A Colloquium in Business Ethics

An Honors Thesis (ID 499)

by

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A Colloquium in Business Ethics

The course presented here is intended to be an Honors Colloquium, maintaining the liberal arts tradition of the Honors College, while initiating the Honors student to the complex issues involving ethics in business. According to Manuel Velasquez, "Business ethics is a specialized study of moral right and wrong. It concentrates on how moral standards apply particularly to business policies, institutions, and behavior." Applying morals in the commercial arena is not an easy task, as they often conflict with economic objectives. An Honors Colloquium in business ethics would allow some of the College of Business's top performing students a unique opportunity to examine theories and issues in business ethics.

I feel that assuming that students have backgrounds which provide them with adequate moral reasoning skills is an ineffective way to generate ethical business college graduates. With stories of the ethical downfalls of business people flooding the media, it is obvious that business ethics merits representation in undergraduate, as well as graduate, business programs. The most thorough coverage would be available in a required, three-hour course. However, discussion with my thesis advisor, Dr. William R. LaFollette, has led me to believe that the College of Business at Ball State University is unable to support a separate course requirement in business ethics, due to lack of specialized faculty in this area and an already full

curriculum. Dr. LaFollette feels that discussion of business ethics-related topics can be effectively covered in different classes which can apply them to a functional field of study. I agree, but feel that currently many of the faculty are either unwilling to devote class time to ethics or are not capable of leading discussion or lecturing on the topic. This seems to be changing due to an increased emphasis on ethics from the American Association of Collegiate Schools of Business (AACSB). Another way to reach students includes offering a course in business ethics as an elective, but in my opinion this approach would most likely fail due to lack of student awareness and interest. At this time I feel that an Honors Colloquium in business ethics would be an asset to the College of Business and the Honors College curricula and an excellent way for many of the future's brightest business leaders to acquire a greater understanding of the complex moral judgments they will be forced to make in the commercial world.

The ideal class would consist of fifteen to twenty Honors College students and would be led by a professor skilled in leading student discussion, which is the hallmark of the Honors Colloquia. Because colloquia are one-hour courses, time is necessarily a factor and the consideration of most topics is correspondingly light. Indeed, I have chosen to omit consideration of chapters four and five due to these time constraints. Rather than presenting an in-depth discussion, this course will help students become more aware of the theoretical
bases for ethical decision-making and hopefully give them an insight into balancing the economic performance and the social performance of an organization.

NOTES TO THE INSTRUCTOR TEACHING THE COURSE

The course presented here can be adjusted to allow time for another guest speaker by combining the two weeks allotted for discussion of chapter six. During my research I spoke with James G. Coe, Associate Professor of Business and Economics, who teaches a business ethics course at Taylor University and may be a candidate for such a speaker. Ball State's own philosophy department may be a resource to be tapped.

The "Ethics in Business: A Perspective" required reading is included at the end of this paper and may be given as a handout or to be bought at one of the local printers. The copies of the article should be available during the first week of the term, because it presents an excellent overview of the course. The videos I have recommended be used are also produced by Arthur Andersen & Co. and Dr. LaFollette has copies of them.

Chapters four and five were omitted mainly because of lack of time. Chapter four is mostly background on the marketplace, which is covered in the basic economic courses. Chapter five is an incredibly important report on ethics and the environment, but as it is a widely discussed topic already, I have chosen to omit it. Of course, rearrangement of my priorities for the course are up to the instructor.
PROPOSED SYLLABUS

Honors Colloquium in Business Ethics

Professor Information: To be inserted


COURSE OBJECTIVES: This course will expose students to topics in business ethics through the study of ethical theory and discussion. It is hoped that the learning of the student will go beyond awareness of the ethical issues which confront business people to the development of a method of analysis with which decisions involving ethical dilemmas can be made.

THIS COURSE IS RESTRICTED TO HONORS COLLEGE STUDENTS.

GRADE DETERMINATION:  
15%  Personal ethical decision paper  
15%  Personal decision theory analysis  
20%  Midterm paper  
25%  Final paper  
10%  Presentation of final paper  
15%  Participation

DESCRIPTION OF ASSIGNMENTS:  
In addition to the readings in the Velasquez text, each student must complete the following assignments:

*Personal Ethical Decision Paper  Each student should write a one to two page discussion of an ethical decision he or she has made (preferably recently). The decision does not have to be business-related, if the student does not have such an experience. The decision should include a brief description of the facts involved, the issues which the student felt made the situation an ethical dilemma, and the reasons the student chose the alternative he or she chose. These papers are to be typed, double-spaced, and submitted at the third class meeting. Although these papers will not be used for class discussion, they are intended to provide initial insight into ethical reasoning.

*Personal Decision Theory Analysis  The topic of class meetings three and four will be theoretical bases for the
examination of ethical issues. Each student should examine their Personal Ethical Decision Paper (which will be returned during week four) and analyze their own reasoning considering utilitarianism, rights, and justice. This paper should be approximately one page long, typed, double-spaced, and turned in during class in week five.

*Midterm Paper* To be turned in during class in week eight, the Midterm Paper should be a thorough one to three page essay answering question 3 from chapter two, question 2 from chapter 3, or question 3 from chapter 6, of the "Questions for Review and Discussion" from these chapters.

*Final Paper* The Final Paper consists of an analysis of an ethical dilemma faced by business people today. The paper should follow the format of the seven-step model for evaluating and resolving moral problems presented in the required reading "Ethics in Business." A few possible topics are listed following this description. Of course, this list is not exhaustive. The Final Paper is due on the first day of presentations.

**Possible paper topics**

affirmative action       work environment hazards  
polygraph testing       banning fertile women from  
drug testing            fetus-endangering jobs  
air pollution           foreign bribery  
water pollution         product liability  
resource depletion      advertising  
collusion in pricing    AIDS discrimination  
animal testing          plant closings  
extortion               white collar crimes  
employee theft          accepting gifts  
limited warranties       office politics  
spills/leaks of hazardous materials  
conflicts of interest   kickbacks  
insider trading         political contributions  
employee discipline    intelligence gathering  
LBOs                    trusts  
divestment from South Africa  
personal selling        U.S. government regulations  
                          whistleblowing  

*Final Presentation* Each student will have approximately ten minutes to share with his or her classmates the content of his or her paper.
**TENTATIVE COURSE OUTLINE:**  

*Ch = chapter, S = section*

All readings are from the Velasquez text, except for the required reading, abbreviated in the chart by RR.

Week:  | Read:  | Topic or Activity:  
---: | ---: | ---:  
1 | **Ch 1, RR** | Introduction, "Ethics in Business" video  
2 | S 2.1 | Chapter one, ethics and moral reasoning  
3 | S 2.2, 2.3, 2.4 | Chapter two, utilitarianism, personal ethical decision paper due  
4 | Ch 3 | Chapter two, rights and justice  
5 | S 6.1 | Chapter three, the business system, personal decision theory analysis due  
6 | S 6.2, 6.3 | Chapter six, the contract view of business's duties to consumers  
7 | S 7.1, 7.2 | Chapter six, the due care and social costs views  
8 | S 8.1, 8.2, 8.3, 8.5 | "Ethics in Management" vignettes and seven-step model of ethical decision-making, Midterm paper due  
9 | | Chapter seven, job discrimination  
10 | | Guest Speaker, Wynola Richards, "Sexual Harassment"  
11 | | Chapter eight, the individual in the organization  
12-15 | | Final Presentations, Final Papers due
**WEEK ONE:**

Introduction, attendance, pass out syllabus, discuss papers
Assign, randomly, students to presentation days
Show Andersen "Ethics in Business" video (20 minutes)
Discuss video:
  Objective: Students need to understand that ethical dilemmas do not have yes or no answers and that development of an ethical base helps to make better decisions possible.
  Method: Stimulate discussion by answering the questions presented in the video.

Make Assignment for Week Two:
*Read Chapter One
*Read National Semiconductor's Microchips case at end of chapter one
*Read Required Reading

Make Assignment for Week Three:
*Personal Ethical Decision Paper due
WEEK TWO:

Discuss Chapter one, ethics and moral reasoning:
Objective: Students should understand that "business ethics is a specialized study of moral right and wrong. It concentrates on how moral standards apply particularly to business policies, institutions, and behavior" Velasquez, p.18. They should understand that moral reasoning can be analyzed and corrected and how moral responsibility is determined.

Method: Lecture on the material from the chapter. Briefly describe the National Semiconductor's Microchips case and discuss the questions which follow.

Make Assignment for Week Three:
*Read section 2.1
*Read Ford Motor Car case at end of chapter two
*Reminder: Personal Ethical Decision Paper due next week
WEEK THREE:

Collect Personal Ethical Decision Paper
Discuss section 2.1, utilitarianism:

Objective: The students should understand the basic utilitarian principle "An action is right from an ethical point of view if and only if the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other act the agent could have performed in its place" Velasquez, p.69. They should understand that the principle is used when the resources are not available to meet everyone's objectives, and we are forced to look at the net social benefits and costs of an action. The students should also be aware of the measurement objection.

Method: Briefly lecture on the content of section 2.1. Discussion of the Ford Motor Car case and the questions which follow.

Make Assignment for Week Four:
*Read sections 2.2, 2.3, and 2.4
WEEK FOUR:

Return Personal Ethical Decision Paper
Discuss sections 2.2, 2.3, and 2.4, rights and justice:
Objective: Students should understand that moral judgments must take into consideration whether the behavior respects the basic rights of individuals and whether the behavior distributes benefits and burdens fairly. All three moral considerations (utilitarianism, rights, and justice) should be incorporated in moral reasoning.

Method: Brief lecture on rights and justice. Ask which consideration should take priority. Discuss why. According to Velasquez (p.117), first rights, second justice, then utilitarianism. To be sure that all three considerations are addressed in moral reasoning, Velasquez (p.117) recommends asking this series of questions:

1. Does the action, as far as possible, maximize social benefits and minimize social injuries?
2. Is the action consistent with the moral rights of those whom it will affect?
3. Will the action lead to a just distribution of benefits and burdens?

Make Assignment for Week Five:
*Read Chapter 3
*Personal Decision Theory Analysis due
WEEK FIVE:

Collect Personal Decision Theory Analysis
Discuss Chapter three, the business system:
Objective: This should be a review to most business students, however the instructor should be aware that non-business students may be taking the course. Students should understand that the free market system (in theory) promotes the efficient use of resources. Actions which tamper with the free market system cause inefficiencies and are therefore unethical according to utilitarian principles. Discussion of Marxist criticisms is beneficial to the students' understanding of the potential failings of the free market system.

Method: Lecture on the content of the chapter.

Make Assignment for Week Six:
*Read section 6.1
*Read Drug and Hair Dyes case at the end of chapter six
WEEK SIX:

Discuss section 6.1, the contract view of business's duties to consumers:
Objective: Students should understand that this view holds that "the relationship between a business firm and its customers is essentially a contractual relationship, and the firm's moral duties to the customer are those created by the contractual relationship" Velasquez (p.274).

Method: Lecture briefly on the contractual view, the duties it presents, and the inadequacies of the view. Discuss the Drugs and Hair Dyes case and the questions which follow.

Make Assignment for Week Seven:
*Read sections 6.2 and 6.3
WEEK SEVEN:

Discuss sections 6.2 and 6.3, the due care and social costs views:

Objective: The students should understand that the due care view maintains that the customer and seller do not meet as equals. The more knowledgeable seller has a duty to take special care of the vulnerable customer and this special duty cannot be disclaimed if the manufacturer has not exercised due care. The social costs view is even more restrictive, holding that the manufacturer cannot disclaim liability despite exercising due care and warning users of the potential harm. The students should be aware of the problems with these theories and of how they compare to the contract view.

Method: Lecture briefly on the due care view and the social costs view and reopen the Drugs and Hair Dyes case for further discussion. The object of reusing the case is to compare the two views discussed here with the contract view discussed previously.

Make Assignment for Week Eight:

*Reminder that Midterm paper will be due.
WEEK EIGHT:

Collect Midterm Papers
Watch "Ethics in Management" vignettes
Discuss vignettes individually:

Objective: The students should be aware that it is possible to develop a method of analysis which can be used to deal with ethical problems. It is this analysis which is the focus of the Final Paper.

Method: View vignettes and discuss them by using the seven-step evaluation model presented in the required reading. The students should adequately understand the logic of the thinking and how the model is to be handled in the Final Paper. This discussion may run into the next class period.

Make Assignment for Week Nine:
*Read sections 7.1 and 7.2
*Read the Brian Weber case, if discussion of the vignettes is complete
WEEK NINE:

Discuss sections 7.1 and 7.2, job discrimination:
Objective: The students should be knowledgeable about the many ways which discrimination occurs in the workplace and the extent of the discrimination.

Method: Complete the discussion of the vignettes now if more time is needed. Briefly lecture on the content of sections 7.1 and 7.2. Ask students what kinds of questions should not be asked in an interview. Include some lecture on affirmative action if time allows and no one has chosen the topic for their presentation. If there is time left discuss the Brian Weber case (omitted if vignette discussion carries over to this class period).

Make Assignment for Week Eleven:
*Read sections 8.1, 8.2, and 8.3
WEEK TEN:

Guest Speaker, Wynola Richards, Ball State University Director of Affirmative Action, "Sexual Harassment"
Objective: The students must be knowledgeable about the definition and effects of harassment in the workplace.

Method: Ms. Richards's excellent speech informs students as well as giving them the opportunity to ask questions. I have heard Ms. Richards speak and know that she welcomes the opportunity to visit student groups.

Make Assignment for Week Eleven:
*Read sections 8.1, 8.2, 8.3, and 8.5
WEEK ELEVEN:

Remind students that Final Presentations begin the next week. Discuss sections 8.1, 8.2, 8.3, and 8.5, firms' duties to employees, employees' obligation to the firm, and employee rights:

Objective: The student should be aware of the obligations which exist between employer and employee, and how these obligations affect the ethical decisions which employees make. Every college graduate should be familiar with his or her rights as an employee for their own protection.

Method: Lecture on discrimination and discussion of presented material if time allows.
WEEKS TWELVE, THIRTEEN, FOURTEEN, AND FIFTEEN:

Presentations of Final Papers
Objective: The objective of the Final Presentations is to provide the presenters with the opportunity to share their logic and receive the comments of peers on that reasoning. The presentations will also give the audience a familiarity with an even wider range of issues in business ethics.
Ethics in Business: A Perspective

Robert A. Cooke, PhD.
"Arthur Andersen & Co. has sponsored and funded this project to promote discussion and awareness of ethical issues arising in the business world. Arthur Andersen & Co takes no positions and expresses no views with respect to the myriad of ethical issues reflected in this case but hopes that they will facilitate and promote a dialogue on these important issues."

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The thesis which pervades the present examination is the centrality of business to social values in the United States. It is the major business institutions that have been the carriers of American values—values which they have fostered and under which they have thrived. But these same values too have become enmeshed with the American identity. They are an essential ingredient in the way Americans think about themselves. They have become a part of the national character. This is not some shabby trick or sinister conspiracy which business interests have put over on the people. On the contrary, business has been the leading edge of a way of life which Americans have found congenial. —(Neil W. Chamberlain, Remaking American Values, p. 5)

Values play an important role in everyday life. Among other things, they help us shape our self-image and our perception of others. In fact, we judge the importance of other people in relation to the values we have established for ourselves. This is particularly true when we have to determine priorities in situations where our interest conflicts with the interests of others.

Values also influence personal and professional goals and objectives. For example, values help to determine which goals should be pursued and the procedures for achieving them. Moreover, values enable us to determine what an appropriate social order should look like by shaping our definitions of justice and equity. This influences how we structure our society and its social institutions in establishing rules of conduct that protect the interests of all participants in this social order. Such rules spell out what rights people have and what obligations people have towards the rights of others. These rules also influence how a society deals with those who violate an individual’s rights or fail to meet their obligations.

Of course, values emerge from a number of sources and are reinforced by various social institutions. For instance, organized religions promote certain values like truth, dignity, piety, and the sanctity of life. Such values are based on unique religious beliefs about the origin and meaning of life. Economic institutions promote basic values linked to productivity and monetary rewards. They stress the importance of hard work, competition, and success.

Educational institutions promote basic values that stress the importance of intellectual development and social skills; e.g., knowledge, self-esteem, tolerance, and cooperation. Civic organizations and government promote values like citizenship, integrity, justice, equity, and liberty which stress the importance of citizen involvement in shaping the social order. And the family unit ideally promotes values that enable individual members to successfully assimilate them and survive in a competitive environment.

Our Western culture not only reflects these institutional values, it also synthesizes them into generally accepted views about what is or is not acceptable moral conduct. Yet, competing cultural norms may create conflicts when individuals from one culture interject their operational moral standards into another culture or subculture. This conflict often results in an individual adopting the moral standards of the culture or subculture in which they work or live. Or, people may assume that all moral standards are culturally relative; i.e., one cannot make any judgments about the moral standards of a given culture or subculture or its members.

It is within this context that ethics emerges as a discipline. Ethics is concerned with any situation in which there is actual or
potential harm to an individual or group. This harm may be physical or mental. Or it may be harm in the sense that an individual or group is economically worse off because of an action or anticipated action.

Ethics attempts to focus on these situations by raising several questions:

- Is the action or anticipated action arbitrary or capricious? Does it unfairly single out an individual or group?
- Does the action or anticipated action violate the moral or legal rights of any individual or group?
- Does the action or anticipated action conform to accepted moral standards?
- Are there alternative courses of action that are less likely to cause harm?

An ethicist believes that such questions must be raised whenever there is actual or potential harm. More importantly, the ethicist believes that it is possible to make judgments about cultural norms and to establish moral standards that are universal. In other words, ethics is concerned with developing moral standards that any rational adult would adhere to—irrespective of race, sex, or national origin. To put it another way, ethics is not culturally relative. Similarly, most ethicists reject any claim that morality is relative to individual standards of conduct.

Ethics is the process of determining what are and what are not reasonable standards of moral conduct. This process is normative, not descriptive or sociological. Simply put, ethics attempts to determine what these reasonable standards are by systematically addressing at least three basic questions:

- What is morally good or bad?
- What is morally right or wrong?
- What are my moral obligations, if any?

In answering these questions, ethicists may utilize abstract concepts, but fundamentally this process is very practical. Ethics is primarily a process of problem solving that tries to resolve actual or potential conflicts of interest.

In the process of searching for answers to such questions or in attempting to resolve ethical problems, the rational adult discovers that ethical analysis provides a systematic framework that generates moral reasoning skills that are commonsensical. More importantly, such skills can be taught.

For example, in evaluating the ethical implications of a particular action or anticipated action in a given situation, certain pivotal questions and concepts must be addressed. The mastery of such questions and concepts and their application to an ethical dilemma constitutes a set of reasoning skills that are as important as any set of skills used to make a business decision.

When the average person thinks about ethics, he or she is likely to focus on the individual. Yet, ethical questions in business should be addressed at three different levels according to Manuel Velasquez, a noted ethicist.

First of all, there is the most general level in which one examines business. Business is part of a social system that includes various economic, legal, and political institutions. Questions at this macro level focus on the ethical rightness or wrongness of the system itself.

On the one hand, this may involve questions about whether or not capitalism is a just way to distribute goods or services. Or it may involve questions about alternative systems that may or may not be more equitable than capitalism. In any case, many ethical concepts need to be addressed by considering such systemic issues. This is particularly true when questions of justice or equity within the social order are raised.

For example, when one considers what is a fair distribution of wealth in a given capitalist society where there is substantial
economic and social disparity and there are historical patterns of discrimination based on race and gender, it is legitimate to evaluate the moral underpinnings of that system to determine whether or not that particular economic system is inherently unfair. This is an issue that has been debated for decades, but it still sparks controversy. For example, two classics, A Theory of Justice by John Rawls and Anarchy, State, and Utopia by Robert Nozick, outline the parameters of this controversy and reach very different conclusions.

On the other hand, systemic-level questions may include an examination of structures within a particular economic system such as capitalism. For example, what are the ethical issues involved in monopoly capitalism or in the institution of private property? Is there anything wrong with letting supply and demand determine price? Is it fair for certain regulatory agencies to impose rules that manipulate the markets through price supports and similar mechanisms? Whether one is looking at broad systemic issues or at structures within a given system, the focus is on the morality of the system itself.

A second level of analysis that is more specific looks at the company or firm as the basic unit. Here one is concerned with the ethical dimensions of decisions impacting the firm or on decisions generated by the firm that affect other institutions such as government, labor, or community. For example, when a company decides to relocate a plant, what may appear to be a basic economic decision leads to consequences that directly or indirectly impact various individuals and groups that usually have no input in the decision. These economic consequences often entail related ethical issues. Similarly, actions by government may not only affect “the bottom line” of a given company; they may also generate ethical dilemmas that should be evaluated. In other words, firms do not operate in a vacuum, independent of other institutions in society. Any given decision by any one of these institutions may adversely affect the others in ways that generate ethical controversy.

At this level of analysis, one is also interested in questions pertaining to corporate structure and corporate culture. For example, does the culture or structure help or hinder ethical decisions by the firm? Does the organizational structure present roadblocks to ethical behavior or policy? If roadblocks do exist, how can they be removed? Questions such as these are critical because corporate impropriety is not always an issue of a few unethical managers who take advantage of the situation. Often, it is indicative of an internal structure that does not function well in circumstances where ethical issues emerge. In other words, the corporate culture may not provide the necessary mechanisms to hold people accountable for their actions.

For example, many firms have no policies on gift giving or the receiving of gifts from vendors. Even if such policies exist, there is no guarantee that the firm has any procedure to enforce compliance. This vacuum increases the probability that questionable decisions will ensue. Many cases of impropriety originate in environments where lines of accountability are vague or nonexistent.

Of course, negligence or laxity is not the only cause of impropriety. The corporate structure or culture may subtly, or even overtly, encourage ethical shortcuts by promoting a corporate philosophy that rewards short-range thinking and “bottom line” performance and punishes those who question such an orientation.

On the other hand, the structure and culture of the firm may overtly discourage impropriety by rewarding managers who are sensitive to the ethical consequences of corporate policies, by implementing corporate guidelines that cover ethical conduct, and by punishing those who act improperly.
If the enduring popularity of books such as *In Search of Excellence* by Peters and Waterman, *The Change Masters* by Kanter, and *Corporate Cultures* by Deal and Kennedy is any barometer, this second level of analysis will continue to generate interest in themes germane to our search for reasonable standards of moral conduct.

A third level of analysis focuses on the role of the individual within the firm—on some of the same issues addressed in a course in micro-organizational behavior. The decisions facing any individual within a business raise a host of ethical questions that should be addressed by the individual and by management. For example, when any decision is contemplated, the individual must determine whether or not there are ethical issues attached to the decision. If there are, what are the courses of action available? Is any course more ethical than any alternative? Does any anticipated action violate the rights of any individual or group? Will the decision benefit or harm any individual or group unfairly or arbitrarily? Are there any trade-offs that must be considered? For example, are there economic benefits to an individual or group that may be lost by taking a course of action that benefits another individual or group and seems ethical? If so, how do you balance these competing interests?

At this level of analysis, one is also concerned with clashes that may occur between individual moral standards and corporate policies. For example, what should an individual do if he or she is asked to do something that violates his or her moral code? Should the individual be protected from such confrontations? For instance, do employees have certain rights that are protected from company decisions or policies? Take a basic right like privacy. Under normal conditions, most individuals believe they have a constitutional right to protect the privacy of their personal conduct. What they do in the confines of their home or in their social life is no one else’s business as long as it is legal and does not interfere with their work. Yet, an increasing number of firms are beginning to institute drug-testing programs and AIDS screening. Do such policies violate an individual’s right to privacy? Are there special conditions that warrant such testing and screening? Should firms have a right to apply such screening to all employees? If employees do have a right to privacy under certain reasonable conditions, what mechanisms need to be developed to protect the individual from unreasonable demands?

Similarly, what rights does the firm have? What obligations does an individual have to the firm? How are the rights of the firm protected? And what obligations does the individual have towards other employees? What are some of the ethical issues that emerge in organizational politics?

Questions like these illustrate how complex ethical issues can become within business. And they demonstrate how important it is to determine which level(s) of analysis should be utilized in addressing a business ethics problem. Moreover, in examining such problems from different levels of analysis, it becomes clear that business decisions are not made in a vacuum. They have consequences that often impact large numbers of individuals or groups that have no direct or indirect input in the decision-making process. For that reason, among others, it is imperative that any firm should consider the impact of corporate decisions on all groups before the decision is reached. Any individual or group that may be impacted has a stake in the outcome. Such individuals or groups are defined as stakeholders. We decide which stakeholders are involved by first determining which of the three levels of analysis we have just examined is the focus of our concern. For example, if we are interested in systemic issues, businesses, government, or citizens might be the appropriate stakeholders. If we are interested in addressing issues related to a specific firm, stockholders, employees, labor unions, or suppliers might be the
relevant stakeholder groups. Or, if we are interested in the role of the individual within the firm, superiors, subordinates, or peers could be the appropriate stakeholders. Whichever stakeholders are involved, it is clear that decisions made by businesses, individuals, or other institutions can have far-reaching impacts on countless individuals and groups.

Of course, the impact may vary from stakeholder to stakeholder, but it should be measured and considered before business decisions are finalized. The impact should be evaluated from a number of perspectives:

- Are the rights of any stakeholder being violated?
- Does the firm have any overriding duties to any stakeholder?
- Will the decision benefit any stakeholder to the detriment of another stakeholder?
- If there is detriment to any stakeholder, how should this be remedied, if at all?
- What is the relationship between stockholders and other stakeholders?

In other words, when one examines moral standards in a business context, he or she should first determine which level(s) of analysis to use. Secondly, he or she should determine how these standards may affect the various stakeholders in a given situation.

Of course, several ethical models have been developed that provide different sets of standards. These are standard operational models that people use when confronted with ethical issues or dilemmas. Yet, reasonable people may disagree about which model or set of standards should be used. Let us briefly summarize four such models.

Many believe that ethical problems should be evaluated in relation to the potential harms and benefits an action may bring. For example, The Utilitarian Model emphasizes the consequences an action may have on all people directly or indirectly affected by this action. The utilitarian believes that the morally correct course of action is one that brings about the greatest good for the greatest number of people. This "greatest good" may be measured in terms of the amount of pleasure and pain that an action will generate, it may be measured in the satisfaction of individual preferences, or it may simply be measured in economic well-being.

Whichever measurement is used, the utilitarian is concerned with balancing social harms and benefits by raising several key questions:

- What viable courses of action are available? What are the alternatives?
- What harms and benefits are associated with each of the courses of action available?
- Can these harms and benefits be measured? Can they be compared?
- How long will these harms and benefits last?
- When will these harms and benefits begin?
- Who is directly harmed? Who is indirectly harmed?
- Who is directly benefited? Who is indirectly benefited?
- What are the social and/or economic costs attached to each alternative course of action?
- Which alternative will most likely yield the greatest net benefit to all individuals affected by the decision? Or, if no alternative yields a net benefit, which one will lead to the least overall harm?

Once these questions are answered, the utilitarian can proceed. It should be noted that more than one alternative may emerge that is morally correct. If we combine this utilitarian process of reasoning with the concept of stakeholder we have developed, we can now define the Utilitarian Model in the following way:

An action is morally appropriate if it maximizes net benefits and minimizes overall harms for all stakeholders.
Although the Utilitarian Model is popular, it has certain difficulties that make it unappealing to many. An alternative that a number of people choose focuses on rights or entitlements. This approach is based on the claim that any individual has a right to be treated in ways that ensure the dignity, respect, and autonomy of the individual. Any individual has a right to such treatment, regardless of the costs or benefits that ensue from such treatment. There are at least two operational models that emerge from this process of moral reasoning.

The first is the **Golden Rule Model** which comes from the Judeo-Christian tradition and is found in various forms in most major religions. The basic principle is that one should treat other people in the same way he or she would want to be treated. In other words, when confronted with any ethical issue, each individual should identify the available courses of action and choose the one that treats others with the same dignity and respect he or she would expect. Any costs or consequences that would ensue with this choice would be secondary to the basic focus on the "Golden Rule." If we combine this type of moral reasoning with the concept of stakeholder we have developed, we can define the Golden-Rule Model in the following way:

An action is morally appropriate if it treats all stakeholders with the same respect and dignity one would expect from others.

A second popular model that is based on a rights analysis is one developed by Immanuel Kant. The **Kantian Model** rests on the assumption that every person has basic rights in a moral universe. The fundamental claim here is that each person has a basic right to respect. Thus it is necessary for all individuals to have basic rights to ensure each has self-respect, regardless of sex, national origin, religion, or social and economic standing. To respect a person is to recognize that individuals should be consulted about actions that directly or indirectly affect them.

According to Manuel Velasquez and other noted ethicists, this means that each person has:

- **THE RIGHT OF FREE CONSENT.** Each person has the right to be treated only as he or she knowingly and willingly consents to be treated. No person is responsible for actions beyond his or her control.
- **THE RIGHT OF PRIVACY.** Each person has the right to do what he or she wants in his or her private life. Each person has a right to control information about private activities.
- **THE RIGHT OF FREEDOM OF CONSCIENCE.** Each person has the right to refuse to act in any way that violates his or her moral beliefs as long as said beliefs are commonly accepted norms.
- **THE RIGHT OF FREEDOM OF SPEECH.** Each person has the right to conscientiously criticize the ethics of an organization as long as this criticism does not violate the rights of others within the organization.
- **THE RIGHT OF DUE PROCESS.** Each person has the right to a fair and impartial hearing if there is reason to believe his or her rights are being violated.

If we combine this type of moral reasoning with the stakeholder concept we have developed, we can now define the Kantian Model in the following way:

An action is morally correct if it minimizes the violation of the rights of all stakeholders.

Although many people subscribe to one of the three operational models of moral reasoning we have just examined, a significant number of people believe that self-interest should play a more prominent role in deciding moral questions. According to this line of reasoning, the pursuit of self-interest by individuals tends to raise the general level of prosperity and
quality of life for all members of society. We call this approach The Enlightened Self-Interest Model. It includes elements from both the harms and benefits analysis and the rights analysis.

On the one hand, the enlightened egoist believes that each individual has to maximize net benefits for himself or herself in a way that attempts to minimize harm to others, when possible. On the other hand, although each person has a right to respect, more attention should be given to the individual’s freedom of choice and right to own and dispose of private property as he or she sees fit.

The Enlightened Self-Interest Model can thus be defined as the following:

An action is morally correct if it increases benefits for the individual in a way that does not intentionally hurt others and if these benefits are believed to counterbalance any unintentional harms that ensue.

The key to this approach is the belief that, in the long run, each individual’s pursuit of self-interest will tend to bring about more benefits for everyone than any harms that follow from such pursuits. If we combine this type of reasoning with the concept of stakeholder we have developed, a new definition of the Enlightened Self-Interest Model emerges:

An action is morally correct if it increases benefits for the stockholders without unduly hurting other stakeholders and if these benefits are believed to counterbalance any harms that ensue.

Obviously, using any of the models described above can lead to different results depending on the model used. And reasonable people will disagree about which approach to take.

Moreover, many will claim that any operational model we choose must be tempered with a concern for whether or not any action or anticipated action is fair or just. They would claim that any decision must not only be morally correct, it must also be fair. According to this line of reasoning:

An action is morally correct if it treats all stakeholders the same except when there are sound reasons for giving different treatment to different stakeholders.

If this analysis is correct, then time must be spent deciding what is or is not a “sound reason” for different treatment.

In any case, whichever model of moral reasoning is selected, it is important to realize there are unique moral dilemmas and other problems that face managers and firms. Business ethics provides a series of frameworks and methodologies for resolving these unique problems.

Yet, business ethics is generally stereotyped as an oxymoron in our culture. This is a stereotype that finds its way into literature, film, education, conversation, and even business. The standard joke is that business ethics is a contradiction in terms in the same way military intelligence is. It is a stereotype based upon several misconceptions that dominate society.

First, PROFIT AND MORALITY ARE NECESSARILY INCOMPATIBLE. From earliest childhood through adulthood, we are sent mixed signals about money and ethics. On the one hand, we are taught the pursuit of wealth tends to corrupt individual integrity. On the other hand, the pursuit of wealth is extolled as a barometer of success. This dichotomy is reinforced by generalizations that make sweeping claims based on individual cases that seem to confirm this stereotype. Yet, this stereotype defies logic and common sense. For every example of corporate misconduct driven by greed, there are numerous counterexamples.

Second, ALL ETHICAL PROBLEMS HAVE SIMPLE SOLUTIONS; THERE IS ALWAYS A RIGHT AND A WRONG ANSWER. This “Sunday School” attitude about ethics assumes that all decisions are simply questions of “black and white.” It is an attitude that is fostered by various
social institutions in the upbringing of children. Yet, life is not always a matter of simple choices, though we would like it to be. This is particularly true in a changing world.

For example, at one time, there was no doubt that the United States was the predominant economic power in the world. This is no longer the case. As we move more into a highly competitive global economy, platitudes and nostalgic yearnings for the “good old days” will not alter the fact that economic decisions often have international implications. In ethics, like business, some situations are clear-cut. Yet, many issues have become increasingly ambiguous as the pace of change accelerates.

This misconception is also based on the assumption that there is an absolute standard for judging moral conduct. This implies that business ethics is a panacea for all moral dilemmas faced by the manager or firm. This essay has attempted to show this assumption is false. Reasonable people may disagree about the proper course of action. In fact, there may be more than one appropriate solution in any given situation.

Third, ETHICS IS SIMPLY A MATTER OF COMPLIANCE WITH LAWS AND REGULATIONS. Laws and regulations often emerge from ethical norms, but they are not always considered ethical. For example, many people believe abortion is unethical. Some even claim it is murder. Yet, abortion is legal in the United States.

Moreover, the law tends to be reactive and slow to change. Most laws and regulations emerge from social pressure. On the other hand, ethics is proactive; it attempts to anticipate problems. Anyone who reasons that ethical conduct is reducible to complying with existing laws or regulations runs the risk of ending up like any number of executives involved in scandals that originated from this faulty line of reasoning.

Even if we understand these misconceptions, we are still puzzled by unethical behavior by individuals who seem to operate by principles of integrity and honesty.

There are several possible explanations for these deviations. One simple explanation is greed. There is no doubt that people sometimes hurt or harm others or take ethical shortcuts because they are motivated by greed. Like Silas Marner, the meaning of life is measured by the size of the portfolio or the appraised value of real property. Yet, this only explains a small percentage of cases.

A more promising explanation is that people often draw a sharp distinction between their personal and professional activities. Thus, they do things at work they would never do at home. For example, most people would never consider shoplifting from the neighborhood grocery; but some of these same individuals think nothing of siphoning off large quantities of office supplies.

The Watergate Scandal is a good example of how basically honest people can be caught up in events triggered by a line of reasoning that sharply demarcates work from home life. A good rule of thumb in making any business decision is to first ask whether or not you would be embarrassed if this decision was made public or shared with family and friends. If the answer is yes, then the decision should be reevaluated.

A third explanation is that most people lack a proper foundation in ethics. We assume people think about the ethical dimensions of their actions, but why should we? We wouldn’t assume that just anyone would be able to audit a firm’s books without basic training in accounting principles; but, most people assume there is no need for formal exposure to basic skills in ethical reasoning. However, developing ethical reasoning skills is just as important as learning the fundamentals of management analysis, e.g., accounting.
economics, finance, management and marketing. The reason is simple: people often make poor management decisions because they lack information. Many instances of unethical conduct in business can be directly traced to poor management decisions that were not intended to hurt anybody.

A fourth explanation is that in times of crisis or pressure, people take ethical shortcuts. When survival is at stake, only the bottom line counts. Short-term thinking dominates. This is particularly troublesome if the corporate culture discourages ethical behavior or encourages such shortcuts. People with poorly formed ethical beliefs may easily capitulate. Even individuals with strong codes of moral conduct may find it difficult to resist such pressures.

Finally, people often rely on other social institutions to convey and reinforce ethical beliefs. They assume such institutions are conveying moral values. Yet, the changing nature of social institutions in a volatile and competitive environment makes this assumption problematic.

Even when we understand the reasons why people may do unethical things, we need to focus on the positive reasons for being ethical in business and personal life. Certainly, the public expects ethical behavior. Ethical behavior and integrity are key ingredients in developing professionalism in business. It is this professional attitude within and without the firm that often separates excellent companies from the "also rans." In other words, ethical conduct goes hand in hand with the service mentality that has contributed to the success of many large and small firms.

If this analysis is correct, moral reasoning skills can be a powerful tool in long-range planning. It forces individuals and firms to look beyond next-quarter earnings. And it reinforces the basic assumption that most business executives accept; namely, there is a direct link between ethics and long-term profitability. Simply put, good ethics is good business. And, in the final analysis, one should be ethical because it is the glue that holds society together.

Although ethics can be a positive force in managerial decision making, there are caveats that should be emphasized:

- Business ethics is not a panacea for resolving all of the complex problems a manager faces.
- Although ethical standards should be an important part of any firm's culture, it is not an easy process to fully integrate it into mission statements and policy.
- Any organization has a unique history that presents certain internal roadblocks to change or to the implementation of new initiatives.
- The corporate structure may make ethical awareness more difficult. Ethical behavior needs leadership from the top and is affected by the personnel of the firm.
- A firm needs mechanisms and procedures for handling instances of unethical behavior.
- Unethical conduct not only affects the internal environment of the firm, it also impacts various stakeholders.
- Implementing ethical policies and initiatives may require significant outlays of resources that may not have obvious short-term benefits.
- Resolving ethical dilemmas often involves moral and economic trade-offs that require sacrifice and tolerance.
- Business ethics entails moral reasoning skills that should be integrated with the fundamental skills of the different functional areas of business.

Even if we keep these caveats in mind when approaching an ethical dilemma in business, there is a practical question that remains: is there any basic procedure for evaluating and resolving an actual or potential moral problem?

Manuel Velasquez has developed a seven-step model that provides such a procedure. When confronted with an ethical problem, we need to ask:
• WHAT ARE THE RELEVANT FACTS? We need to identify the key factors that shape the situation and raise the ethical issues.
• WHAT ARE THE ETHICAL ISSUES? We need to define the ethical issues and separate them from other nonethical issues. Some issues may be broad, systemic issues, others may be corporate issues, and others may be personal issues.
• WHO ARE THE PRIMARY STAKEHOLDERS? In any given situation, it is possible to develop a seemingly endless list of individuals or groups that may be affected by a given business decision. We need to identify the key individuals or groups affected by such a decision.
• WHAT ARE THE POSSIBLE ALTERNATIVES? We need to identify the viable courses of action that could be taken.
• WHAT ARE THE ETHICS OF THE ALTERNATIVES? We need to evaluate how each alternative affects the stakeholders and determine how ethical each alternative is in view of the ethical models discussed earlier. Each model raises a different set of questions that should be addressed in evaluating each alternative.
• WHAT ARE THE PRACTICAL CONSTRAINTS? We need to identify the practical factors that may limit the agent's ability to implement an alternative or that may make some alternative too difficult or too risky.
• WHAT ACTIONS SHOULD BE TAKEN? After weighing all of these considerations, we need to determine exactly what steps should be taken to implement the selected alternative. As was noted earlier, reasonable people may disagree about which alternative should be implemented.

In summary, this essay has examined what business ethics is in a practical, commonsense way. Many of the issues discussed require a more in-depth examination than what has been provided here. The purpose of this discussion is to introduce you to some of the key ideas that will be of help as you discuss the cases and vignettes that follow.

ADDITIONAL SOURCES

There are many excellent sources available on business ethics. Below is a limited selection which will get those who would like to learn more started.


About the Author

Robert A. Cooke is Director of the Institute for Business Ethics at DePaul University and a past member of the executive board of the Corporate Responsibility Group of Chicago. Additionally, he has served as a training consultant in business ethics for the Chicago Transit Authority and as a special consultant on educational reform for Chicago United. Cooke is coeditor of Business and Education: A Time for Plain Talk. He works with The Arthur Andersen Worldwide Organization as an ethics consultant and project liaison on the Arthur Andersen Business Ethics Program.