

Chapter 2

Ethical Decision Making: Personal and Professional Contexts

This above all: to thine own self be true, and it must follow, as the night the day,
Thou canst not then be false to any man.

Shakespeare

To be nothing but yourself, in a world which is doing its best to make you every-
body else, means to fight the hardest battle which any human being can fight,
and never stop fighting.

e.e. cummings

From here that looks like a bucket of water, but from an ant's point of view, it's a
vast ocean; from an elephant's point of view, it's just a cool drink; and to a fish,
of course, it's home.

Norton Juster, The Phantom Toll Booth

I am not afraid of storms, for I am learning to build my ship.

Louisa May Alcott

Opening Decision Point *What Would You Do?*

Imagine that you are the first person to arrive for your business ethics class. As you sit down at your desk, you notice an iPod on the floor underneath the adjacent seat. You pick it up and turn it on. It works just fine, and it even has some of your favorite music listed. Looking around, you realize that you are still the only person in the room and that no one will know if you keep it.

Not being able to decide immediately, and seeing that other students are beginning to enter the room, you place the iPod down on the floor next to your own backpack and books. As the class begins, you realize that you have the full class period to decide what to do.

What would you think about as you sat there trying to decide what to do?

What would you do?

Now let us change the scenario. Instead of being the person who finds the iPod, imagine that you are a friend who sits next to that person. As class begins, your friend leans over, tells you what happened, and asks for advice.

The lesson for today's business ethics class is Chapter 2 of your textbook, *Business Ethics: Decision Making for Personal Integrity and Social Justice*.

Finally, imagine that you are a student representative on the judicial board of your school. This student decides to keep the iPod and is later accused of stealing. How would you make your decision?

- What are the key facts that you should consider before making a decision, as either the person who discovered the iPod, the friend, or the judicial board member?
- Is this an ethical issue? What exactly are the ethical aspects involved in your decision?
- Who else is involved, or should be involved, in this decision? Who has a stake in the outcome?
- What alternatives are available to you? What are the consequences of each alternative?
- How would each of your alternatives affect the other people you have identified as having a stake in the outcome?
- Where might you look for additional guidance to assist you in resolving this particular dilemma?



Chapter Objectives

After reading this chapter, you will be able to:

1. Describe a process for ethically responsible decision making
2. Apply this model to ethical decision points.
3. Explain the reasons why “good” people might engage in unethical behavior.
4. Explore the impact of managerial roles on the nature of our decision making.

Introduction

Chapter 1 introduced our approach to business ethics as a form of practical reasoning, a process for decision making in business. Putting ethics into practice requires not simply decision making, but *accountable* decision making. Chapter 1 also suggested that, even if a person does not consciously think about a decision, her or his own actions will involve making a choice and taking a stand. If you find a lost iPod, you cannot avoid making an ethical decision. Whatever you do with the iPod, you will have made a choice that will be evaluated in ethical terms.

The previous chapter provided a general context for thinking about business ethics; in the current chapter, we begin to bring this topic to a more practical level by examining ethical decision making as it occurs in everyday life and within business contexts. We will examine various elements involved in individual decision making and apply those concepts to the decisions individuals make every day in business. This chapter also examines various ways in which ethical decision making can go wrong, as well as the ways in which effective business leaders can model the very best ethical decision making.

A Decision-Making Process for Ethics

Let us consider an initial sketch of an **ethical decision-making process**. How would you decide what to do in the iPod case? First, you might wonder how the iPod ended up under the desk. Was it lost? Perhaps someone intentionally discarded the iPod. Wouldn't that fact make a big difference in the ethical judgment you would make? Or, suppose the person who discovered the iPod actually saw it fall from another student's backpack. Would that make a difference in your judgment about that person?



OBJECTIVE

Perhaps the first step in making decisions that are ethically responsible is to *determine the facts* of the situation. Making an honest effort to understand the situation, to distinguish facts from mere opinion, is essential. **Perceptual differences** in how individuals experience and understand situations can explain many ethical disagreements. Knowing the facts and carefully reviewing the circumstances can go a long way to resolving disagreements at an early stage. For example, disagreements about Aaron Feuerstein's responsibilities might depend on the facts of local unemployment rates. One person might think that his decision does not pose a significant ethical question because the employees involved can always get other jobs. Someone else might hold the opposite view precisely because high unemployment rates will mean that few employees will, in fact, be able to find other jobs.

Let us turn to the iPod case. What facts would be useful to know before making a decision? Suppose you already owned an iPod. Would that make a difference? Suppose you knew who sat at the desk in the previous class. Imagine that, in fact, the iPod had been in a place not easily seen and you had observed it there over the

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course of several days. Suppose the iPod did not work and, instead of being discovered underneath a seat, you found it in a wastebasket. How would your decision change as any of these facts changed? Can you imagine a situation in which what looks like an ethical disagreement turns out to be a disagreement over the facts?

Given the general importance of determining the facts, there is a role for science (and theoretical reason) in any study of ethics. An ethical judgment made in light of a diligent determination of the facts is a more reasonable ethical judgment than one made without regard for the facts. A person who acts in a way that is based upon a careful consideration of the facts has acted in a more ethically responsible way than a person who acts without deliberation. The sciences, and perhaps especially the social sciences, can help us determine the facts surrounding our decisions. For a business example, consider what facts might be relevant for making a decision regarding child labor. Consider how the social sciences of anthropology and economics, for example, might help us understand the facts surrounding employing children in the workplace within a foreign country.

A second step in responsible ethical decision making requires the ability to recognize a decision or issue as an ethical decision or ethical issue. It is easy to be led astray by a failure to recognize that there is an ethical component to some decision. *Identifying the ethical issues involved* is the next step in making responsible decisions.

In the iPod case, imagine that the student claims he simply discovered a lost item and kept it. He denies that this is even an ethical issue at all because, after all, he didn't steal the iPod. What is the difference between stealing and finding a lost item? Similarly, in many business situations, what appears to be an ethical issue for one person will be judged as a simple financial decision by others. How does one determine that a question raises an ethical issue at all? When does a business decision become an ethical decision?

First, of course, we need to recognize that "business" or "economic" decisions and ethical decisions are not mutually exclusive. Just because a decision is made on economic grounds does not mean that it does not involve ethical considerations as well. Being sensitive to ethical issues is an important characteristic that needs to be cultivated in ethically responsible people. Beyond sensitivity, we also need to ask how our decisions will impact the well-being of the people involved. Chapter 1 described ethical values as concerned with the impartial promotion of human well-being. To the degree that a decision affects the well-being—the happiness, health, dignity, integrity, freedom, respect—of the people involved, it is a decision with ethical implications.

In business contexts, it can be easy to become so involved in the financial aspects of decisions that one loses sight of the ethical aspects. Some writers have called this inability to recognize ethical issues **normative myopia**, or shortsightedness about values.¹ Normative myopia does not occur only in business. See the Reality Check that follows.

The third step involved in ethical decision making involves one of its more vital elements. We are asked to *identify and consider all of the people affected by a decision, the people often called "stakeholders."* "Stakeholders" in this general

Reality Check *Is There an Ethics of Writing Papers?*

Perhaps the most common ethical issue that students and teachers deal with involves plagiarism. From the academic perspective, there is no more serious offense than plagiarizing the work of others. Yet, many students seem honestly surprised to learn that what they believed was research is interpreted as unethical behavior by their teachers.

Many students rely on Internet sources in writing their school papers. It is very easy to “cut and paste” sections of an online source into one’s own writing assignment. No doubt, some of this is intentional cheating, such as when a student downloads or purchases an entire paper from an Internet source. But, in many cases, students seem honestly perplexed

that their teacher treats an unattributed “cut and paste” passage as cheating. Few teachers have not experienced situations in which they have had to explain to a student why this practice is unethical.

Such cases are not rare. People often make bad ethical decisions because they fail to understand that there is an ethical issue involved. Typically they have not thought through the implications of their decision and have not stepped back from their situation to reflect on their choice and consider their decision from other points of view. Often they are simply too involved in the immediate situation to think about such things. We can think of such condition as “normative myopia.”

sense include all of the groups and/or individuals affected by a decision, policy, or operation of a firm or individual. Considering issues from a variety of perspectives other than one’s own, and other than what local conventions suggest, helps make one’s decisions more reasonable and responsible. To the contrary, thinking and reasoning from a narrow and personal point of view virtually guarantees that we will not understand the situation fully. Making decisions from a narrow and personal point of view likewise guarantees that we are likely to make a decision that does not give due consideration to other persons and perspectives.

One helpful exercise for considering the affects of a decision on others is to shift one’s role. Rather than being in the position of the person who discovers the iPod, what would you think of this case if you were the person who lost it? How does that impact your thinking? What would your judgment be if you were the friend who was asked for advice? A long tradition in philosophical ethics argues that a key test of ethical legitimacy is whether or not a decision would be acceptable from the point of view of all parts involved. If you could accept a decision as legitimate no matter whose point of view you take, that decision would be fair, impartial, and ethical. If you acknowledge that you would not accept the legitimacy of keeping the iPod were you the person who lost it rather than the person who found it, then that is a strong indication that the decision to keep it is not a fair or ethical one.

Consider Aaron Feuerstein’s decisions on the night of his factory fire, as described in Chapter 1. In his position, some people might think first of how the fire would affect their own personal well-being. The financial status of the owner and his family was seriously threatened by the fire, but a decision that considered only the owner’s point of view would not be a responsible decision. The fire also had a great impact on the lives of employees, thousands of whom were about to

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lose their only source of income. In addition, the fire would have serious consequences for the wider community, a community already harmed by business relocations and vulnerable to any further economic downturn. Customers were also vulnerable to harms caused by the loss of the exclusive supplier of an important product. In the case of every stakeholder, the harms were undeserved. That is, no one had done anything wrong, no one was at fault, yet all stood to suffer serious harms. The following Reality Check explores later implications.

The fact that many decisions will involve the interests of multiple stakeholders also helps us to understand a major challenge to ethical decision making. The very fact that there are many perspectives and interests at stake means that ethical decisions often involve dilemmas. Each alternative will impose costs on some stakeholders and offer benefits to others. Deciding on a way that benefits one group often means that other stakeholders are denied benefits.

Once we have examined the facts, identified the ethical issues involved, and identified the stakeholders, we need to *consider the available alternatives*. Creativity in identifying options – also called **“moral imagination”** – is one element that distinguishes good people who make ethically responsible decisions from good people who do not.² It is important not only to consider the obvious options with regard to a particular dilemma, but also the much more subtle ones that might not be evident at first blush. When reviewing the Malden Mills circumstances, ask yourself how many people would have even thought about paying employees while the factory was being rebuilt. Aaron Feuerstein utilized moral imagination in doing so.

Or consider the less dramatic case of discovering a lost iPod. One person might decide to keep it because she judges that the chances of discovering the true owner are slim and that if she doesn't keep it, the next person to discover it will. Another person is able to think of some alternatives. For example, she could return early for the next class to see who is sitting at the desk, or she could find out who teaches the previous class and ask that teacher for help in identifying the owner. Moral imagination might be something as simple as checking in a lost and found department. How would the school community be changed if students went out of their way to return lost items rather than keeping them for their own use?

The next step in the decision-making process is to *compare and weigh the alternatives*—create a mental spreadsheet that evaluates the impact of each alternative you have devised on each stakeholder you identified. Perhaps the most helpful way to accomplish this is to try to place oneself in the other person's position. Understanding a situation from another's point of view, making an effort to “walk a mile in their shoes,” contributes significantly to responsible ethical decision making. Weighing the alternatives will involve predicting the likely, the foreseeable, and the possible consequences to all the relevant stakeholders. A critical element of this evaluation will be the consideration of ways to mitigate, minimize, or compensate for any possible harmful consequences or to increase and promote beneficial consequences.

Ethicists sometimes ask the decision maker to consider whether he would feel proud or ashamed if *The Wall Street Journal* (or whatever is your relevant

Reality Check *With Friends Like These . . .*

Is Aaron Feuerstein a model for every business leader? Unfortunately, the Malden Mills case did not have a completely happy ending. Initially, all went well. Malden Mills was able to rebuild its factory and reopen sections within a year. Employees came back to work and the community seemed to recover. But Malden Mills couldn't recover fully. Insurance covered only three-fourths of the \$400 million cost of rebuilding and by 2001 Malden Mills filed for bankruptcy protection. During the summer of 2004, Malden Mills emerged from bankruptcy but its board of directors was now controlled by its creditors, led by GE Commercial Finance Division.

The new board replaced Aaron Feuerstein as CEO and board chairman, although he retained the right to buy back the controlling interest if he could raise sufficient financing. In October of 2004, the board rejected Feuerstein's offer to buy back the company. In response to the company's contract offer that included cuts in health care benefits, the union representing the remaining 1,000 workers at Malden Mills voted to authorize a strike in December 2004, the first in company history. Are strong ethical values and ethically praiseworthy decisions good for business? The only reasonable answer might be that sometimes they are and sometimes they are not.

daily newspaper) printed this decision as a front page article, or whether he could explain it to a 10-year-old child so the child thinks it is the right decision, or whether it will stand the test of time. Note that in the iPod case, the student was described as looking around to see if anyone else noticed his discovery. Would your behavior change if other people knew about it? The point of this exercise is to recognize that a fully responsible decision should be explainable and justifiable to the entire range of people involved. Typically, it is the irresponsible decisions that we wish to keep hidden.

But consequences or justifications are not the only means for comparing alternatives. Some alternatives might concern matters of principles, rights, or duties that override consequences. Aaron Feuerstein believed that the long-term loyalty of his employees created a special duty not to abandon them in times of crisis. Within business settings, individuals will often have specific duties associated with their position. A purchasing manager for a large retail store has a duty associated with her role that directs her to avoid conflicts of interest in dealing with suppliers. Are duties associated with company rules, professional codes of conduct, business roles, or legal duties involved? Perhaps guidance is available in specific circumstances from these sources or others.

One additional factor in comparing and weighing alternatives requires consideration of the effects of a decision on one's own integrity and character. Understanding one's own character and values should play a role in decision making. By all accounts, Aaron Feuerstein was a deeply religious and moral man who, in many ways, could not have acted differently than he did. A responsible person will ask: "What type of person would make this decision? What kind of habits would I be developing by deciding in one way rather than another? What type of corporate culture am I creating and encouraging? How would I, or my family, describe a

FIGURE 2.1
An Ethical Decision-
Making Process

Determine the facts

- Identify the ethical issues involved
- Identify stakeholders and consider the situation from their point of view
- Consider the available alternatives – also called “moral imagination”
- Consider how a decision affects stakeholders, comparing and weighing the alternatives, based on:
 - Consequences
 - Duties, rights, principles
 - Implications for personal integrity and character
- Make a decision
- Monitor outcomes

person who decides in this way? Is this a decision that I am willing to defend in public?” Such questions truly go to the heart of ethical business leadership. An honest person might not even think about retaining the iPod; keeping it for oneself is simply not an option for such a person.

Once you have explored the above variables, it is time to *make a decision*. However, the process is not yet complete. To be accountable in our decision making, it is not sufficient to deliberate over this process, only to later throw up our hands once the decision is made: “It’s out of my hands now!” Instead, we have the ability as humans to learn from our experiences. That ability creates a responsibility to then evaluate the implications of our decisions, to *monitor and learn from the outcomes*, and to modify our actions accordingly when faced with similar challenges in the future. The following Decision Point gives us a chance to put this decision-making process into practice.



OBJECTIVE

The ethical traditions and theories that we describe in the next chapter will help us flesh out and elaborate upon this decision procedure. Other approaches to ethically responsible decision making are possible, and this approach will not guarantee one single and absolute answer to every decision. But it is a helpful beginning in the development of responsible and ethical decision making.

When Ethical Decision Making Goes Wrong: Why Do “Good” People Engage in “Bad” Acts?

To say that each individual has the capability to follow a similar decision-making process or possesses the capacity to make autonomous decisions is not to say that every individual always does so. There are many ways in which responsible decision making can go wrong and many ways in which people fail to act in accordance with the ethical judgments they make. Sometimes, of course, people can simply choose to do something unethical. We should not underestimate the real possibility of immoral choices and unethical behavior.

Decision Point

Applying the Decision-Making Model

Let's give it a try: Should Richard Grasso give back any of the \$139.5 million he received in his final year as chairman of the New York Stock Exchange?

Consider how one might begin to use this model to deliberate about an ethical issue in business. Richard Grasso is the former chairman of the New York Stock Exchange. During his last year as chairman, he received total compensation of \$140 million and was slated to receive approximately another \$48 million in retirement benefits. This compensation package was determined by the employment contract he had signed with the NYSE board of directors. Mr. Grasso resigned in the face of public criticism of this pay package and, at least initially, agreed to forgo the final \$48 million. What is your judgment about this situation?

What facts might be relevant? Presumably you would want to know what work he had done to earn this salary. What were his responsibilities? You might also want to know who decided that he should receive so much money and under what circumstances this decision was made.

As it turned out, the board of directors for the NYSE approved the compensation package, but some of those responsible for setting his pay, including the director of the NYSE human resources department who made the pay recommendation to the board's compensation committee, were friends of Grasso. He had appointed them to their positions and he played a role in determining their own pay. The facts also are that the NYSE is a nonprofit organization, which functions to regulate publicly traded companies. The companies being regulated by the NYSE ultimately were the very same companies that were paying Grasso.

What ethical issues does this case raise? At first glance, concerns over conflicts of interest, deception, fraud, misallocation of funds, and theft, as well as such personal ethical questions as greed and arrogance, come to mind.

If one thinks that the only people involved in this case are the NYSE board as the employer, and Mr. Grasso as employee, one might be tempted to conclude that this was a private business matter between an employer and an employee. But the stakeholders involved here include not only members of the board and other employees, but quite literally every company whose securities are traded on the NYSE and every investor who relies on the integrity of the NYSE to oversee and regulate the sale of securities. Because so much of the stock exchange's work must depend on investor confidence and trust in the system and because this case worked to undermine that confidence and trust, many other people have something at stake in its outcome.

The available options will depend on who the decision maker is. Ultimately, the New York State Attorney General sued both the NYSE and Richard Grasso to recover some of the money paid as salary. As an individual investor, one might not have much of an option in responding to this event. But as citizens, we have other options.

But at other times, well-intentioned people fail to choose ethically. What factors determine which companies or individuals engage in ethical behavior and which do not? Why do people we consider to be "good" do "bad" things? This does not mean that these unethical decisions or acts are excusable but that the

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individuals who engage in the unethical behavior may have done so for a variety of reasons. As it turns out, there are many stumbling blocks to responsible decision making and behavior.


OBJECTIVE

Some stumbling blocks to responsible action are cognitive or intellectual. As the model of ethical decision making outlined above suggests, a certain type of ignorance can account for bad ethical choices. Sometimes that ignorance can be almost willful and intentional. After you discover a lost iPod, you might rationalize to yourself that no one will ever know, that no one is really going to be hurt, that an owner who is so careless deserves to lose the iPod. You might try to justify the decision by telling yourself that you are only doing what anyone else would do in this circumstance. You might even choose not to think about it and try to put any guilty feelings out of your mind.

Another cognitive barrier is that we sometimes only consider limited alternatives. When faced with a situation that suggests two clear alternative resolutions, we often consider only those two clear paths, missing the fact that other alternatives might be possible. Upon discovering a lost iPod, you might conclude that if you don't take it, someone else will. Because the original owner will lose out in both cases, it is better that you benefit from the loss than someone else. Responsible decision making would require that we discipline ourselves to explore additional methods of resolution.

We also generally feel most comfortable with simplified decision rules. Having a simple rule to follow can be reassuring to many decision makers. For example, assume you are a business manager who needs to terminate a worker in order to cut costs. Of course, your first thought may be to uncover alternative means by which to cut costs instead of firing someone, but assume for the moment that cutting the workforce is the only viable possibility. It may be easiest and most comfortable to terminate the last person you hired, explaining, "I can't help it; it must be done, last in/first out, I have no choice..." Or, in the iPod case, "finders keepers, losers weepers" might be an attractive rule to follow. Using a simple decision rule might appear to relieve us of accountability for the decision, even if it may not be the best possible decision.

We also often select the alternative that satisfies minimum decision criteria, otherwise known as "satisficing." We select the option that suffices, the one that people can live with, even if it might not be the best. Imagine a committee at work that needs to make a decision. They spend hours arriving at a result and finally reach agreement. At that point it is unlikely that someone will stand up and say, "Whoa, wait a minute, let's spend another couple of hours and figure out a *better* answer!" The very fact that a decision was reached by consensus can convince everyone involved that it must be the most reasonable decision.

Other stumbling blocks are less intellectual or cognitive than they are a question of motivation and willpower. As author John Grisham explained in his book *Rainmaker*, "Every (lawyer), at least once in every case, feels himself crossing a line he doesn't really mean to cross. It just happens." Sometimes it is simply easier to do the wrong thing. After all, who wants to go through all the trouble of finding the lost and found office and walking across campus to return the iPod? Consider how you would answer the questions asked in the following Reality Check.

Reality Check *The Ethics of Cheating*

In a 1991 study, researchers determined that business undergraduate students are the most likely to have cheated on a test, when compared with prelaw students and the general population.³ In response to a statement claiming that *not* cheating is the best way to get ahead in the long run, business students claimed, “This is the Nineties. You snooze, you lose.”⁴ Does this mean that, perhaps, there is a failure in ethics in the business arena because the people who go into business already cheat? Or is it that business students are aware that the business

arena demands this type of unethical conduct so they prepare themselves for it from the start? Competitiveness might blur the border between ethical and unethical. Either way, as our parents have told us, simply because an environment is replete with a certain type of behavior does not mean that we must follow suit, nor does it relieve us of our responsibility for actions in that environment (thus the common parental question, “If Janie jumps off a bridge, are you going to follow?”).

Unfortunately, we do not always draw the lines for appropriate behavior in advance, and even when we do, they are not always crystal clear. As Grisham suggests, it is often easy to do a little thing that crosses the line, and the next time it is easier, and the next easier still. One day, you find yourself much further over your ethical line than you thought you would ever be.

People also sometimes make decisions they later regret because they lack the courage to do otherwise. It is not always easy to make the right decision; you might lose income, your job, or other valuable components of your life. Sherron Watkins was only one of many Enron employees who explained their reluctance to push their concerns by reference to the culture of intimidation and fear that characterized upper management at Enron.

Of course, the usual suspects for explaining unethical conduct are still very much apparent in the scandals that make the front pages every day. The enormous amounts of corporate executive compensation, lack of oversight of corporate executive decisions, significant distance between decision makers and those they impact, financial challenges, and a set of ethical values that has not yet caught up to technological advances – all of these factors can create an environment rife with ethical challenges and unethical decisions. We can benefit from unethical acts, from gaining something as simple as an iPod, to something as significant as a salary package of \$180 million. Temptation is often all around us and any person can succumb to it. The questions that are most difficult to answer are often those that are most important to answer in defining who we are. Give it a try in the following Decision Point.

Making ethically responsible decisions throughout one’s life is perhaps the most serious challenge we all face. The easiest thing to do would be to remain passive and simply conform to social and cultural expectations, to “go with the flow.” But such passivity is exactly the sort of unexamined life that Socrates claimed was not worth living. To live a meaningful human life, we must step back and reflect on our decisions, assuming the responsibility of autonomous beings.

Before leaving this discussion it is worth reflecting on those people who do not succumb to temptations and who may not even deliberate in the face of an

Decision Point

The Value of Values

All around us there is a breakdown of values ... It is not just the overpowering greed that pervades our business life. It is the fact that we are not willing to sacrifice for the ethics and values we profess. For an ethics is not an ethics and a value is not a value without some sacrifice to it. Something given up, something not taken. Something not gained.

Jerome Kohlberg, Jr., addressing investors at his retirement from his private equity firm, Kohlberg, Kravis, Roberts & Co. (May 18, 1987)

What values are most important to you? What are you willing to sacrifice to maintain your own values? What is important? What are your priorities?

Questions to Ask Yourself:

Are there any values that you would quit a job over?

What would you be willing to die for?

What do you stand for, personally and professionally?

Is it not important to consider the answers to these questions *before* you are actually faced with a decision?

ethical dilemma. In the following chapter, we will describe an ethical tradition that emphasizes ethical character and virtues. For many people, finding a lost iPod would not raise much of a dilemma at all. Many people would not have to deliberate about what to do or go through a decision-making process before acting. Many people have developed a certain type of character, a set of ethical habits, that will incline them, without deliberation, to act ethically. For every Richard Grasso, there are many business executives who could, but do not, take exorbitant salaries, scheme to manipulate stock options, and otherwise seek to enrich themselves. Developing such habits, inclinations, and character is an important aspect of living an ethical life.

Ethical Decision Making in Managerial Roles

At several points already in this text we have acknowledged that individual decision making can be greatly influenced by the social context in which it occurs. Social circumstances can make it easier or more difficult to act in accordance with one's own judgment. Within business, an organization's context sometimes makes it difficult for even the best-intentioned person to act ethically, or it can make it difficult for a dishonest person to act unethically. Responsibility for the circumstances that can encourage ethical behavior and discourage unethical behavior falls to the business management and executive team. Chapter 4 will examine this issue in more detail as we introduce the concepts of corporate culture and ethical leadership, but it will be helpful to introduce this topic here.

Opening Decision Point Revisited

What Would You Do?

Applying our decision-making model to the iPod case, we would first try to determine the facts. Knowing that the iPod functioned perfectly would be good evidence for concluding that it was left behind accidentally rather than intentionally discarded. Knowing the actual cost of the iPod would also be evidence that it is something likely to be highly valued and not something easily discarded. The cost, as well as your own understanding of private property, makes it clear that this situation raises ethical issues of rights, happiness, personal integrity, and honesty.

Most obviously, this would seem to involve two major stakeholders: the true owner and yourself. But upon reflection, you can understand that whatever decision you make will have broader implications. People will talk about the stolen iPod or the iPod that had been returned, and this can encourage or diminish a campus culture of trust and honesty.

Imagining yourself in the position of the student who lost the iPod or of the student who might sit in judgment at a campus judicial hearing can provide a perspective easily missed if you think only of yourself. Imagining the results of keeping the iPod and then having that fact discovered and publicized is another helpful step. How would you try to justify that decision to others? Considering the number of hours someone might have to work at an on-campus job in order to earn enough money to buy another iPod introduces another important perspective. Finally, a concern with personal integrity would encourage you to reflect on the type of person who keeps another's property and to ask yourself if this is who you really are and want to be.

Given all these steps, it would be difficult to imagine that one could justify a decision to keep the iPod.

The decision-making model introduced in this chapter develops from the point of view of an individual who finds herself in a particular situation. Personal integrity lies at the heart of such individual decision making: What kind of person am I? What are my values? What do I stand for? But every individual also fills a variety of social roles, and these roles carry with them a range of expectations, responsibilities, and duties. Within a business setting, individuals must consider the ethical implications of both **personal and professional decision making**. Some of our roles are social: friend, son or daughter, spouse, citizen, neighbor. Some are institutional: manager, teacher, student body president. Among the major roles and responsibilities that we will examine in this text are those associated with specific professions: attorneys, accountants, auditors, financial analysts, and the like. Decision making in these contexts raises broader questions of social responsibilities and social justice.



OBJECTIVE

Consider how different roles might impact your judgment about the discovery of the iPod. Your judgment about the iPod might differ greatly if you knew that your friend had lost it, or if you were a teacher in the class, or if you were a member of the campus judicial board. Our judgment about Richard Grasso might change when we learn that his professional responsibility included oversight of a regulatory body that governed the very companies that were paying his salary.

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In a business context, individuals fill roles of employees, managers, senior executives, and board members. Managers, executives, and board members have the ability to create and shape the organizational context in which all employees make decisions. They therefore have a responsibility to promote organizational arrangements that encourage ethical behavior and discourage unethical behavior.

The following three chapters develop these topics. Chapter 3 will provide an overview of how some major ethical traditions might offer guidance both to individual decision-makers and to those who create and shape social organizations. Chapter 4 will examine topics of corporate culture, ethical organizations, and ethical leadership. Chapter 5 examines corporate social responsibility, the ends towards which ethical organizations and ethical leaders should aim.

Questions, Projects, and Exercises

1. Consider your own personal values and explain where they originated. Can you pinpoint their derivation? To what degree have you chosen your own values? To what degree are your own values products of your family, your religious or cultural background, or your age? Does it matter where values originate?
2. Identify an activity that is outside of your “zone of comfort”; in other words, do something that you might not otherwise do, experience something that you might not otherwise experience. Before engaging in this activity, consider what your expectations are (i.e., how do you think you will feel, what do you think it will be like?). Then, subsequent to the experience, write a description of the experience and whether the reality matched your expectations, considering in particular your original perceptions and expectations and whether they were accurate.
3. What issue, challenge, or idea do you care about most in the world? Share it in a brief essay, then convince your reader why it is so important that she or he should also care about that issue to the same extent. It may be effective to use the theories discussed in prior chapters to persuade your reader of the value of your argument.
4. Your CEO recognizes you as having extraordinary skills in decision making and communications, so she asks for guidance on how to best communicate her plans for an imminent reduction in force. What are some of the key strategies you will suggest she employ in reaching such a decision and making the announcement?
5. Describe the qualities you believe are necessary in an “ethical leader.” Provide support for your contentions and explain why a leader should evidence these qualities in order to be considered “ethical” from your perspective. Then identify someone you believe embodies these qualities in her or his leadership and provide examples. Finally, provide an example of someone who you believe does not possess these qualities and describe that person’s leadership.
6. How can your global firm best ensure that it is taking into account the perceptual differences that may exist as a result of diverse cultures, religions, ethnicities, and other factors when creating a worldwide marketing plan?
7. Describe an event or decision that you would judge to be clearly unethical. Can you imagine any circumstances in which it would be ethical? Can you imagine a situation in which you yourself would do something unethical?
8. As a class exercise, write a brief account of any unethical or ethically questionable experience you have witnessed in a work context. Read and discuss the examples in class, keeping the authors anonymous. Consider how the organization allowed or encouraged such behavior and what might have been done to prevent it.

Key Terms

After reading this chapter, you should have a clear understanding of the following Key Terms. The page numbers refer to the point at which they were discussed in the chapter. For a more complete definition, please see the Glossary.

ethical decision-making process, <i>p.</i> 37	normative myopia, <i>p.</i> 38	personal and professional decision making, <i>p.</i> 47
moral imagination, <i>p.</i> 40	perceptual differences, <i>p.</i> 37	

Endnotes

1. The concept of normative myopia as applied to business executives can be found in Diane Swanson, "Toward an Integrative Theory of Business and Society," *Academy of Management Review*, vol. 24, no. 3 (July 1999) pp. 506–521.
2. For a far more in-depth analysis of moral imagination, please see Patricia H. Werhane, *Moral Imagination and Management Decision Making* (New York: Oxford University Press, 1999).
3. Rick Tetzeli, "Business Students Cheat Most," *Fortune*, July 1, 1991, p. 14. See also James Stearns and Shaheen Borna, "A Comparison of the Ethics of Convicted Felons and Graduate Business Students: Implications for Business Practice and Business Ethics Education," *Teaching Business Ethics* 2 (1998), pp. 175–195. This research found that MBA students were more likely to cheat than convicted felons.
4. Stearns and Borna, "A Comparison of the Ethics of Convicted Felons and Graduate Business Student," p. 18.

Readings

Reading 2-1: "Abandoning the 'Just School' Myth," by Tara Radin, *p.* 49

Reading 2-2: "The Parable of the Sadhu," by Bowen H. McCoy, *p.* 52

Reading 2-3: "When Good People Do Bad Things at Work," by Dennis Moberg, *p.* 58

Reading 2-1

Abandoning the "Just School" Myth

Tara Radin

Have you ever cheated on a test? Perhaps you just glanced over your shoulder and happened to notice a classmate's answer on a question that was giving you trouble. Have you ever seen someone else cheat? During an exam, have you ever looked around and noticed other students paying unusually close attention to their cell phones or PDAs? Advances in technology have created new opportunities for cheaters and are making it increasingly difficult for professors to proctor their exams.

The Internet has also introduced new challenges regarding paper assignments. Students can purchase papers online on almost any subject. Of course, technology also makes it easier to catch cheaters. Turnitin, for example, is an Internet-based subscription service that helps to identify attempts at plagiarism by comparing submissions to multiple databases including its own repository of tens of millions of previously submitted student papers; millions of commercial pages from books, newspapers, and journals; and publicly available Internet information.

What Is It?

Cheating occurs when a person obtains an unfair advantage. Plagiarism is one type of cheating. It occurs when a person attempts to pass off someone else's work as his or her own by using someone else's words or ideas without citing the source. More than 75 percent of college students admit to having cheated in school, and this number appears to be increasing.

This is a real problem and it is about much more than grades on quizzes and tests. If we, as a society, condone this sort of behavior in schools, explicitly or implicitly, by not putting an end to it, it makes it all the more difficult for us to maintain vibrant, trusting communities as adults. How did Enron happen? What about WorldCom or Tyco? It is ironic that we ask those questions as if the answers are mysteries. Some people throw stones at the business schools—"They are not teaching business ethics appropriately!"

Why Do I Care?

The problem, though, is much deeper: students cannot be taught ethics if they are not willing to learn—and this willingness to learn has to be rooted deeper than in the requirements for a program of study. In order for undergraduate or graduate business ethics teaching to be successful, students have to begin with their own sets of values. Values are not learned in the classroom like math and science; values are acquired over time. Children develop their sense of "right" and "wrong" according to what they learn at home from their parents, what their religion teaches, and what they see day-to-day in the world around them.

Numerous studies emphasize the importance of families regularly eating dinner together. These studies show that children perform better in school and are better adjusted overall as teens and adults when they come from families that have eaten together regularly. If you stop to think about it, this makes sense. The dinner table is not just about the meal, but also about conversation. Regular dinners ensure that children have face time with their parents and siblings, and accompanying this are innumerable opportunities for children to hear about and see values in action, which they often acquire by osmosis.

What Are Others Doing?

Schools, particularly high schools, can help to reinforce in students the values they learn at home. In fact, a number of high schools, colleges, and universities have honor codes that do just this.

The University of Virginia (UVa) has a model honor code, which has been in existence for more than 150 years. In fact, it is the country's oldest student-run system. The premise of UVa's Honor System is that the university represents people who choose to live together in a community of trust. One of the conditions for living in that community is "honor." UVa does not claim to teach honor; rather, it is assumed that community members are honorable—or, at least, agree to live as honorable people—in order to preserve trust. If a new member wants to join the community, he or she is required to agree to abide by the honor code. Before entering UVa, students must pledge not to lie, cheat, or steal at UVa, in Charlottesville or Albemarle County, or anywhere where he or she represents him- or herself as a UVa student. Thus the honor code not only encompasses academic fraud but also has been interpreted to cover the writing of bad checks and the use of fake IDs.

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UVa's honor code is extreme. Either community members live honorably or they are asked to leave. In other words, there is only a single sanction. If a student admits to an honor infraction or is found guilty of an act of lying, cheating, or stealing by a jury of his or her student peers, that student is asked (required) to leave UVa. No matter how insignificant the infraction, the student is no longer welcome in the community.

The Honor System remains alive and well at UVa. Although it is challenged periodically by student leaders and the full student body, the Honor System and its single sanction continue to withstand scrutiny as student referenda repeatedly reaffirm its reliability and importance.

The Honor System at UVa is one example of how a community can combat cheating. It is not the only way, and it is far from perfect. Cheating still unfortunately occurs at UVa, but the system does provide a strong deterrent. Studies show that cheating occurs significantly less on campuses with honor codes.

UVa's Honor System also includes a requirement that students report suspected instances of lying, cheating, and stealing. This, like the single sanction, attracts a significant amount of controversy. Children are taught not to "tattle," and college students resent the imposition of this sort of burden. The reality is that there is no way to enforce this provision, and it is likely that numerous suspected incidents remain unreported. UVa has nevertheless instituted a procedure through which incidents can be reported anonymously to attempt to make it easier for students to report suspected incidents.

What Can I Do?

Although many students attempt to rationalize their dishonorable behavior by saying, "It's just school," the reality is that behavior in the classroom mirrors what happens in the so-called "real world." The student who sits behind you in class becomes the co-worker sitting next to you in the office or the sales representative with whom you negotiate a purchase for your office.

An important first step involves abandoning the "just school" myth: it is not "just school." How you behave in one sphere of your life influences how you behave in others. While you cannot necessarily control how others act, you can control how you act. If you choose to cheat, recognize that it is a choice and there are consequences, even if you are never "caught."

A second step involves deciding what you will tolerate and deem acceptable from others. Even if you choose not to report suspected honor infractions (as a student) or violations of the law (as an adult), how you respond matters. If a friend grabs you after an exam and laughs about how he or she was able to cheat without the professor noticing, how do you respond? Do you laugh along with your friend? Or do you let him or her know how wrong the behavior was?

The question you should perhaps be asking is, "Do I want to live in a community of trust?" You alone cannot create a community of trust, but do you want to live in one? If so, then you need to create one by being a trusting, honorable person. Like UVa, you can say that you want to deal only with others like you, who are trustworthy. When someone acts dishonorably, you can then choose not to continue interacting with that person. Some might argue that you could end up with a very small community. If, however, enough people make that choice, the communities of trust will eventually get larger. The choice is yours.

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Reading 2-2

The Parable of the Sadhu

Bowen H. McCoy

Last year, as the first participant in the new six-month sabbatical program that Morgan Stanley has adopted, I enjoyed a rare opportunity to collect my thoughts as well as do some traveling. I spent the first three months in Nepal, walking 600 miles through 200 villages in the Himalayas and climbing some 120,000 vertical feet. My sole Western companion on the trip was an anthropologist who shed light on the cultural patterns of the villages that we passed through.

During the Nepal hike, something occurred that has had a powerful impact on my thinking about corporate ethics. Although some might argue that the experience has no relevance to business, it was a situation in which a basic ethical dilemma suddenly intruded into the lives of a group of individuals. How the group responded holds a lesson for all organizations, no matter how defined.

The Sadhu

The Nepal experience was more rugged than I had anticipated. Most commercial treks last two or three weeks and cover a quarter of the distance we traveled.

My friend Stephen, the anthropologist, and I were halfway through the 60-day Himalayan part of the trip when we reached the high point, an 18,000-foot pass over a crest that we'd have to traverse to reach the village of Muklinath, an ancient holy place for pilgrims.

Six years earlier, I had suffered pulmonary edema, an acute form of altitude sickness, at 16,500 feet in the vicinity of Everest base camp, so we were understandably concerned about what would happen at 18,000 feet. Moreover, the Himalayas were having their wettest spring in 20 years, hip-deep powder and ice had already driven us off one ridge. If we failed to cross the pass, I feared that the last half of our once-in-a-lifetime trip would be ruined.

The night before we would try the pass, we camped in a hut at 14,500 feet. In the photos taken at that camp, my face appears wan. The last village we'd passed through was a sturdy two-day walk below us, and I was tired.

During the late afternoon, four backpackers from New Zealand joined us, and we spent most of the night awake, anticipating the climb. Below, we could see the fires of two other parties, which turned out to be two Swiss couples and a Japanese hiking club.

To get over the steep part of the climb before the sun melted the steps cut in the ice, we departed at 3:30 A.M. The New Zealanders left first, followed by Stephen and myself, our porters and Sherpas, and then the Swiss. The Japanese lingered in their camp. The sky was clear, and we were confident that no spring storm would erupt that day to close the pass.

At 15,500 feet, it looked to me as if Stephen were shuffling and staggering a bit, which are symptoms of altitude sickness. (The initial stage of altitude sickness brings a headache and nausea. As the condition worsens, a climber may encounter difficult breathing, disorientation, aphasia, and paralysis.) I felt strong—my adrenaline was flowing—but I was very concerned about my ultimate ability to get across. A couple of our porters were also suffering from the height, and Pasang, our Sherpa sirdar (leader), was worried.

Just after daybreak, while we rested at 15,500 feet, one of the New Zealanders, who had gone ahead, came staggering down toward us with a body slung across his shoulders. He

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dumped the almost naked, barefoot body of an Indian holy man, a sadhu, at my feet. He had found the pilgrim lying on the ice, shivering and suffering from hypothermia. I cradled the sadhu's head and laid him out on the rocks. The New Zealander was angry. He wanted to get across the pass before the bright sun melted the snow. He said, "Look, I've done what I can. You have porters and Sherpa guides. You care for him. We're going on!" He turned and went back up the mountain to join his friends.

I took a carotid pulse and found that the sadhu was still alive. We figured he had probably visited the holy shrines at Muklinath and was on his way home. It was fruitless to question why he had chosen this desperately high route instead of the safe, heavily traveled caravan route through the Kali Gandaki gorge. Or why he was shoeless and almost naked, or how long he had been lying in the pass. The answers weren't going to solve our problem.

Stephen and the four Swiss began stripping off their outer clothing and opening their packs. The sadhu was soon clothed from head to foot. He was not able to walk, but he was very much alive. I looked down the mountain and spotted the Japanese climbers, marching up with a horse.

Without a great deal of thought, I told Stephen and Pasang that I was concerned about withstanding the heights to come and wanted to get over the pass. I took off after several of our porters who had gone ahead.

On the steep part of the ascent where, if the ice steps had given way, I would have slid down about 3,000 feet, I felt vertigo. I stopped for a breather, allowing the Swiss to catch up with me. I inquired about the sadhu and Stephen. They said that the sadhu was fine and that Stephen was just behind them. I set off again for the summit.

Stephen arrived at the summit an hour after I did. Still exhilarated by victory, I ran down the slope to congratulate him. He was suffering from altitude sickness—walking 15 steps, then stopping, walking 15 steps, then stopping. Pasang accompanied him all the way up. When I reached them, Stephen glared at me and said: "How do you feel about contributing to the death of a fellow man?"

I did not completely comprehend what he meant. "Is the sadhu dead?" I inquired.

"No," replied Stephen, "but he surely will be!"

After I had gone, followed not long after by the Swiss, Stephen had remained with the sadhu. When the Japanese had arrived, Stephen had asked to use their horse to transport the sadhu down to the hut. They had refused. He had then asked Pasang to have a group of our porters carry the sadhu. Pasang had resisted the idea, saying that the porters would have to exert all their energy to get themselves over the pass. He believed they could not carry a man down 1,000 feet to the hut, retrace the slope, and get across safely before the snow melted. Pasang had pressed Stephen not to delay any longer.

The Sherpas had carried the sadhu down to a rock in the sun at about 15,000 feet and pointed out the hut another 500 feet below. The Japanese had given him food and drink. When they had last seen him, he was listlessly throwing rocks at the Japanese party's dog, which had frightened him.

We do not know if the sadhu lived or died.

For many of the following days and evenings, Stephen and I discussed and debated our behavior toward the sadhu. Stephen is a committed Quaker with deep moral vision. He said, "I feel that what happened with the sadhu is a good example of the breakdown between the individual ethic and the corporate ethic. No one person was willing to assume ultimate responsibility for the sadhu. Each was willing to do his bit just so long as it was not too inconvenient. When it got to be a bother, everyone just passed the buck to someone else and took off. Jesus was relevant to a more individualistic stage of society, but how do we interpret his teaching today in a world filled with large, impersonal organizations and groups?"

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I defended the larger group, saying, “Look, we all cared. We all gave aid and comfort. Everyone did his bit. The New Zealander carried him down below the snow line. I took his pulse and suggested we treat him for hypothermia. You and the Swiss gave him clothing and got him warmed up. The Japanese gave him food and water. The Sherpas carried him down to the sun and pointed out the easy trail toward the hut. He was well enough to throw rocks at a dog. What more could we do?”

“You have just described the typical affluent Westerner’s response to a problem. Throwing money—in this case, food and sweaters—at it, but not solving the fundamentals!” Stephen retorted.

“What would satisfy you?” I said. “Here we are, a group of New Zealanders, Swiss, Americans, and Japanese who have never met before and who are at the apex of one of the most powerful experiences of our lives. Some years the pass is so bad no one gets over it. What right does an almost naked pilgrim who chooses the wrong trail have to disrupt our lives? Even the Sherpas had no interest in risking the trip to help him beyond a certain point.”

Stephen calmly rebutted, “I wonder what the Sherpas would have done if the sadhu had been a well-dressed Nepali, or what the Japanese would have done if the sadhu had been a well-dressed Asian, or what you would have done, Buzz, if the sadhu had been a well-dressed Western woman?”

“Where, in your opinion,” I asked, “is the limit of our responsibility in a situation like this? We had our own well-being to worry about. Our Sherpa guides were unwilling to jeopardize us or the porters for the sadhu. No one else on the mountain was willing to commit himself beyond certain self-imposed limits.”

Stephen said, “As individual Christians or people with a Western ethical tradition, we can fulfill our obligations in such a situation only if one, the sadhu dies in our care; two, the sadhu demonstrates to us that he can undertake the two-day walk down to the village; or three, we carry the sadhu for two days down to the village and persuade someone there to care for him.”

“Leaving the sadhu in the sun with food and clothing—where he demonstrated hand-eye coordination by throwing a rock at a dog—comes close to fulfilling items one and two,” I answered. “And it wouldn’t have made sense to take him to the village where the people appeared to be far less caring than the Sherpas, so the third condition is impractical. Are you really saying that, no matter what the implications, we should, at the drop of a hat, have changed our entire plan?”

The Individual versus the Group Ethic

Despite my arguments, I felt and continue to feel guilt about the sadhu. I had literally walked through a classic moral dilemma without fully thinking through the consequences. My excuses for my actions include a high adrenaline flow, a superordinate goal, and a once-in-a-lifetime opportunity—common factors in corporate situations, especially stressful ones.

Real moral dilemmas are ambiguous, and many of us hike right through them, unaware that they exist. When, usually after the fact, someone makes an issue of one, we tend to resent his or her bringing it up. Often, when the full import of what we have done (or not done) hits us, we dig into a defensive position from which it is very difficult to emerge. In rare circumstances, we may contemplate what we have done from inside a prison.

Had we mountaineers been free of stress caused by the effort and the high altitude, we might have treated the sadhu differently. Yet isn’t stress the real test of personal and corporate values? The instant decisions that executives make under pressure reveal the most about personal and corporate character.

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Among the many questions that occur to me when I ponder my experience with the sadhu are: What are the practical limits of moral imagination and vision? Is there a collective or institutional ethic that differs from the ethics of the individual? At what level of effort or commitment can one discharge one's ethical responsibilities?

Not every ethical dilemma has a right solution. Reasonable people often disagree; otherwise there would be no dilemma. In a business context, however, it is essential that managers agree on a process for dealing with dilemmas.

Our experience with the sadhu offers an interesting parallel to business situations. An immediate response was mandatory. Failure to act was a decision in itself. Up on the mountain we could not resign and submit our résumés to a headhunter. In contrast to philosophy, business involves action and implementation—getting things done. Managers must come up with answers based on what they see and what they allow to influence their decision-making processes. On the mountain, none of us but Stephen realized the true dimensions of the situation we were facing.

One of our problems was that as a group we had no process for developing a consensus. We had no sense of purpose or plan. The difficulties of dealing with the sadhu were so complex that no one person could handle them. Because the group did not have a set of preconditions that could guide its action to an acceptable resolution, we reacted instinctively as individuals. The cross-cultural nature of the group added a further layer of complexity. We had no leader with whom we could all identify and in whose purpose we believed. Only Stephen was willing to take charge, but he could not gain adequate support from the group to care for the sadhu.

Some organizations do have values that transcend the personal values of their managers. Such values, which go beyond profitability, are usually revealed when the organization is under stress. People throughout the organization generally accept its values, which, because they are not presented as a rigid list of commandments, may be somewhat ambiguous. The stories people tell, rather than printed materials, transmit the organization's conceptions of what is proper behavior.

For 20 years, I have been exposed at senior levels to a variety of corporations and organizations. It is amazing how quickly an outsider can sense the tone and style of an organization and, with that, the degree of tolerated openness and freedom to challenge management.

Organizations that do not have a heritage of mutually accepted, shared values tend to become unhinged during stress, with each individual bailing out for himself or herself. In the great takeover battles we have witnessed during past years, companies that had strong cultures drew the wagons around them and fought it out, while other companies saw executives—supported by golden parachutes—bail out of the struggles.

Because corporations and their members are interdependent, for the corporation to be strong the members need to share a preconceived notion of correct behavior, a “business ethic,” and think of it as a positive force, not a constraint.

As an investment banker, I am continually warned by well-meaning lawyers, clients, and associates to be wary of conflicts of interest. Yet if I were to run away from every difficult situation, I wouldn't be an effective investment banker. I have to feel my way through conflicts. An effective manager can't run from risk either; he or she has to confront risk. To feel “safe” in doing that, managers need the guidelines of an agreed-upon process and set of values within the organization.

After my three months in Nepal, I spent three months as an executive-in-residence at both the Stanford Business School and the University of California at Berkeley's Center for Ethics and Social Policy of the Graduate Theological Union. Those six months away from my job gave me time to assimilate 20 years of business experience. My thoughts turned often to the meaning of the leadership role in any large organization. Students at the

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seminary thought of themselves as antibusiness. But when I questioned them, they agreed that they distrusted all large organizations, including the church. They perceived all large organizations as impersonal and opposed to individual values and needs. Yet we all know of organizations in which people's values and beliefs are respected and their expressions encouraged. What makes the difference? Can we identify the difference and, as a result, manage more effectively?

The word *ethics* turns off many and confuses more. Yet the notions of shared values and an agreed-upon process for dealing with adversity and change—what many people mean when they talk about corporate culture—seem to be at the heart of the ethical issue. People who are in touch with their own core beliefs and the beliefs of others and who are sustained by them can be more comfortable living on the cutting edge. At times, taking a tough line or a decisive stand in a muddle of ambiguity is the only ethical thing to do. If a manager is indecisive about a problem and spends time trying to figure out the “good” thing to do, the enterprise may be lost.

Business ethics, then, has to do with the authenticity and integrity of the enterprise. To be ethical is to follow the business as well as the cultural goals of the corporation, its owners, its employees, and its customers. Those who cannot serve the corporate vision are not authentic businesspeople and, therefore, are not ethical in the business sense.

At this stage of my own business experience, I have a strong interest in organizational behavior. Sociologists are keenly studying what they call corporate stories, legends, and heroes as a way organizations have of transmitting value systems. Corporations such as Arco have even hired consultants to perform an audit of their corporate culture. In a company, a leader is a person who understands, interprets, and manages the corporate value system. Effective managers, therefore, are action-oriented people who resolve conflict, are tolerant of ambiguity, stress, and change, and have a strong sense of purpose for themselves and their organizations.

If all this is true, I wonder about the role of the professional manager who moves from company to company. How can he or she quickly absorb the values and culture of different organizations? Or is there, indeed, an art of management that is totally transportable? Assuming that such fungible managers do exist, is it proper for them to manipulate the values of others?

What would have happened had Stephen and I carried the sadhu for two days back to the village and become involved with the villagers in his care? In four trips to Nepal, my most interesting experience occurred in 1975 when I lived in a Sherpa home in the Khumbu for five days while recovering from altitude sickness. The high point of Stephen's trip was an invitation to participate in a family funeral ceremony in Manang. Neither experience had to do with climbing the high passes of the Himalayas. Why were we so reluctant to try the lower path, the ambiguous trail? Perhaps because we did not have a leader who could reveal the greater purpose of the trip to us.

Why didn't Stephen, with his moral vision, opt to take the sadhu under his personal care? The answer is partly because Stephen was hard-stressed physically himself and partly because, without some support system that encompassed our involuntary and episodic community on the mountain, it was beyond his individual capacity to do so.

I see the current interest in corporate culture and corporate value systems as a positive response to pessimism such as Stephen's about the decline of the role of the individual in large organizations. Individuals who operate from a thoughtful set of personal values provide the foundation for a corporate culture. A corporate tradition that encourages freedom of inquiry, supports personal values, and reinforces a focused sense of direction can fulfill the need to combine individuality with the prosperity and success of the group. Without such corporate support, the individual is lost.

That is the lesson of the sadhu. In a complex corporate situation, the individual requires and deserves the support of the group. When people cannot find such support in their organizations, they don't know how to act. If such support is forthcoming, a person has a stake in the success of the group and can add much to the process of establishing and maintaining a corporate culture. Management's challenge is to be sensitive to individual needs, to shape them, and to direct and focus them for the benefit of the group as a whole.

For each of us the sadhu lives. Should we stop what we are doing and comfort him; or should we keep trudging up toward the high pass? Should I pause to help the derelict I pass on the street each night as I walk by the Yale Club en route to Grand Central Station? Am I his brother? What is the nature of our responsibility if we consider ourselves to be ethical persons? Perhaps it is to change the values of the group so that it can, with all its resources, take the other road.

When Do We Take a Stand?

I wrote about my experiences purposely to present an ambiguous situation. I never found out if the sadhu lived or died. I can attest, though, that the sadhu lives on in his story. He lives in the ethics classes I teach each year at business schools and churches. He lives in the classrooms of numerous business schools, where professors have taught the case to tens of thousands of students. He lives in several casebooks on ethics and on an educational video. And he lives in organizations such as the American Red Cross and AT&T, which use his story in their ethics training.

As I reflect on the sadhu now, 15 years after the fact, I first have to wonder, What actually happened on that Himalayan slope? When I first wrote about the event, I reported the experience in as much detail as I could remember, but I shaped it to the needs of a good classroom discussion. After years of reading my story, viewing it on video, and hearing others discuss it, I'm not sure I myself know what actually occurred on the mountainside that day!

I've also heard a wide variety of responses to the story. The sadhu, for example, may not have wanted our help at all—he may have been intentionally bringing on his own death as a way to holiness. Why had he taken the dangerous way over the pass instead of the caravan route through the gorge? Hindu businesspeople have told me that in trying to assist the sadhu, we were being typically arrogant Westerners imposing our cultural values on the world.

I've learned that each year along the pass, a few Nepali porters are left to freeze to death outside the tents of the unthinking tourists who hired them. A few years ago, a French group even left one of their own, a young French woman, to die there. The difficult pass seems to demonstrate a perverse version of Gresham's law of currency: The bad practices of previous travelers have driven out the values that new travelers might have followed if they were at home. Perhaps that helps to explain why our porters behaved as they did and why it was so difficult for Stephen or anyone else to establish a different approach on the spot.

Our Sherpa sirdar, Pasang, was focused on his responsibility for bringing us up the mountain safe and sound. (His livelihood and status in the Sherpa ethnic group depended on our safe return.) We were weak, our party was split, the porters were well on their way to the top with all our gear and food, and a storm would have separated us irrevocably from our logistical base.

The fact was, we had no plan for dealing with the contingency of the sadhu. There was nothing we could do to unite our multicultural group in the little time we had. An ethical dilemma had come upon us unexpectedly, an element of drama that may explain why the sadhu's story has continued to attract students.

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I am often asked for help in teaching the story. I usually advise keeping the details as ambiguous as possible. A true ethical dilemma requires a decision between two hard choices. In the case of the sadhu, we had to decide how much to sacrifice ourselves to take care of a stranger. And given the constraints of our trek, we had to make a group decision, not an individual one. If a large majority of students in a class ends up thinking I'm a bad person because of my decision on the mountain, the instructor may not have given the case its due. The same is true if the majority sees no problem with the choices we made.

Any class's response depends on its setting, whether it's a business school, a church, or a corporation. I've found that younger students are more likely to see the issue as black-and-white, whereas older ones tend to see shades of gray. Some have seen a conflict between the different ethical approaches that we followed at the time. Stephen felt he had to do everything he could to save the sadhu's life, in accordance with his Christian ethic of compassion. I had a utilitarian response: Do the greatest good for the greatest number. Give a burst of aid to minimize the sadhu's exposure, then continue on our way.

The basic question of the case remains, When do we take a stand? When do we allow a "sadhu" to intrude into our daily lives? Few of us can afford the time or effort to take care of every needy person we encounter. How much must we give of ourselves? And how do we prepare our organizations and institutions so they will respond appropriately in a crisis? How do we influence them if we do not agree with their points of view?

We cannot quit our jobs over every ethical dilemma, but if we continually ignore our sense of values, who do we become? As a journalist asked at a recent conference on ethics, "Which ditch are we willing to die in?" For each of us, the answer is a bit different. How we act in response to that question defines better than anything else who we are, just as, in a collective sense, our acts define our institutions. In effect, the sadhu is always there, ready to remind us of the tensions between our own goals and the claims of strangers.

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Reading 2-3

When Good People Do Bad Things at Work *Rote Behavior, Distractions, and Moral Exclusion* *Stymie Ethical Behavior on the Job*

Dennis J. Moberg

The news is full of the exploits of corporate villains. We read about how officials at Lincoln Savings and Loan bilked thousands out of their customers' retirement nest eggs. There are stories of the lies Brown and Williamson Tobacco executives told about the addictive nature of cigarettes and the company's subsequent campaign to destroy whistle-blower Jeffrey Wigant. Also in the news are the top managers at Time Warner who looked the other way rather than forgo millions from the sale of rap music with lyrics that advocated violence directed at women and the police. Such acts are hard to forgive. Scoundrels such as these seem either incredibly weak or dangerously flawed.

Yet not all corporate misdeeds are committed by bad people. In fact, a significant number of unethical acts in business are the likely result of foibles and failings rather than selfishness and greed. Put in certain kinds of situations, good people inadvertently do bad things.

For those of us concerned about ethical actions and not just good intentions, the problem is clear. We must identify the situational factors that keep people from doing their best and eliminate them whenever we can.

Problem No. 1: Scripts

One factor is something psychologists call scripts. This term refers to the procedures that experience tells us to use in specific situations. When we brush our teeth or congratulate a friend on the arrival of a new grandchild, we probably use scripts.

Unlike other forms of experience, scripts are stored in memory in a mechanical or rote fashion. When we encounter a very familiar situation, rather than actively think about it, we reserve our mental energy for other purposes and behave as though we are cruising on automatic pilot.

In a classic psychological experiment, people approached someone at an office machine making copies and asked, “May I please make just one copy because ...” The person at the machine generally complied with this request, but the really interesting finding was that the likelihood of compliance was totally independent of the reasons stated. In fact, superfluous reasons such as “because I need to make a copy” were just as successful as good reasons such as “because my boss told me she needed these right away.” Apparently, we have all experienced this situation so often that we don’t give the reasons our full attention, not to mention our careful consideration.

One ethical lapse clearly attributable to scripts was Ford Motor Co.’s failure to recall the Pinto in the 1970s. The Pinto was an automobile with an undetected design flaw that made the gas tank burst into flames on impact, resulting in the death and disfigurement of scores of victims. Dennis Gioia, the Ford recall coordinator at the time, reviewed hundreds of accident reports to detect whether a design flaw was implicated. Later, he recalled,

When I was dealing with the first trickling-in of field reports that might have suggested a significant problem with the Pinto, the reports were essentially similar to many others that I was dealing with (and dismissing) all the time.... I was making this kind of decision automatically every day. I had trained myself to respond to prototypical cues, and these didn’t fit the relevant prototype for crisis cases.

Situations like this occur frequently in the work world. Repetitive jobs requiring vigilance to prevent ethical lapses can be found in quality control, customer service, and manufacturing. In this respect, consider what happened when a nurse with a script that called for literal obedience to a doctor’s written orders misread the directions to place ear drops in a patient’s right ear as “place in Rear.” Good people can inadvertently do very bad things.

Scripts may also be at work when we come face to face with those who are suffering. In situations where we observe the pain of those in need, scripts permit us to steel ourselves against feelings of empathy. Most of us have been approached by the homeless on the street, exposed to horrific images on the television news, and asked for donations on behalf of the victims of natural disasters.

According to research at the University of Kansas, scripts allow people to avoid responsibility for the suffering of others in situations when providing help appears costly. In work contexts, this might explain why businesspeople do not always respond philanthropically to documented cases of human suffering. What appears to be calculated indifference may actually not be calculated at all.

Whenever there is repetition, there are likely to be scripts. Accordingly, the best way to eliminate the potential of scripts to result in unethical behavior is to keep people out of

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highly repetitive situations. Technology can and has been used to eliminate highly routine tasks, but job rotation is also an option. For example, the *Daily Oklahoman* newspaper of Oklahoma City cross-trains most of its editors and schedules them to switch roles often. This helps keep the editors mentally sharp.

One editor who often switches roles from night to night commented: “You’re fresh when you come to a particular job. Like last night I did inside [design], and it was a long and torturous night because of the large paper. But then again I turn around and do something thoroughly different tonight, so I don’t feel like I’m trudging back to the same old rut again.”

Oklahoman News Editor Ed Sargent thinks editing quality has improved because those who switch roles are exposed to the different approaches their colleagues take to the job. “Every editor has different opinions, obviously, about what’s a big error and what’s a little error,” he said. Although the original intent of the role switching was to distribute stress more evenly, a side effect is that the paper is probably less prone to ethical lapses.

Problem No. 2: Distractions

Scripts are cognitive shortcuts that take the place of careful thinking. A similar human tendency is our mindless treatment of distractions. Think for a moment about the last time you drove to a very important meeting. Once there, were you able to recall any details of your journey? Most of us cannot, which demonstrates that when concentrating on completing an involving task, we don’t deal well with distractions.

This inattention to what is happening on the periphery can get us into trouble with our spouses and significant others, and it can also result in ethical lapses. In one very telling experiment, divinity students were told that they had to deliver a lecture from prepared notes in a classroom across campus. Half the students were told they had to hurry to be on time, and the other half were told they had more than ample time.

On the way, the students came across a person in distress (actually an actor), who sat slumped motionless in a doorway, coughing and groaning. Shockingly, only 16 of the 40 divinity students stopped to help, most of them from the group that had ample time. To those in a hurry, the man was a distraction, a threat to their focus on giving a lecture. Ironically enough, half of them had been asked to discuss the parable of “The Good Samaritan.”

Mindlessness about distractions at work is most pronounced when employees, with limited means of gaining perspective, are encouraged to be focused and driven. The best way to combat this tendency is for senior managers to model the virtue of temperance. If the president of a company is a workaholic, it is difficult to convince employees to be open to problems on the outskirts of their commitments. In contrast, an organizational culture that facilitates work–family balance or encourages employee involvement in the community may move experiences that should not be seen as mere distractions onto the center stage of consciousness.

Problem No. 3: Moral Exclusion

A final problem that brings out the worst in good people is the very human tendency to morally exclude certain persons. This occurs when individuals or groups are perceived as outside the boundary in which moral values and considerations of fairness apply. The most striking example occurs during warfare when the citizens of a country readily perceive their enemies in demonic terms. Yet, this tendency to discount the moral standing of others results in us discounting all kinds of people, some of them as close as coworkers and valued customers.

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Greater awareness and extensive training have reduced some of the exclusion women and people of color have historically experienced. More work needs to be done in this area, as well as in other equally insidious forms of exclusion.

One way such exclusion shows up is in our use of pronouns. If *we* are in marketing and *they* are in production, the chances are that the distance may be great enough for us to be morally indifferent to what happens to them. Similarly, if we use stereotypic terms like *bean counter* or sneer when we say *management*, then it is clear that people in these categories don't count.

Not surprisingly, one way to expand the scope of justice is to promote direct contact with individuals who have been morally excluded. One company that applied this notion in an intriguing way is Eisai, a Japanese pharmaceutical firm. In the late 1980s, Haruo Naito had recently become CEO, and his closest advisers expressed concern that his managers and employees lacked an understanding of the end users of Eisai's products.

Hearing this, Naito decided to shift the focus of attention from the customers of his company's products—doctors and pharmacists—to *their* customers—patients and their families. Eisai managers, he decided, needed to identify better with end users and then infuse the insights from this sense of inclusion throughout the organization. This was a revolutionary idea for this company of 4,500 employees, but Naito believed his employees needed a more vivid reason to care deeply about their work.

"It's not enough to tell employees that if they do something, the company will grow this much or their salary will increase this much. That's just not enough incentive," says Naito. "You have to show them how what they are doing is connected to society, or exactly how it will help a patient." Accordingly, Naito decided to send 100 managers to a seven-day seminar: three days of nursing-home training and four days of medical care observation.

These managers were then sent to diverse regions throughout Japan, where they had to deal with different people, many of whom were in critical condition. They met patients with both physical and emotional problems; some of the patients they came in contact with died during their internships.

This pilot program grew to include more than 1,000 Eisai employees. Pretty soon, even laboratory support personnel had to leave their benches and desks and meet regularly with pharmacists and hospital people.

"Getting them out of the office was a way to activate human relationships," says Naito. Another way was to institute hotlines, which have generated product ideas. As a consequence, many new Eisai drugs were produced, including some that have promise in dealing with Alzheimer's disease. Clearly, moral inclusion was stimulated at Eisai, at least insofar as the end users of its products are concerned.

Failing to Bother

Jesuit scholar James F. Keenan reminds us that "sinners in the New Testament are known not for what they did, but for what they failed to do—for failing to bother." We are all prone to this failure, but not necessarily because we are sinners. Repetition, distractions, and our natural tendency to exclude those unfamiliar to us cloud our best thinking and forestall the expression of our virtues. We owe it to ourselves to resist these pernicious influences, and we owe it to those in our work communities to help them to do the same.

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