

TEAM DEVELOPMENT MODULE TIII ~ EVERYDAY ETHICAL DILEMMAS

LESSON 1 ~ THE NEED FOR PRACTICAL BUSINESS ETHICS

Ethical considerations arise from everyday concerns in the workplace. You don't usually have a large amount of time to consider and evaluate them. After completing this lesson, you should be able to:

- Explain the **need** for practical business ethics
- List some **common** ethical dilemmas that arise in the workplace

When businesspeople make decisions, they are not in some classroom where they have large amounts of time to discover optimal ethical moves. On the contrary, time pressures are of the essence. A colleague or supervisor is looking you in the face, asking you to do something now.

Although you may be able to buy some thinking time before you act, decisions must be made quickly. Therefore, you will need some kind of fundamental and simple ethical process that you can actually use at work. Providing that practical format is our objective in this course.

We want to emphasize the creation of a practical approach for **better** business ethics. There is no way we can promise and deliver a technique for businesspeople to be master ethicists. As we will explain later, that activity is a full-time occupation unto itself. We want to distinguish our approach from those intricate theoretical procedures that hold out a standard of reflection and analysis that may not be achievable in a business setting.

A PERSONAL ETHICAL PERSPECTIVE

To begin the process of developing a practical ethical system, we want to emphasize the need for individual business leaders to identify and develop their **personal ethical perspective**. This step is crucial preparation for those instances when personal beliefs about what is ethical clash with the organization's inclinations, as given voice by someone who is their boss.

Without previous use of an effective ethical format to understand personal standards, it is too easy to just obey whenever the organization shouts "Make your numbers." By obeying such mandates, businesspeople will be internalizing the ethical habits of their firm reflexively. As a result, the individual moral self loses identity.

To resist this somber outcome, we will suggest approaches to greater self-understanding. After all, each of us brings a personal perspective to work each day. We may just need a reminder and a process to activate it. Business ethics will be guided in major part by how successfully we can apply a personal ethical stance in our business decisions.

Most managers don't face life-and-death dilemmas. Instead, they face what we call **everyday dilemmas**. Although these dilemmas have less severe consequences, they still possess the power to erode an individual manager's sense of optimism and hopefulness about the American business culture.

Stop for a moment and think about a time when you discovered that the word ethics had something to do with your daily working life. Think through that moment: Where are you? What is happening? Who is with you? How do you feel at this moment?

Now take a look at the dilemmas managers say they sometimes face. The following contain actual examples given in previous classes.

HONESTY AND DISCRETION

Some dilemmas are issues that challenge a person's honesty and/or sense of discretion:

- Should I allow privileged or private information to be published in a church bulletin?
- Should I look the other way if I see my employees overstating overtime on timesheets?
- Should I misstate my census numbers to make my facility look as if it is accomplishing its goals?

JOB SECURITY AND EMPLOYEE DISCIPLINE

Some dilemmas occur in the area of job security and/or employee discipline:

- Should I discipline employees who do not adhere to smoke break times?
- Should I obey a regional's mandate to reduce the number of minority managers?
- Should I speak out about a corporate representative not adhering to corporate policies?

QUALITY, HEALTH, AND SAFETY

Some dilemmas are product quality, health, and safety issues:

- Should I add water to whole milk to make 2% milk?
- Should I use inferior products, ie briefs, to meet budget cuts?
- Should I place a false ad in order to please an angry family member?

USE OF COMPANY RESOURCES

Some dilemmas involve inappropriate use of company resources:

- Should I fire an employee who used petty cash to purchase illegal drugs?
- Should I take company software home and install on my home computer?
- Should I allow an employee to use the kitchen to cook for a large personal event?

Have you thought about or faced any of these dilemmas? Our point in asking is to show that you are not alone. Because most organizations discourage individual managers from discussing the everyday ethical dilemmas they face, managers may not realize that what they experience is typical.

That many individual managers experience daily ethical dilemmas is significant for a variety of reasons. For our purposes, we will focus on how managers feel about these moments.

Often, managers feel stress, anger, and anxiety about the daily ethical dilemmas they face. These negative feelings affect a company's productivity and an individual manager's sense of worth and have the potential to affect other stakeholders who might suffer if a manager's performance slips.

How individual managers respond to daily ethical dilemmas can affect customers, other employees, and investors. Consequently, it is important for managers to establish a moral partnership with their firms. This partnership should harness the best in corporate and organizational behavior and make it easy for individual managers to do good work.

SUMMARY

In this lesson, you learned about the need to develop a personal ethical perspective — something that can help you make better choices in the context of a fast-paced work environment. You also learned about a variety of everyday ethical dilemmas that arise in the workplace, including issues of honesty, discretion, job security, quality, safety, and use of company resources. These are issues that other managers face frequently, and you are likely to encounter some of them during your work life.

LESSON 2 ~ AN ETHICAL DILEMMA

In thinking about how to apply ethical standards, it helps to look at a specific scenario that could arise in a business environment. After completing this lesson, you should be able to:

- Examine and evaluate an ethical dilemma

When you face an ethical problem at work, there is no need to feel alone. Thoughtful people have been struggling with such dilemmas since the first person considered optional courses of action.

A CASE STUDY

On the following pages, we will discuss a specific case in detail. Put yourself in the shoes of the employee who faces this situation and consider how you would handle it.

Your company has been busily working on plans for national production of a new product — a car that needs only one gallon of gas to travel 300 miles. Your role on the project is to use your skills as an engineer to test the new technology behind the environmental features of the car.

The results from initial testing excited you about the car's potential. You discovered that air pollution will decrease by 70 percent with use of the new car.

Unfortunately, further testing raised serious concerns. After putting the components that are supposed to make the car an environmental success through rigorous testing, you are fairly certain that the car is not going to function the way the lead development crew expects. In particular, your tests to date show that the car will function well and efficiently for approximately four years, but after that it is likely that the environmental components will fail.

Moreover, the car will experience weakness that will cost individual car owners thousands of dollars in repairs. In essence, the car uses very little gas, but the design of the car cannot withstand normal wear.

You discuss your preliminary findings with your boss and ask for more time to test the car. You believe you need another eight to ten months to complete testing and work with other engineers to come up with suggestions for change. Your boss has made it clear that you will not get the time. He wants to give the production plant the go-ahead on the car within the month.

Your boss has pressures of his own. He tells you that Newsweek has been calling him for weeks, begging for the first look at the car. The EPA has hinted that it will strongly support the sale of the car. You and your boss both wince when you consider the astronomical projected income from your car sales.

Your boss has an idea. He wants you to rerun the tests and "coax" the components through the testing procedures. He points out that by the time the car's problems surface, the company will have promoted you both. Your boss is certain that, one way or another, you can both outrun this situation.

You think, "Do I have any options? What if I 'coax' the components through the testing, as my boss suggests? What if the company begins production now and just ignores the problems the car will encounter in four years?"

The problem is not life threatening. You've certainly seen worse problems in your time, such as the exploding Ford Pinto and cigarettes. Plus, the benefits of the new car might outweigh the limited life span. Because the new car uses much less gas than the typical car, consumers are likely to save money overall — even after expensive repairs are taken into consideration.

Furthermore, sales of the car will make a huge dent in the air pollution problem. Four years can be a long time. Perhaps within that time you can help the company figure out how to fix the car's defects.

What should you do? How do you make this important decision? Do you want to facilitate or discourage this car's immediate development? How do you weigh the benefits of the car versus the fact that the car will encounter major problems in only four years?

It is right to give consumers full information about a product they buy. It is also right to reduce environmental pollution. It is right to have a viable business. What should you do? You need to formulate a rapid decision about whether you will coax the components through testing and rewrite the report.

The first fact we should note about this example is that the right course of action is not altogether clear. Ethical conversation is less about finding the one and only right thing to do than it is about finding the **better** thing to do. Whatever you choose to do, real people will be hurt and others will benefit. Similarly, any decision you make will be both potentially risky and potentially beneficial for the firm.

Second, one of the best ways to help yourself make a tough decision such as this one is to **relax**, which will help you think better. Of course, you are anxious. But remembering that you are not alone in struggling with such issues can reduce your anxiety about ethical dilemmas a little. We all face them to varying degrees. How we respond to them is one of the most important character tests we face.

Finally, remember that you already know some things that can help. Use what you have learned so far. **Make a list** of the value priorities that would move you toward sharing more information about the car with the consumers. Considering your different roles and their accompanying interests might help you as you formulate value priorities.

Now consider the value priorities that would lead you to withhold the information. Then ask yourself "Given my sense of who I should be in terms of my personal values, which of these value priorities would I typically align myself with?"

You might also consider whether you would support these same value priorities with your firm's financial health on the line. Are there any significant facts that might change your desire to act according to that value emphasis?

In this course, we want to offer you positive steps that would lead toward a more thoughtful ethical decision. Bright and good people have struggled with such decisions long before you started taking your turn at business ethics. Their hard work and thought has been distilled into a few general, classical guidelines that can move us toward our goal of more ethical business decisions.

Before we describe these powerful and generally dependable guidelines, we want to be certain that you do not think they are a substitute for reasoning about ethics. They take us quite a distance, but in some instances they fall short of a strong conclusion. Our objective here is to help you reason better about business ethics. But you and your value priorities, as influenced by the value structure of your organization, are the ultimate glue that pastes these steps together.

SUMMARY

In this lesson, you looked at a case study involving a specific ethical dilemma. You learned that these issues are often complex, with a variety of positive and negative consequences. As a starting place, you learned to relax, and to make a list of the value priorities that would move you in one direction or another. You learned that there are classical guidelines that can help you evaluate these decisions, but that none of them are a substitute for thinking through the issue and considering it in the context of your own value priorities.

LESSON 3 ~ THE GOLDEN RULE

Perhaps the most well known general ethical guideline is the Golden Rule — the one that tells us to do unto others what we would have them do unto us. After completing this lesson, you should be able to:

- Define the Golden Rule
- Apply it to specific ethical questions

When you were a child, you probably heard your mother or father say, "Don't hit your sister! How would you like it if she hit you?" This interaction might have been the first time you encountered the Golden Rule. Alternatively, you might have heard about the Golden Rule in church. "Do unto others as you would have them do unto you." Confucius and Aristotle offered similar messages.

Many different interpretations and variations of the Golden Rule have been offered. For example, one scholar has identified six ways the Golden Rule can be interpreted:

- Do unto others as you want them to gratify you.
- Be considerate of others' feelings as you want them to be considerate of your feelings.
- Treat others as persons of rational dignity like yourself.
- Extend brotherly or sisterly love to others, as you would want them to do to you.
- Treat others according to moral insight, as you would have others treat you.

- Do to others as God wants you to do to them.

What these suggestions share is a reminder that ethics requires awareness that other humans matter. We are pretty certain that we matter, and because we see ourselves in others, we should strive to think long and hard about the effects of our actions on both those we see and those we cannot directly see, but who matter as human beings nevertheless.

We matter. Our families matter. Other citizens matter. All those with whom we live have interests and needs that should matter in our thinking. When our thinking about others translates into action, we take actions similar to those of Coca-Cola Co., which is now providing costly HIV & AIDS drugs for its employees in Africa.

Obedience to the Golden Rule gives us a good feeling about ourselves. When we try to follow it, we become more than just a solitary human in a social jungle. We feel a justifiable pride when we recognize that important interests exist outside our personal space. Just imagine what a damning image we would see in the mirror if a glance revealed someone glaring back at us who believed that "only I matter!"

Let's return to the case study discussed earlier in this course involving the automotive engineer. Using the Golden Rule as your ethical guideline, how would you behave? Would you hide the information, or would you disclose the information?

Put yourself in the consumer's shoes. As a consumer, would you want to know that a car's environmental features would last only four years? Are there other stakeholders in the organization whose interests should be the focus of your application of the Golden Rule?

Consider the Enron Corporation, once a multibillion-dollar energy trading company that filed for bankruptcy on December 2, 2001.

Let's suppose you are an executive at Enron, at one time labeled the "world's greatest corporation." You receive millions of dollars from complex business partnerships arranged with Andrew Fastow, the former chief financial officer. However, these partnerships allow your company to hide debt, and you tell your employees to buy more company stock. Meanwhile, you sell your stock and receive several million dollars.

As the value of Enron's stock plummets, numerous employees are losing most of their investments in their 401(k) plans. For instance, a North Dakota Enron employee invested \$330,000 in Enron stock, which dwindled to \$1,700 after the company's collapse.

If you were an ethical executive for Enron, would you engage in similar practices using the Golden Rule as your guideline? Would you want to be one of the Enron employees who lost their life savings while you, one of the company's executives, collect millions of dollars from complex business partnerships?

Some contemporary business leaders engage in action that shows a belief in the Golden Rule. James E. Burke is one leader who shows respect for classical ethical guidelines, especially the Golden Rule.

As you read the following information, ask yourself:

- Which of Burke's actions show his respect for the Golden Rule?
- Which of the six interpretations of the Golden Rule fits Burke's actions best?

The work James E. Burke is doing today is impressive. In his retirement years, he acts as chairman of the Partnership for a Drug-Free America. In this capacity, he is leading an organization that has undertaken a significant public service media campaign to help stop drug abuse. Burke's work shows his commitment to relationships based on trust. He believes that "every relationship that works is based on trust, and you don't develop trust without moral behavior."

What makes James Burke's life more impressive is that he had a long, distinguished career at Johnson & Johnson prior to his retirement. In his 40 years with Johnson & Johnson, 15 as the

company's leader, Burke earned a reputation for remaining true to the company's corporate mission, especially through tough times. The Johnson & Johnson credo states: "Johnson & Johnson's first responsibility is to the people who use its products and services; the second responsibility is to its employees; the third to the community and environment; and the fourth to the stockholders." Johnson & Johnson believes that stockholder interests are served naturally as a result of pursuing the first three goals.

Burke's commitment to the credo and emphasis on relationships built on trust was highlighted by the "Tylenol scare" in the 1980s, when consumers ingested Tylenol capsules tainted with cyanide. Burke took quick action and made sure the product was pulled from the shelves. Eventually, Johnson & Johnson stopped making Tylenol in capsule form because it could not ensure consumer safety in spite of modifications to the product's packaging. In the short run, the decision was a financial setback. However, consumers regained confidence in the product.

When Princeton University in 1997 awarded Burke with an honorary degree, Doctor of Law, it summed Burke's accomplishments well: "[w]hen Tylenol fell victim to terror; [Burke] put compassion before cost to maintain the public's confidence in a company synonymous with baby powder and Band-Aids. Having brought comfort and reassurance to a nation suddenly fearful of drugs that heal, he now leads a coalition of corporate citizens to focus our attention on drugs that kill."

SUMMARY

In this lesson, you learned about the most well known classical ethical guideline — the Golden Rule. You learned the broad definition of the Golden Rule and a variety of specific variants. You learned that the basic foundation of the rule is an awareness that other humans matter. Finally, you considered ways of applying the Golden Rule to specific ethical dilemmas, including the Enron case and the actions of James E. Burke at Johnson & Johnson.

LESSON 4 ~ THE PUBLIC DISCLOSURE TEST

The Public Disclosure test is an ethical guideline that asks us to consider how the community would perceive our actions if our actions became public. After completing this lesson, you should be able to:

- Define the Public Disclosure test
- Apply it to specific ethical questions

Let's go back to the new car dilemma from earlier in this course. If the Golden Rule test did not seem to help you think through the dilemma, a second tool available is the Public Disclosure test. That is, choose a course of action and imagine what would happen if your actions were made public. For example, suppose you decide to hide the car's important flaw from its prospective consumers. Now suppose that your decision to hide the flaw were to be printed in the newspaper. How would the public react? How would you feel about the public's having full knowledge of what you intend to do?

You probably recognize immediately the worth of this second classical guideline. We care about what others think about us. We should especially care about what virtuous, thoughtful people think about us. Such people provide a special light that helps us see with improved vision the effects and implications of our decisions. They give us perspective we might miss because of the personal ties we have to alternative options and their results.

To see how this test could prevent unethical behavior, stop for a moment and think of examples of corporations that failed to apply the Public Disclosure test. In other words, think of examples of corporate actions that have generated negative reactions from the public. Could the business have anticipated the public's reaction?

Another way to think of the Public Disclosure test is to view it as making our actions transparent — making them open to the scrutiny of others. The premise of this classical guideline is that ethics is hard work, labor that we might resist if we did not have frequent reminders that we live in a community. As a

member of that community, our self-concept is tied, at least in part, to how we are perceived by that community.

Consider whether Bernard Ebbers, the former CEO of WorldCom, would have acted differently if he had used the Public Disclosure test. Ebbers used WorldCom's funds to grant himself a \$366 million personal loan when a different company he managed was financially troubled. If Ebbers had thought about how his friends, employees, and shareholders would react, do you think he would have hesitated to take the money?

One potential problem with the Public Disclosure test is its requirement that we can actually determine how the public would react. For example, would consumers want the information about the car if they understood the positive impact on air pollution of large-scale purchases of the car? Say you decide to withhold the information because you believe you know what the public thinks, even though you have never asked "the public." Now, how do you think the public will react if they discover that you acted in a certain way because you believed you knew what they thought?

A second drawback to this ethical theory is that its effect depends quite a lot on the social norms of the public itself. In a community of thieves, public disclosure of a person's theft would hardly serve as an inhibitor to his plans to steal.

Does this potential problem of variable social norms mean that the Public Disclosure test is not helpful as an ethical guideline? Not at all! One of our constant themes is ethical improvement, rather than ethical perfection. The Public Disclosure test definitely forces us to think about considerations that deserve our attention. Hence, the test makes our decision more robust because we become more sensitive to the interests of those diverse groups affected by the ethical dilemma.

SUMMARY

In this lesson, you learned about the Public Disclosure test, an ethical guideline that asks us to consider how the community would perceive our actions if our actions became public. You learned that the basis of the Public Disclosure test is a sense of ourselves that is tied to how we are perceived by the community. You looked at ways of applying the test to specific ethical questions, such as the WorldCom case, and you considered the potential weaknesses of this test, including the difficulty of determining public perceptions and the reliance on social norms.

LESSON 5 ~ THE UNIVERSALIZATION TEST

The Universalization test is an ethical guideline that asks us to imagine that everyone acted the way we do. After completing this lesson, you should be able to:

- Define the Universalization test
- Apply it to specific ethical questions

If neither the Golden Rule nor the Public Disclosure test helps you resolve an ethical dilemma, a third classical guideline might shed new light on the situation. This test shares with the other two a focus on the many people whom our actions affect. The Universalization test asks us to consider what the world would be like were our decision copied by everyone else. Applying the Universalization test causes us to wonder aloud, "Is what I am about to do the kind of action that, were others to follow my example, makes the world a better place for me and those I love?" We ask: What if everyone did that?

Think about the actions of the Enron executives. Reports about the financial condition of the company overestimated the company's profits by almost \$1 billion in the year before the company's collapse. This misrepresentation of the company's equity misled stockholders and Enron employees, who consequently made unsafe investments in the company. When Enron collapsed, these stakeholders were adversely affected while the executives profited.

Unlike Enron, other corporations have wondered, "If other companies were to follow our example, would the world be a better place?" One company that has worked hard to answer this question

positively is Merck & Co. Merck's actions regarding river blindness not only improved the lives of individuals, but also inspired other companies to duplicate Merck's generosity in their own businesses.

As you read the **Values in Action**, ask yourself:

- How did company leaders apply the Universalization test with regard to river blindness?
- Does the Universalization test work the same way with regard to drugs that respond to AIDS?
- Does Merck show respect for other classical ethical guidelines, in addition to its respect for Universalization?

VALUES IN ACTION

Merck & Co., Inc. is a pharmaceutical company that uses its research abilities to help citizens throughout the world combat disease. The company's reputation for high scientific standards and good global citizenship was shaped in large part by a mission it undertook over 20 years ago.

In the late 1970s, Merck researchers discovered that a drug they were testing for heartworm in dogs, Ivermectin, might be a miracle cure for river blindness in humans. At the time, river blindness plagued millions of impoverished citizens in Africa and Latin America. A parasitic worm causes river blindness. This worm causes unbearable itching, so unbearable that victims often want to commit suicide. When the worms invade the eyes, they often blind their victims.

The company's dilemma was that, in addition to the development project's large expense, the project was unlikely to generate revenue for the company. But the company's challenges went well beyond development. The company would also have to test the drug and distribute it to remote locations. Ultimately, Merck decided to go ahead and fund, develop, and distribute its new drug, Mectizan.

Through Merck's Mectizan Donation Program, 25 million people per year are treated for river blindness. Merck has worked with public groups to make its program the largest, most successful public/private health care partnership in the developing world. The United Nations estimates that river blindness may be eradicated by 2007.

A more recent example of Merck's respect for the Universalization test is illustrated by Merck's response to the issue of AIDS treatment. The company was faced with the issue of whether to drop prices for AIDS drugs and work with nonprofit groups to fight this epidemic, which has taken an especially heavy toll on citizens in sub-Saharan Africa.

In many ways, Merck's dilemma regarding the AIDS epidemic was more complex than the earlier dilemma concerning river blindness. For example, people with river blindness need to take just one Mectizan pill per year, whereas people with HIV/AIDS must take a cocktail of pills several times a day. Also, the AIDS epidemic is more widespread than river blindness.

Early in the new millennium, Merck affirmed its commitment to improving global health by becoming the first pharmaceutical company to sell its HIV/AIDS medicines without profit in certain developing countries. The company joined the Bill and Melinda Gates Foundation and the government of Botswana in a five year commitment to seek a way to treat HIV/AIDS in devastated countries. The coalition's goal is to help countries with weak infrastructures develop a health system that will support an effective response to the HIV/AIDS epidemic.

The driving force behind Merck's efforts to improve global health is the commitment of the company's founder, George W. Merck, to help people. In 1950, Merck stated, "We try never to forget that medicine is for the people. It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear."

When you reflect about the work of companies like Johnson & Johnson and Merck & Co., remember the purpose for applying ethical tests. All three classical guidelines should make us more aware of the tight connection between ethics and our inescapable ties to one another. The ethical focus forces us to be empathetic to the needs of others. Like James E. Burke and Merck's leaders, we can act on that concern by paying attention to the three classical guidelines.

SUMMARY LESSON 5

In this lesson, you learned about the Universalization test, an ethical guideline that asks us to imagine that everyone acted the way we do, and to behave in such a way that the world would be a better place if others followed our example. You learned to apply the Universalization test to specific cases, including the ethical issues that arose at Enron and Merck & Co.