flight had already been postponed twice, and, as managers, they felt they needed really clear data to justify another postponement. The Morton-Thiokol managers had to be convinced that it was *not* safe to fly. With that clear evidence lacking, these men approved the launch, which ended catastrophically when the spaceship exploded 73 seconds after liftoff, killing all the astronauts on board. If they had asked an engineering question—“Is this spaceship definitely safe?”—they would have made a different decision. In answering a question, it is always a good idea to consider whether the frame is correct.

2-5i Lost in a Crowd

On a busy street, a man picks up a seven-year-old girl and carries her away while she screams, “You’re not my dad—someone help me!” No one responds. This incident was a test staged by a news station. It took hours and many repetitions before anyone tried to prevent the abduction.

When in a group, people are less likely to take responsibility, because they assume (hope?) that someone else will. They tend to check the reactions of others, and if everyone else seems calm, they assume that all is right. Bystanders are much more likely to react if they are alone and have to form an independent judgment.

Thus, in a business, if everyone is lying to customers, smoothing earnings, or sexually harassing the staff, it is tempting to go with the flow rather than protest the wrongdoing.

2-5j Short-Term Perspective

Many times, people make unethical decisions because they are thinking short term. Your boss asks you to book sales in this quarter that actually will not happen until next. That “solution” would solve the immediate issue of low sales while potentially creating an enormous long-term problem that could lead to bankruptcy and prison time.

2-5k Blind Spots

As Bob Dylan memorably sang, “How many times can a man turn his head and pretend that he just doesn’t see?” We all have a tendency to ignore even blatant evidence that we would rather not know. Just as tobacco manufacturers were very slow to learn that smoking caused cancer, officials at Penn State University overlooked compelling evidence that football coach Jerry Sandusky was molesting children.

And then there is the case of Barry Bonds, one of the greatest baseball players of all time. Although he quickly gained tremendous weight and muscle mass that was consistent with the illegal use of steroids, neither his team nor baseball executives took any action against him until the federal government began an investigation.⁸

2-5l Avoiding Ethics Traps

Three practices help us avoid these ethics traps:

1. **Slow down.** We all make worse decisions when in a hurry. In one experiment, a group of students at Princeton Theological Seminary (that is, people in training to be ministers) were told to go to a location across campus to give a talk. On their walk over, they encountered a man lying in distress in a doorway. Only one-tenth of those participants who had been told they were late for their talk stopped to help the ill man while almost two-thirds of those who thought they had plenty of time did stop.
2. **Do not trust your first instinct.** You make many decisions without thinking. When sitting down for dinner, you do not ask yourself, “Which hand should I use to pick up the fork? How will I cut up my food?” You use System 1 thinking—an automatic, instinctual, sometimes emotional process. This approach is efficient but can also lead to more selfish and unethical decisions. When taking an exam, System 1 thinking would not get you far. For that, you need System 2 thoughts—those that are conscious and logical.
Being in a hurry, or in a crowd, being able to rationalize easily, using euphemisms, doing what every else does, receiving an order, being dazzled by money—these can all lead you to make a quick and wrong System 1 decision. Before making an important choice, bring in System 2 thinking.
3. **Remember your Life Principles.** In his research, Ariely found that participants were less likely to cheat if they were reminded of their school honor code or the Ten Commandments. This result was true even if the participants were atheists. It is a good practice to remind yourself of your values.

2-6 LYING: A SPECIAL CASE

We are taught from an early age to tell the truth. Yet research shows that we tell between one and two lies a day. When is lying acceptable? What about white lies to make others feel better: I love your lasagna. You’re not going bald. No, that sweater

⁸To see the drastic change in Bonds’ physique, search the Internet for “steroids, Barry Bonds”.

doesn't make you look fat. When Victoria McGrath suffered a terrible wound to her leg in the Boston Marathon bombing, Tyler Dodd comforted her at the scene by telling her that he had recovered from a shrapnel wound in Afghanistan. His story was not true—he had never been in combat or Afghanistan. McGrath was grateful to him for his lie because it gave her strength and hope.

What are your Life Principles on lying? There may indeed be good reasons to lie, but what are they? To benefit other people? To protect children who believe in Santa Claus? It is useful to analyze this issue now rather than to rationalize later.

2-6a Ethics Case: Truth (?) in Borrowing

Rob is in the business of buying dental practices. He finds solo practitioners, buys their assets, signs them to a long-term contract, and then improves their management and billing processes so effectively that both he and the dentists are better off.

Rob has just found a great opportunity with a lot of potential profit. There is only *one* problem. The bank will not give him a loan to buy the practice without checking the dentist's financial record. Her credit rating is fine, but it turns out that she filed for bankruptcy twenty years ago. That event no longer appears on her credit record but the bank asked about *all* bankruptcies on the form it required her to sign. She is perfectly willing to lie. Rob refused to turn in the form with a lie. But when the bank learned about the bankruptcy, it denied his loan even though *her* bankruptcy in no way affects *his* ability to pay the loan. And the incident is ancient history—the dentist's current finances are strong. Subsequently, four other banks also refused to make the loan.

Rob is feeling pretty frustrated. He figures the return on this deal would be 20 percent. Everyone would benefit—the dentist would earn more, her patients would have better technology, he could afford a house in a better school district, and the bank would make a profit. There is one more bank he could try.

Questions

1. Should Rob file loan documents with the bank, knowing the dentist has lied?
2. Who would be harmed by this lie?
3. What if Rob pays back the loan without incident? Was the lie still wrong? Do the ends justify the means?
4. What is your Life Principle about telling lies?
5. Do you have the same rule when lying to protect yourself, as opposed to benefitting others?

2-7 APPLYING THE PRINCIPLES

Having thought about ethics principles and traps, let's now practice applying them to situations that are similar to those you are likely to face in your life.

2-7a Personal Ethics in the Workplace

Should you behave in the workplace the way you do at home, or do you have a separate set of ethics for each part of your life? What if your employees behave badly outside of work—should that affect their employment? Consider the following case.

Not For Sale

2-7b Ethics Case: Weird Wierdsma

Beatrix Szeremi immigrated to the United States from Hungary. But her American dream turned into a nightmare when she married Charles Wierdsma. He repeatedly beat her and threatened to suffocate and drown her. Ultimately, he pleaded guilty to one felony count and went to jail. Despite his son's guilt, Thomas Wierdsma pressured his daughter-in-law to drop the charges and delete photos of her injuries from her Facebook page. When she refused, he threatened her and her lawyer that he would report her to immigration officials. Father and son discussed how they could get her deported. Thomas also testified in a deposition that it was not wrong to lie to a federal agency. "It happens all the time," he said.⁹ Thomas Wierdsma is the senior vice president at The GEO Group, Inc.

Research indicates that CEOs who break the law outside of the office are more likely to engage in workplace fraud. Although their legal infractions—driving under the influence, use of illegal drugs, domestic violence, even speeding tickets—were unrelated to their work, they seemed to indicate a disrespect for the rule of law and a lack of self-control.

Questions

1. If you were the CEO of Thomas Wierdsma's company, would you fire him? Impose some other sanction?
2. Which is worse—threatening his daughter-in-law or stating that it is acceptable to lie to a federal agency?
3. Would you fire a warehouse worker who behaved this way?
4. GEO runs prisons and immigration facilities for the government. Does that fact change any of your answers?
5. Wierdsma's woes were reported in major newspapers, and his statement about lying to a federal agency is on YouTube (see footnote). Do these facts change any of your answers?
6. What would Kant and Mill say is the right thing to do in this case? What result under the Front Page test?
7. What ethics traps might Wierdsma's boss face in this situation?
8. What is your Life Principle? What behavior are you willing to tolerate in the interest of profitability?

2-7c The Organization's Responsibility to Society

Many products can potentially cause harm to customers or employees. What is a company's responsibility to those who are injured by its products?

2-7d Ethics Case: Breathing the Fumes

Every other year, the National Institutes of Health publish the *Report on Carcinogens*, which lists products that cause cancer. Among those in the most recent report was formaldehyde, found in furniture, cosmetics, building products, carpets, and fabric softeners. Unless we take heroic efforts to avoid this chemical, we are all exposed to it on a daily basis. Indeed, almost all homes have formaldehyde levels that exceed government safety rules. In an effort to shoot the

⁹Nancy Lofholm, "GEO investigated in son's domestic violence case," *Denver Post*, April 8, 2013. The YouTube video of his admission about lying to a federal agency is at <http://www.youtube.com/watch?v=UTi9fbo202M>.

messenger, the American Chemistry Council, which is an industry trade group, lobbied Congress to cut off funding for the *Report on Carcinogens*—not improve it, but defund it.

Questions

1. If you were one of the many companies using products that contain formaldehyde, what would you do? What would you be willing to pay to provide a safer product?
2. If you were an executive at Exxon, Dow, or DuPont, all members of the American Chemistry Council, how would you react to this effort to hide the facts on formaldehyde?
3. What would Mill and Kant recommend?
4. What ethics traps would you face in making a decision?
5. What Life Principle would you apply?

2-7e The Organization's Responsibility to Its Employees

Organizations cannot be successful without good workers. But sometimes looking out for employees may not lead to higher profits. In these cases, does an organization have a duty to take care of its workers? The shareholder model says no; the stakeholder model takes the opposite view.

2-7f Ethics Case: The Storm after the Storm

Yanni is the CEO of Cloud Farm, a company that provides online data centers for Internet companies. Because these data centers are enormous, they are located in rural areas where they are often the main employer. A series of tornados has just destroyed a data center near Farmfield, Arkansas, a town with a population of roughly 5,000 people. Farmfield is a two-hour drive from the nearest city, Little Rock.

Here is the good news: The insurance payout will cover the full cost of rebuilding. The bad news? Data centers are much more expensive to build and operate in the United States than in Africa, Asia, or Latin America. Yanni could take the money from the insurance company and build three data centers overseas. He has asked Adam and Zoe to present the pros and cons of relocating.

Adam says, "If we rebuild overseas, our employees will never find equivalent jobs. We pay \$20 an hour, and the other jobs in town are mostly minimum-wage. And remember how some of the guys worked right through Christmas to set up for that new client. They have been loyal to us—we owe them something in return. Going overseas is not just bad for Farmfield or Arkansas, it's bad for the country.

Zoe responds, "That is the government's problem, not ours. We'll pay to retrain the workers, which, frankly, is a generous offer. Our investors get a return of 4 percent; the industry average is closer to 8 percent. If we act like a charity to support Farmfield, we could all lose our jobs. It is our obligation to do what's best for our shareholders—which, in this case, happens to be what's right for us, too."

Questions

1. Do you agree with Zoe's argument that it is the government's responsibility to create and protect American jobs and that it is a CEO's job to increase shareholder wealth?
2. Imagine that you personally own shares in Cloud Farm. Would you be upset with a decision to rebuild the data center in the United States?

Not For Sale

3. If you were in Yanni's position, would you rebuild the plant in Arkansas or relocate overseas?
4. What ethics traps does Yanni face in this situation?
5. What is your Life Principle on this issue? Would you be willing to risk your job to protect your employees?

2-7g The Organization's Responsibility to Its Customers

Customers are another group of essential stakeholders. A corporation must gain and retain loyal buyers if it is to stay in business for long. But when, if ever, does an organization go too far?

2-7h Ethics Case: Mickey Weighs In

Disney announced recently that only healthy foods can be advertised on its children's television channels, radio stations, and websites. Candy, fast food, and sugared cereals are banned from Mickey land. Kicked to the curb are such childhood favorites as Lunchables and Capri Sun drinks. In addition, sodium must be reduced by one quarter in food served at its theme parks. Nor does Disney permit its characters to associate with unhealthy foods. No more Mickey Pop-Tarts or Buzz Lightyear Happy Meals. Said Disney chairman, Robert Iger, "Companies in a position to help with solutions to childhood obesity should do just that."¹⁰

Disney's revenue from advertising, licensing fees, and food sales may decline. On the other hand, this healthy initiative will enhance its reputation, at least with parents, who increasingly seek healthy food options for their children. And Disney will profit from new license fees it receives for the use of a Mickey Check logo on healthy food in grocery aisles and restaurants.

Questions

1. What is Disney's obligation to its young customers?
2. Does this information make you more likely to buy Disney products or allow your children to watch Disney TV?
3. What would Mill or Kant have said? What result with the Front Page test?
4. What ethics traps does Disney face?
5. What is your Life Principle? How much profitability (or income) are you willing to give up to protect children you do not know?

2-7i The Organization's Responsibility to Overseas Workers

What ethical duties does an American manager have overseas, to stakeholders in countries where the culture and economic circumstances are very different? Should American companies (and consumers) buy goods that are produced in sweatshop factories?

¹⁰Brooks Barnes, "Promoting Nutrition, Disney to Restrict Junk-Food Ads," *The New York Times*, June 5, 2012.

Industrialization has always been the first stepping stone out of dire poverty—it was in England in centuries past, and it is now in the developing world. Eventually, higher productivity leads to higher wages. The results in China have been nothing short of remarkable. During the Industrial Revolution in England, per-capita output doubled in 58 years; in China, it took only 10 years.

During the past 50 years, Taiwan and South Korea welcomed sweatshops. During the same period, India resisted what it perceived to be foreign exploitation. Although all three countries started at the same economic level, Taiwan and South Korea today have much lower levels of infant mortality and much higher levels of education than India.¹¹

In theory, then, sweatshops might not be all bad. But are there limits? Consider the following case.

2-7j Ethics Case: A Worm in the Apple

“Riots, Suicides and More,” blares an Internet headline about a FoxConn factory where iPhones and other Apple products are assembled. Apple is not alone in facing supplier scandals. So have Nike, Coca-Cola, and Gap, among many others. Do companies have an obligation to the employees of their suppliers? If so, how can they, or anyone, be sure what is really going on in a factory on the other side of the world? Professor Richard Locke of MIT has studied supply chain issues.¹² His conclusions:

- The first step that many companies took to improve working conditions overseas was to establish a code of conduct and then conduct audits. These coercive practices do not work, and compliance is at best sporadic.
- A more collaborative approach worked better—when the auditors sent by multinationals saw their role as less of a police officer and more as a partner, committed to problem-solving and sharing of best practices.

What would you do if you were a manager in the following circumstances:

- In clothing factories, workers often remove the protective guards from their sewing machines, because the guards slow the flow of work. As a result, many workers suffer needle punctures. Factories resist the cost of buying new guards because the workers just take them off again. Is there a solution?
- Timberland and Hewlett-Packard have recognized that selling large numbers of new products creates great variation in demand and therefore pressure factory workers to work overtime. What can a company do to reduce this pressure?¹³

2-8 WHEN THE GOING GETS TOUGH: RESPONDING TO UNETHICAL BEHAVIOR

If you find yourself working for a company that tolerates an intolerable level of unethical behavior, you face three choices.

¹¹The data in this and the preceding paragraph are from Nicholas D. Kristof and Sheryl Wu Dunn, “Two Cheers for Sweatshops,” *The New York Times Magazine*, Sept. 24, 2000, p. 70.

¹²“When the jobs inspector calls,” *The Economist*, March 31, 2012

¹³These examples are from Richard Locke, Matthew Amengual, and Akshay Mangla, “Virtue out of Necessity?: Compliance, Commitment and the Improvement of Labor Conditions in Global Supply Chains,” available at Princeton.edu.

Not For Sale

2-8a Loyalty

It is always important to pick one's battles. For example, a firm's accounting department must make many decisions about which reasonable people could disagree. Just because their judgment is different from yours does not mean that they are behaving unethically. Being a team player means allowing other people to make their own choices sometimes. However, the difference between being a team player and starting down the slippery slope can be very narrow. If you are carrying out a decision, or simply observing one, that makes you uncomfortable, then it is time to consult your Life Principles and review the section on ethics traps.

2-8b Exit

When faced with the unacceptable, one option is to walk out the door quietly. You resign "to accept an offer that is too good to refuse." This approach may be the safest for you because you are not making any enemies. But a quiet exit leaves the bad guys in position to continue the unsavory behavior. For example, the CEO was sexually harassing Laura, but she left quietly for fear that if she reported him, he would harm her career. So the CEO proceeded to attack other women at the company until finally a senior man got wind of what was going on and confronted the chief. In short, the braver and better option may be to exit loudly—reporting the wrongdoing on the way out the door.

2-8c Voice

Wrongdoing often occurs because everyone just goes along to get along. One valiant soul with the courage to say, "This is wrong," can be a powerful force for the good. But confrontation may not be the only, or even the best, use of your voice. Learning to persuade, cajole, or provide better options are all important leadership skills. For example, Keith felt that the CEO of his company was about to make a bad decision, but he was unable to persuade the man to choose a different alternative. When Keith turned out to be correct, the CEO gave him no credit, saying, "You are equally responsible because your arguments weren't compelling enough." Keith thought the man had a point.

2-9 CORPORATE SOCIAL RESPONSIBILITY (CSR)

So far, we have largely been talking about a company's duty not to cause harm. But do companies have a **corporate social responsibility**—that is, an obligation to contribute positively to the world around it? Do businesses have an affirmative duty to do good?

Harvard Professor Michael Porter has written that CSR often benefits a company. For example, improving economic and social conditions overseas can create new customers with money to spend. However, in Porter's view, a company should not undertake a CSR project unless it is profitable for the company in its own right, regardless of any secondary benefits the company may receive from, say, an improved reputation. Thus, for example, Yoplait has periodically run a "Save Lids to Save Lives" campaign. For every Yoplait lid mailed in, the company makes a donation to a breast cancer charity. During these campaigns, Yoplait gains market share. Should companies be willing to improve the world even if their efforts *reduce* profitability?

2-9a Ethics Case: The Beauty of a Well-Fed Child

Cosmetic companies often use gift-with-purchase offers to promote their products. For example, with any \$45 Estee Lauder purchase at Bloomingdale's, you can choose a free gift of creams and makeup valued at over \$165, plus a special-edition cosmetic bag.

Corporate social responsibility

An organization's obligation to contribute positively to the world around it

But Clarins has put a new spin on these offers with what it calls “gift with *purpose*.” Buy two Clarins items and you will receive six trial-size products *and* the company will pay the United Nations World Food Program enough for 10 school meals. Clarins hopes that cosmetic buyers, many of whom are women with children, will find this opportunity to feed children particularly compelling.

Questions

1. If you were an executive at Clarins, what would you want to know before approving this promotion?
2. Would you approve this promotion if it were not profitable on its own account? How much of a subsidy would you be willing to grant?

Chapter Conclusion

Many times in your life, you will be tempted to do something that you know in your heart of hearts is wrong. Referring to your own Life Principles and being aware of potential traps, will help you to make the right decisions. But it is also important that you be able to afford to do the right thing. Having a reserve fund to cover six months’ living expenses makes it easier for you to leave a job that violates your personal ethics. Too many times, people make the wrong, and sometimes the illegal, decision for financial reasons.

EXAM REVIEW

1. **ETHICS** The law dictates how a person *must* behave. Ethics governs how people *should* behave.
2. **LIFE PRINCIPLES** Life Principles are the rules by which you live your life. If you develop these Life Principles now, you will be prepared when facing ethical dilemmas in the future.
3. **THE ROLE OF BUSINESS IN SOCIETY** An ongoing debate about whether managers should focus only on what is best for shareholders or whether they should consider the interests of other stakeholders as well.
4. **WHY BE ETHICAL?**
 - Society as a whole benefits from ethical behavior.
 - People feel better when they behave ethically.
 - Unethical behavior can be very costly.

Not For Sale

5. THEORIES OF ETHICS

- Utilitarian thinkers such as John Stuart Mill believe that the right decision maximizes overall happiness and minimizes overall pain.
- Deontological thinkers such as Immanuel Kant believe it is important to do the right thing, no matter the result.
- With his categorical imperative, Kant argued that you should not do something unless you would be willing to have everyone else do it, too.
- John Rawls asked us to consider what type of society we would establish if we did not know whether we would be one of life's winners or losers. He called this situation "the veil of ignorance."
- Under the Front Page test, you ask yourself what you would do if your actions were going to be reported publicly on or offline.

6. ETHICS TRAPS

- Money
- Competition
- Rationalization
- We can't be objective about ourselves
- Conflicts of interest
- Conformity
- Following orders
- Euphemisms and reframing
- Lost in a crowd
- Short-term perspective
- Blind spots

7. To avoid ethics traps:

- Slow down.
- Do not trust your first instinct.
- Remember your Life Principles.

8. WHEN THE GOING GETS TOUGH

 When faced with unethical behavior in your organization, you have three choices:

1. Loyalty
2. Exit (either quiet or noisy)
3. Voice

9. CORPORATE SOCIAL RESPONSIBILITY

 An organization's obligation to contribute positively to the world around it.

MATCHING QUESTIONS

Match the following terms with their definitions:

- | | |
|----------------------------|--|
| ___A. Shareholder model | 1. requires doing “the greatest good for the greatest number” |
| ___B. Stakeholder model | 2. thought that society should try to make up for people’s different life prospects |
| ___C. Utilitarianism | 3. requires business decisions that maximize the owners’ return on investment |
| ___D. Deontological ethics | 4. focuses on the reasons for which decisions are made |
| ___E. John Rawls | 5. requires business leaders to consider employees, customers, communities, and other groups when making decisions |

TRUE/FALSE QUESTIONS

Circle true or false:

1. T F Immanuel Kant was a noted utilitarian thinker.
2. T F The shareholder model requires that business leaders consider the needs of employees when making decisions.
3. T F Modern China has experienced slower economic growth than did England during the Industrial Revolution.
4. T F John Stuart Mill’s ideas are consistent with business use of risk management and cost-benefit analyses.
5. T F John Rawls believed that everyone should have the same income.

MULTIPLE-CHOICE QUESTIONS

1. Milton Friedman was a strong believer in the _____ model. He _____ argue that a corporate leader’s sole obligation is to make money for the company’s owners.
 - (a) shareholder; did
 - (b) shareholder; did not
 - (c) stakeholder; did
 - (d) stakeholder; did not

Not For Sale

2. Which of the following wrote the book *Utilitarianism* and believed that ethical actions should “generate the greatest good for the greatest number”?
 - (a) Milton Friedman
 - (b) John Stuart Mill
 - (c) Immanuel Kant
 - (d) John Rawls

3. Which of the following believed that the dignity of human beings must be respected and that the most ethical decisions are made out of a sense of obligation?
 - (a) Milton Friedman
 - (b) John Stuart Mill
 - (c) Immanuel Kant
 - (d) John Rawls

4. Kant believed that:
 - (a) it is ethical to tell a lie if necessary to protect an innocent person from great harm.
 - (b) it is ethical to tell a lie if the benefit of the lie outweighs the cost.
 - (c) it is wrong for some people to be wealthier than others.
 - (d) it is wrong to tell a lie.

5. The following statement is true:
 - (a) Most people are honest most of the time.
 - (b) Even people who do not believe in God are more likely to behave honestly after reading the Ten Commandments.
 - (c) When confronted with wrongdoing, most people immediately recognize the problem.
 - (d) People make their best ethical decisions instinctively, rather than thinking through a problem.

CASE QUESTIONS

1. The Senate recently released a report on wrongdoing at JP Morgan Chase. It found that bank executives lied to investors and the public. Also, traders, with the knowledge of top management, changed risk limits to facilitate more trading and then violated even these higher limits. Executives revalued the bank’s investment portfolio to reduce apparent losses. JP Morgan’s internal investigation failed to find this wrongdoing. Into what ethics traps did these JP Morgan employees fall? What options did the executives and traders have for dealing with this wrongdoing?

2. Located in Bath, Maine, Bath Iron Works builds high tech warships for the Navy. Winning Navy contracts is crucial to the company’s success—it means jobs for the community and profits for the shareholders. Navy officials held a meeting at Bath’s offices with its executives and those of a competitor to review an upcoming bid. Both companies desperately wanted to win the contract. After the meeting, a Bath worker

realized that one of the Navy officials had left a folder on a chair labeled: “Business Sensitive.” It contained information about the competitors’ bid that would be a huge advantage to Bath. William Haggett, the Bath CEO, was notified about the file just as he was walking out the door to give a luncheon speech. What should he do? What traps did he face? What result if he considered Mill, Kant, or the Front Page test?

- I oversee the internal audit function at my company. We hold periodic bid competitions to get the lowest price we can. At the moment, we are using Firm A. Recently, one of the partners at A offered me box seats to a Red Sox game. I love the Red Sox, and even more importantly, I could have taken my father who, even though he has always been a big Sox fan, has never been to a game. However, I knew that we would soon be asking A to bid against the other Big Four firms for the right to do next year’s audit. I was torn about what I should do.

What traps does this person face? Would something as minor as Red Sox tickets affect his decision about which audit firm to use?

- Each year, the sale of Girl Scout cookies is the major fund-raiser for local troops. But because the organization was criticized for promoting such unhealthy food, it introduced a new cookie, Mango Cremes with Nutrifusion. It promotes this cookie as a vitamin-laden, natural whole food. “A delicious way to get your vitamins.” But these vitamins are a minuscule part of the cookie. The rest has more bad saturated fat than an Oreo. The Girl Scouts do much good for many girls. And to do this good, they need to raise money. What would Kant and Mill say? What about the Front Page test? What do you say?
- In Japan, automobile GPS systems come equipped with an option for converting them into televisions so that drivers can watch their favorite shows, yes, while driving. “We can’t help but respond to our customers’ needs,” says a company spokesperson.¹⁴ Although his company does not recommend the practice of watching while driving, he explained that it is the driver’s responsibility to make this decision. Is it right to sell a product that could cause great harm to innocent bystanders? What would Mill and Kant say?

DISCUSSION QUESTIONS

- A vice president from the customer service team told me that the company’s largest customer was going to be conducting an on-site audit. The customer would be particularly interested in seeing the dedicated computing equipment that was part of their contract. As it turns out, we did not have any dedicated computing equipment. The VP was incredulous because the past director of my area had, on multiple occasions, told him that there was. As it turned out, the former director had been lying. To survive the audit, the VP asked me to lie and also to put fake labels on some of the machines to show the

customer. If I didn’t agree, I knew the VP would be furious, and we might lose this client.

What would Kant and Mill say? What is the difference between a long-term versus short-term perspective?

- Darby has been working for 14 months at Holden Associates, a large management consulting firm. She is earning \$85,000 a year, which *sounds* good but does not go very far in New York City. It turns out that her peers at competing firms are typically

¹⁴Chester Dawson, “Drivers Use Navigation Systems to Tune In,” *The Wall Street Journal*, April 23, 2013.

Not For Sale

Not For Sale

paid 20 percent more and receive larger annual bonuses. Darby works about 60 hours a week—more if she is traveling.

Holden has a policy that permits any employee who works as late as 8:00 p.m. to eat dinner at company expense. The employee can also take a taxi home. Darby is in the habit of staying until 8:00 p.m. every night, whether or not her workload requires it. Then she orders enough food for dinner, with leftovers for lunch the next day. She has managed to cut her grocery bill to virtually nothing. Sometimes she invites her boyfriend to join her for dinner. As a student, he is always hungry and broke. Darby often uses the Holden taxi to take them back to his apartment, although the cab fare is twice as high as to her own place. Darby has also been known to return online purchases through the Holden mailroom on the company dime. Many employees do that, and the mailroom workers do not seem to mind.

Is Darby doing anything wrong? What ethics traps is she facing? What would your Life Principle be in this situation?

3. Steve supervises a team of account managers. One night at a company outing, Lawrence, a visiting account manager, made some wildly inappropriate sexual remarks to Maddie, who is on Steve's team. When she told Steve, he was uncertain what to do, so he asked his boss. She was concerned that if Steve took the matter further and Lawrence was fired or even disciplined, her whole area would suffer. Lawrence was one of the best account managers in the region, and everyone was overworked as it was. She told Steve to get Maddie to drop the matter. Just tell her that these things happen, and Lawrence did not mean anything by it.

What should Steve do? What ethics traps does he face? What would be your Life Principle in this situation? What should Maddie do?

4. Many people enjoy rap music at least in part because of its edgy, troublemaking vibe. The problem is that some of this music could cause real trouble. Thus, Ice-T's song "Cop Killer" generated significant controversy when it was released. Among other things, its lyrics celebrated the idea of slitting a policeman's throat. Rick Ross rapped about drugging and raping a woman. Time Warner Inc. did not withdraw Ice-T's song but Reebok fired Ross over his lyrics. One difference: Time Warner was struggling with a \$15 billion debt and a depressed stock price. Reebok at first refused to take action, but then singing group UltraViolet began circulating an online petition against the song and staged a protest at the main Reebok store in New York.

What obligation do media companies have to their audiences? What factors matter when making a decision about content?

5. You are negotiating a new labor contract with union officials. The contract covers a plant that has experienced operating losses over the past several years. You want to negotiate concessions from labor to reduce the losses. However, labor is refusing any compromises. You could tell them that, without concessions, the plant will be closed, although that is not true.

Is bluffing ethical? Under what circumstances? What would Kant and Mill say? What result under the Front Page test? What is your Life Principle?