

Understanding Business Ethics

Learning Objectives

AFTER READING THIS CHAPTER, YOU SHOULD BE ABLE TO:

- LO1** Differentiate morals, values, and norms and explain how they relate to business ethics.
- LO2** Explain why ethics are important to business.
- LO3** Summarize how ethics can affect your job, career, and role in society.
- LO4** Articulate how to use 3-dimensional problem-solving to improve your ethical performance.





WHERE DO YOU STAND?

Cash or Credit?

The airline industry has been one of the most negatively affected by COVID-19. By early April 2020, travel had declined 95 percent—from over 2 million passengers per day to less than 100,000—costing airlines an estimated loss of \$1.6 billion per day.¹ One of the most challenging aspects of this is how to handle customer cancellations—refund passenger’s money or give them credits for future flights. By late May 2020, airlines had overwhelmingly chosen and issued credits worth \$10 billion.²

1. As a customer, which do you think is the right thing to do? Justify your position.
2. Assume you are an airline executive, which do you think is the right thing to do? Justify your choice.
3. Now argue the opposite choice.

Introduction

Are you ethical? Of course, your answer is yes, and you can bet that the numerous executives, coaches, university administrators, politicians, celebrities, and the countless others caught up in ethics scandals would answer this question the same way. Yet, you know from both the news and your personal experience that unethical conduct surrounds us. You also know that sometimes *you* do the wrong thing, but what is more common are the situations you face in which right and wrong are less than clear—you are conflicted. Such difficult scenarios occur in all arenas of your life—school, work, and socially. The overarching goal of this book is to help you develop your ethical compass, including the knowledge and skills necessary to navigate the endless ethical challenges in your job and career. Conducting yourself ethically is foundational

to your long-term success and the value of your contributions to your employers, communities, and larger global society.

This is accomplished using a practical approach based on the belief that management, of which business ethics is a part, is an applied discipline—it is something you do. This means it is about informed action, and this belief is reflected in the major learning objectives for you. This book was written to *help you*:

1. Understand ethical challenges you will confront in your individual jobs and larger career.
2. Determine the potential causes and solutions, along with the associated consequences, both intended and unintended.
3. Guide your own ethical business conduct.
4. Foster and react to (i.e., manage) the (un)ethical conduct of individuals and organizations.
5. Become a more ethically centered, fulfilled, and productive member of global society.

One way to achieve these objectives is to structure the book in a way to help you organize and apply your knowledge as you learn it. Your journey begins with an overview of business ethics and its importance to business in a general sense, but also for you and your career. The book was written with an emphasis on you, as indicated in the five objectives listed above. This overview introduces some key concepts and creates a common language. The remainder of the book is organized into levels—individual, organizational, and global. As explained later in this chapter, structuring the book and your learning in this way will assist you in organizing your own thinking and understanding the relationships between factors that influence ethical conduct.

Let's begin.

What are Morals, Values, and Norms, and How Do They Relate to Business Ethics?

Just like all of the various disciplines you study in business school—accounting, finance, marketing, human resource management, and others—business ethics has a terminology that enables people to communicate precisely and apply knowledge accurately. Acquiring and using a common language not only facilitates your learning and communication abilities, but it also enables you to apply your knowledge more effectively. To this end, several key terms are related, that is, one is embedded in or in part determined by another. This is another reason why it is especially important to create clarity at the beginning.

Before defining other terms and explaining how they are related, it helps to describe and illustrate what is meant by embedded. Figure 1.1 shows three concentric circles—business ethics norms are embedded in or influenced by business values, and both are embedded in and influenced by societal morals. Configured in this way helps you think of this subject in terms of levels—morals the highest, values next, and ethics last. This mirrors the level of abstraction or precision, such that morals are relatively more abstract beliefs held among people, whereas values are more varied and ethics most variable. With this in mind, let's explore each in more detail.

morals

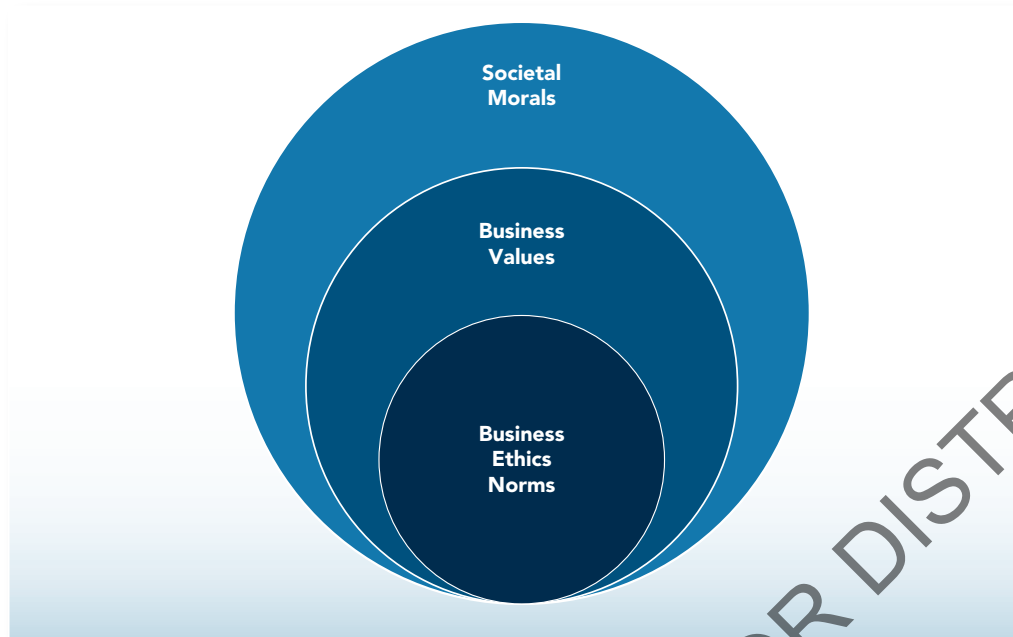
what a society, national culture, religion, or philosophical belief system considers right and wrong

What Are Morals and Business Values, and How Do They Relate to Business Ethics?

Applying this notion of embeddedness, let's start with the most fundamental element—morals. **Morals** describe what a society, national culture, religion, or philosophical belief

figure 1.1

The Relationship between Morals, Values, and Ethics



system considers right and wrong.³ It therefore helps to think of morals as ethics at a higher level, such as the importance of life, liberty, and justice in the United States and other Western cultures. Religion also influences morals, for example, Christianity forbids stealing and Hinduism advocates pleasure and prosperity. Morals operate at a higher level and help shape business values and ethics.

Business values are shared and enduring expectations about what is important, and these in turn guide policies, practices, and behaviors of individuals and organizations.⁴ Accordingly, values are brought to life, made real or manifest, in the actual behaviors, policies, and practices of individuals and organizations.

Business ethics norms, in turn, are the shared views of what is right and wrong and are reflected in the behaviors, policies, and practices in a given context. They are determined by the morals of society and the values of a particular community or group—employer, industry, and country.⁵

Putting this altogether, **business ethics** is the study of right and wrong behavior between individuals and organizations, and this distinction depends on the morals of society and the values and norms within a specific work context.⁶ Although you and everyone else certainly have their individual sense of ethics, these are the result of the shared views of groups about what is appropriate. As such, your ethics may indeed differ from those of a particular group, such as a project team at school or a group of peers at work, but your ethics may align with some other group. More on this later when we discuss ethical dilemmas in this chapter and conflicts in chapter 5.

You can easily see how values have implications for ethical behavior. For instance, your employer may value competitiveness and reinforce this with providing large bonuses to top performers (performance management and reward practices). However, if you “steal” a customer from one of your peers, and/or sell the customer products they do not need, then your conduct is likely to be considered unethical. You will learn much more about values (chapter 4) and their implications for ethics throughout this book, such as value conflicts (chapter 5) and the fundamental role of values in organizational culture (chapter 8).

business values

shared and enduring expectations about what is important, and these in turn guide policies, practices, and behaviors of individuals and organizations

business ethics norms

the shared views of what is right and wrong and are reflected in the behaviors, policies, and practices in a given context

business ethics

the study of right and wrong behavior between individuals and organizations, and this distinction depends on the morals of society and the values and norms within a specific work context

Before moving on, it is important to note that a critical attribute common to morals, business values, and ethics norms is the fact that they are shared. It is the shared nature that gives them their power to influence the ethical conduct of individuals, organizations, industries, countries, and larger society. The greater the degree of sharing or agreement, the greater the power to influence ethical conduct.

Now that you have a basic understanding of some fundamental concepts and how they are related to each other, let's move on to the concept of ethical dilemmas.

Black & White, Gray Areas, and Ethical Dilemmas

“I thought ethical business was good business . . . My colleagues didn't all agree.”⁷

This quote is from Sallie Krawcheck, the cofounder and CEO of Ellevest, a digital financial adviser for women, on her account of very tough and consequential decisions she made when she was an executive at Citigroup and Bank of America during the financial crisis. In a later Ethics in Action box, you'll learn how her ethically motivated decisions conflicted with colleagues and resulted in substantial costs and benefits.

Often when you think of ethics at school, for instance, many situations are clearly right (being supportive to classmates) or wrong (cheating on an exam). But situations that are more challenging are ethical dilemmas. **Ethical dilemmas** occur when a situation requires a choice in which both options have ethical implications, leaving you with no clear right or wrong decision. Such dilemmas frequently also involve conflicting values.⁸ Consider the example of finance manager for a large auto manufacturer. The company has been struggling, along with the entire industry, and leadership has decided to cut costs (cutting costs means cutting employees). Calculations need to be done to determine whom to lay off in order to meet the goals set by senior leadership. The finance manager has the responsibility of conducting these analyses, creating the list of those to be let go, and then giving this list to the regional director to take action.

The dilemma can be described in terms of a conflict between the finance manager's values of loyalty, to his job and employer, and honesty to his coworkers, many of whom are his friends. Most people in the office know that the finance manager is involved in determining the list, and if any of his friends ask, then he has to decide between telling the truth (being honest) and being loyal to his job and employer.

Moreover, this same dilemma could easily be framed only in terms of loyalty, on the one hand to his coworker friends and on the other to his employer.

ethical dilemmas

occur when a situation requires a choice in which both options have ethical implications, leaving you with no clear right or wrong decision. Such dilemmas frequently also involve conflicting values.

For Discussion

1. Describe *two* ethical dilemmas you have experienced as a student.
2. If relevant, which conflicting values were involved in each?
3. Looking back, would you have done anything differently given the chance? Explain.

These are tough or gray situations, those with no clear answer, and tend to be more common and often more difficult to deal with. The knowledge and tools in this book are intended to better prepare you to deal with such ethical challenges.

Periodically, in every chapter, Ethics in Action boxes are inserted. These have two purposes. The first is to illustrate particular concepts as you learn them with descriptions of behavior, policies, and practices used by individuals, organizations, and larger society. The second purpose is to provide practical tools to help you develop your understanding and application of business ethics—news you can use. This first box does both and describes a practice used by one of the world’s wealthiest and most respected people in business.

Ethics in Action

The TV Test

Warren Buffett, a legendary investor and one of the world’s richest people, explains that ethics, trust, and morals are critical elements of being successful in business. These elements can either make or break your reputation, which he said is something he cannot afford to lose. This is quite a challenge for Buffett who is the face of Berkshire Hathaway which has over 350,000 employees. When confronted with uncertain situations or decisions, he tells his managers to ask and answer the following question: “How would you feel about the details of this situation and your conduct to be written up in the local newspaper for all to see and read?”⁹

Of course, this can include any widely read media outlet online, print, or an interview on the evening news. Scores of students over many years have role-played a modified version of this tool with great success. Specifically, imagine that immediately after you make a decision at school or work that you feel enters the gray zone—not clearly right, not clearly wrong—and a reporter shows up and sticks a microphone and camera in your face, and then asks you to explain yourself.

The stakes are raised further still if you also assume that the interview (or article) will be seen by family, friends, your kids, parents, and your coworkers (current and past).

Bottom line: If the decision passes this test, meaning you’d be willing to do the interview or have the article/post read, then do it. But anything close to the ethical line should not be done. Buffett says, he uses this to guide his own decision making and conduct and encourages managers to do the same.

For Discussion:

1. Think of a tough call you’ve had to make. If you were required to do the interview—the TV Test—would you have changed your decision or behavior? Explain why or why not.
2. Think of an example or situation where you think someone approached or crossed the line. Imagine you stuck a microphone and camera in their face asking for an explanation. What do you think they would say?

Next, we will begin making the case for the importance of ethics to business, which we will effectively do with every topic in the book.

The Importance of Ethics to Business

Why should you or anyone else bother studying business ethics? The most fundamental answer to this question is because the conduct of businesses can and does dramatically affect employees, departments, entire organizations, and even industries, countries, and the planet. We will explore various effects throughout this book, but let's start with what is legal or not.

Legal Does Not Mean Ethical

The first and last thing to remember about business ethics is that because something is legal does not mean it is ethical! To the contrary, many experts argue that an epidemic of unethical conduct has afflicted business across the globe for decades. The news media regularly reports some enormous business scandal (e.g., see Table 1.1) such that unethical conduct seems commonplace. All of the instances in Table 1.1 share a number of characteristics: executives (and frequently others) broke the law, executives went to jail, and often the companies failed resulting in tens of thousands of employees losing their jobs

table 1.1

Examples of Well-Known Business Ethics Scandals

Scandal and Year	Industry	Unethical Conduct	Key Players	Consequences
Drexel Burnham Lambert (1990)	Finance	Insider trading	Michael Milken (junk bond king)	Jail time and \$500 million fine for Milken; the firm failed
Purdue Pharma, ongoing since the mid-1990s	Pharma	False and misleading marketing and dozens of others	Sackler family	Multibillion-dollar settlement, bankruptcy, and restructuring
Enron (2001)	Energy	Financial fraud (cooking the books)	Kenneth Lay Jeff Skilling	Legal penalties for Lay, Skilling, and others; the firm failed
Arthur Andersen (2002)	Accounting	Fraud		The firm failed; consulting arm spun off as Andersen Consulting
Madoff and Associates (2008)	Finance	Fraud; Ponzi scheme	Bernie Madoff	Jail time; the firm failed
Penn State (2012)	Higher education	Sexual abuse	Jerry Sandusky Penn State	Jail time, settlement, firing of university president and head of football coach
Volkswagen Diesel Emissions (beginning in 2015)	Auto	Deceptive business practices/fraud Stock price manipulation	Martin Winterkorn, CEO	Fines, CEO resignation, damage to brand reputation
Fox News (beginning in 2016)	News	Sexual harassment and discrimination, retaliation	Roger Ailes Bill O'Reilly Jamie Horowitz	Settlement payments, ouster of copresident Bill Shine and very senior managers, resignations and firings, damaged image/brand, hired and elevated women into executive positions

Continued

Wells Fargo (2016)	Banking	Falsifying banking records, harm to customer credit ratings, fraud, lied to investors		Firing and disciplining of employees, billion-dollar settlement, damaged image/brand
USA Gymnastics Sex (2018)	Higher education (sports and medicine)	Sexual abuse	Dr. Larry Nassar Michigan State University Coach Kathie Klages	Jail time, fines, organizational bankruptcy, university officials resign or fired, loss of corporate sponsorship
College Admissions (2019)	Higher education	Bribery and fraudulent admissions materials	William Singer (mastermind) thirty-three parents, athletics coaches, admissions counselors, college administrators	Jail time, fines, job loss, suspensions

and retirement savings. Put simply, unethical conduct in business can and often does have negative consequences.

Nevertheless, we as a society generally assume that if an action is illegal, it is unethical, and individuals and organizations should pay the consequences. The lesson for you—don't break the law—is simple enough.

However, unethical conduct that qualifies as illegal is the exception. Only a puny percentage of all unethical business conduct is actually illegal, and an even smaller percentage results in formal legal complaints. The vast majority of unethical conduct is not illegal. One of the most devastating examples is the great financial crisis beginning in 2008 that caused unemployment to rise above 9 percent, housing prices to fall nearly 32 percent, and the US economy to lose nearly \$1.4 trillion—with a T.¹⁰

Underlying this ethical calamity was unchecked risk-taking and greed by leaders of financial institutions and their activities in the mortgage market. Beyond ravaging the world economy and causing unemployment and financial ruin for millions of homeowners in the United States, hundreds of millions of people across the globe were also affected due to the true global nature of our financial system and economy.

Despite the enormity of the consequences, few to no high-level executives of American financial institutions were charged and convicted of breaking the law.¹¹ Eric Holder, the Attorney General of the United States at the time, described the situation by saying that the conduct of many executives was unethical and irresponsible but not necessarily criminal.¹² This view was reinforced by Ben Bernanke, the chairman of the Federal Reserve during the same period: “. . . corporate executives should have gone to jail . . . everything that went wrong or was illegal was done by some individual, not by an abstract firm.”¹³

This begs the question: If unethical business conduct that is also illegal is the exception, then who decides what is right and wrong if not the courts? One answer is stakeholders.

Stakeholders

Stakeholders are any entity (e.g., individual, group, or organization) that can affect or is affected by your personal conduct or that of your organization.¹⁴ Table 1.2 shows a number

stakeholders

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table 1.2

Common Stakeholders, Their Interests, and Means of Influence

Stakeholder	Stakeholder's Interest	Means of Influence
Shareholders	Financial returns	Support with money invested (or not)
Employees	Income; development opportunities; and personal reputation	Loyalty; enhance or erode reputation in the eyes of others
Customers	Reliable products and competent service; safety	Loyalty; enhance or erode reputation in the eyes of others
Suppliers	Integrity; prompt payment; continuing business	Responsiveness; flexibility; repeat business
Creditors	Financial returns	Terms for lending; flexibility
Regulators (e.g., financial and environmental)	Compliance with rules and regulations	Penalties (financial, jail time, licensing)
Governments (city, state, and federal)	Tax revenue and employment of citizens	Favorable tax treatment
Community	Employment of citizens Economic growth Protection of environment	Favorable tax treatment Supportive policies

primary stakeholders

those who are critical to an organization's survival, such as employees, customers, shareholders, governments, and communities

secondary stakeholders

most often do not have direct relationships with an organization and thus are not critical to its survival, such as trade groups, special interest groups, and the media (old school and social)

stakeholder approach

determining how and which stakeholders will likely be impacted by or react to your or your employer's action

of common stakeholder groups, along with their interests and means for influencing the ethical conduct, policies, and practices of organizations.

It is often helpful to categorize stakeholders as either primary or secondary. **Primary stakeholders** are those who are critical to an organization's survival, such as employees, customers, shareholders, governments, and communities.¹⁵ It is likely easy for you to understand how employees, customers, and shareholders (for public companies and the owners of private companies) are essential for most organizations, but governments are also necessary as they regulate and tax most industries. Communities are another stakeholder, and they provide infrastructure (e.g., buildings, roads, and water), even for virtual organizations they are responsible for electricity and Internet service.

Secondary stakeholders most often do not have direct relationships with an organization and thus are not critical to its survival, such as trade groups, special interest groups, and the media (old school and social).¹⁶ The key learning point is to understand that you, and your employers, are well served to identify and consider the values and business ethics expectations of both primary and secondary stakeholders. The following Ethics in Action box illustrates how the focus and importance of stakeholders often changes over time as a company grows.

The Stakeholder Approach

The **stakeholder approach** involves determining how and which stakeholders will likely be impacted by or react to your or your employer's action.¹⁹ Stakeholders therefore are fundamental to business ethics, sustainability (chapters 2 and 12),

Ethics in Action

Primary and Secondary Are Powerful at Facebook

For the longest time, Mark Zuckerberg, the cofounder and CEO of Facebook, was able to focus his energy and efforts on building the product with supreme tech talent, attracting users and advertisers, and other activities to make the company and stock price grow. He, and other Facebook leaders, had tremendous success serving all of these primary stakeholders.

However, as Facebook grew so did its challenges with secondary stakeholders, which in the past years have consumed much of Zuckerberg's and other leader's attention. Allegations have been made that the company's advertising for financial services illegally discriminates against particular groups (e.g., older and female users).¹⁷

The company has also attracted unwanted attention regarding its influence of the 2016 presidential election and not sufficiently acting on hate speech and misinformation. The latter issue resulted in more than 1,000 companies boycotting the social media giant, by pulling their advertising on the platform.¹⁸

For Discussion:

1. Which stakeholders are more powerful—primary or secondary—for Facebook today? Explain.
2. Which three stakeholders do you think consumed the majority of Zuckerberg's attention now? Why?

corporate social responsibility (chapter 2), and other concepts you will learn about in this book. We will learn much more about the stakeholder approach in chapter 2 and apply it throughout the book. But because it is fundamental to business ethics, it is introduced in chapter 1 as it is necessary to many of the other concepts and discussions throughout the book.

It is worth emphasizing the part of the stakeholder approach definition that states that stakeholders “are affected by or can affect” you and/or your company. Your actions, or inactions, affect stakeholders and vice versa. This means that stakeholders have expectations regarding ethical conduct, and not meeting their expectations can cause problems for you. Making this more difficult still is that different stakeholders may have different expectations about what *they* consider ethical. **Bribery**—offering, giving, or receiving anything of value to influence the actions of another—is a common and good example.²⁰ For instance, in some countries (e.g., Cambodia, Yemen, Ukraine, and Iraq),²¹ bribes are a common part of acquiring a customer's business or support.

It is also important to realize that the focus or relative importance of any given stakeholder often changes over time, just as described in the Ethics in Action box regarding Mark Zuckerberg and Facebook. During the early years of the company, he paid little attention to regulators in the United States, let alone in other countries. He likely gave little thought to the role the platform, and social media more broadly, would play in elections. Therefore, understanding who the relevant stakeholders are in a given situation, learning their expectations and the effect of your mutual actions, is critical to your ethical business success and an overarching focus to this book.

bribery

offering, giving, or receiving anything of value to influence the actions of another

table 1.3

Benefits and Costs of (Un)Ethical Conduct

Benefits of Ethical Conduct	Costs of Unethical Conduct
Performance	Legal costs
Employee commitment	Employee theft
High-quality talent	Talent
Investor money	Reputation
Supportive regulators	Greater oversight by regulators

Benefits of Ethical Conduct to Organizations

If you take the stakeholder approach, then you see that a wide range of people and groups may potentially benefit (or be harmed) by your conduct, and vice versa. Table 1.3 outlines some notable benefits of ethical conduct and costs associated with unethical conduct.

And remember that different stakeholders may have different expectations and considerations of what is ethical and what is not. But the bottom line is being ethical increases an organization's competitiveness! Now let's explore how and why ethics are important for you.

The Importance of Ethics to You and Your Career

Most people are good and have genuinely positive intentions, but being a good person isn't enough when it comes to business ethics. First, you need to have **moral humility** which is recognizing that you (and all people) make mistakes and can cross the ethical line.²² You therefore need knowledge, skill, and practical tools to effectively navigate the numerous and inevitable ethical challenges you'll be confronted with during your working life.

Second, it also is helpful if you not only avoid unethical conduct but also think of ethical business conduct as something positive and worthy of your efforts. To this end, a fundamental theme to this book is to help you understand and manage ethical challenges more successfully and improve your job performance and career opportunities as a result. We begin with a basic and crucial consequence of ethical conduct—trust.

Competence + Integrity = Trust = Success

You already know how fragile trust can be, as people violate your trust from time to time, and sometimes these relationships are completely repaired. However, when trust is violated by someone in your professional life, things rarely return to "normal," and unethical conduct is one of the quickest and consequential ways of violating trust. All of this means that the importance of the relationship between business ethics and trust cannot be overstated, for you, other individuals, and organizations.

But as a practical matter, what does this mean? Don't violate another's trust? Sure, but that is a bit simplistic. Volumes of research shed light on the topic and help us understand and thus use knowledge of trust more effectively. To this end, it is helpful to consider two forms of trust—competence- and integrity-based. **Competence-based trust** is the expectation that the person or organization has the skills, ability, experience, and reliability to deliver on its obligations. **Integrity-based trust** involves the perceptions of a person's or organization's (i.e., employees) intentions, honesty, and character.²³ Competence is skill, integrity is ethics.

moral humility

recognizing that you (and all people) make mistakes and can cross the ethical line

competence-based trust

the expectation that the person or organization has the skills, ability, experience, and reliability to deliver on its obligations

integrity-based trust

the perceptions of a person's or organization's (i.e., employees) intentions, honesty, and character

Both forms of trust reduce the effort or costs of interactions between individuals and organizations, such as more efficient negotiations, smoother dispute resolutions, and greater cooperation and flexibility when dealing with uncertainty and changes.²⁴ All of these are important for you, your relationship with your employers, and relationships between your employers and other stakeholders. These are the benefits these forms of trust share, but they do differ.

For Discussion

1. Describe a personal experience in which someone violated competence-based trust.
2. How did you feel when someone violated competence-based trust and what effect did it have on your relationship going forward?
3. Describe a personal experience in which someone violated integrity-based trust.
4. How did you feel when someone violated integrity-based trust and what effect did it have on your relationship going forward?

All Breaches of Trust Are Not Equal. If you or your employer fails to meet the competence expectations of another party, only once, they are likely to see it as a simple transgression, an error in one particular aspect of the relationship or business. They may give you and/or your employer another chance—not always, but more often than not. However, people are more likely to perceive a single breach of integrity trust as a general lack of character and dishonesty, and they are likely to apply it to you and your employer across the board. People tend to assume that you and/or your employer are bad actors in every dealing.²⁵

The Benefits of Employee–Employer Trust. When employees who trust their employers are compared to those who don't, those who trust are:

- 39% more likely to promote or advocate for their employer to customers and potential employees;
- 38% more loyal;
- 33% more engaged; and
- 31% more committed.²⁶

It also is helpful to emphasize that trust works both ways, employees trusting their employers and employers trusting their employees. The ethical conduct of employees can serve to build a sense of trust among their managers, who in turn do not have to spend as much time, energy, and thus money supervising trusted employees. This is exactly what was found in research investigating the benefits of partners at accounting firms and the level of trust generated by the ethical conduct of their subordinate auditors.²⁷



fran_kie/Shutterstock

These are very important outcomes and speak volumes to the value of trust in the employer–employee relationship. Employer–employee relationships, however, play out on a larger landscape of trust people have for institutions and those doing particular jobs.

Trust in Institutions and Jobs. More generally, the status of trust in our society is ailing. According to the 2020 version of the annual Edelman Trust Barometer, which surveyed over 34,000 people in twenty-eight countries, it appears that organizations continue to do a poor job of meeting employees’ expectations related to trust. Results from the survey revealed that none of the four major institutions is trusted (government, media, business, and nongovernmental organizations), which means no industry received 60 percent or more on the trust measure (see Figure 1.2).

Results were similarly bleak for particular groups of people and particular jobs (see Figure 1.3).²⁸

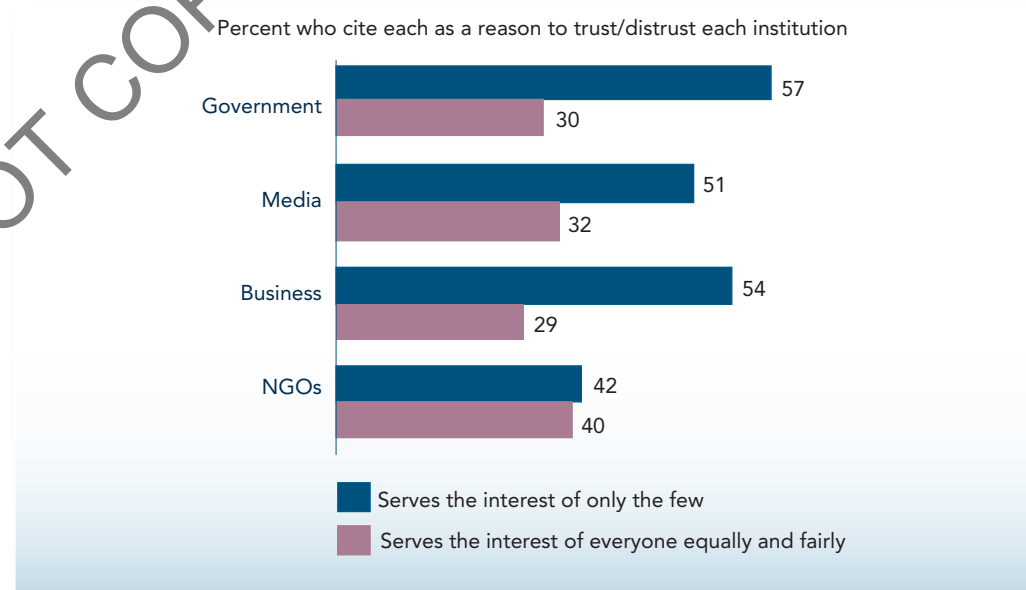
This ugly picture is a warning to you and your employers. Many people already have a less than trusting view, which means special attention needs to be given to potential violations of trust.

Now we turn to what happens to trust in crisis situations.

Trust and Crisis. When a crisis hits, do you think trust in leaders and government goes up or down? What about during the COVID-19 pandemic? If you said “up” for both, then you are correct. Generally, trust increases in both because people expect leaders and the key institutions in their lives to take care of them. But, and importantly, the increase is in the beginning of a crisis, and depending on how it is handled, trust levels can end up much lower than before the crisis. This pattern was supported by an update of the Edelman Trust Barometer. The company conducted a supplemental survey in May 2020 and the results showed a jump in those that trust government from 54 to 65 percent since the original report in January 2020. For perspective, this is the largest increase in the twenty years the Edelman organization has been monitoring trust around the world.²⁹

figure 1.2

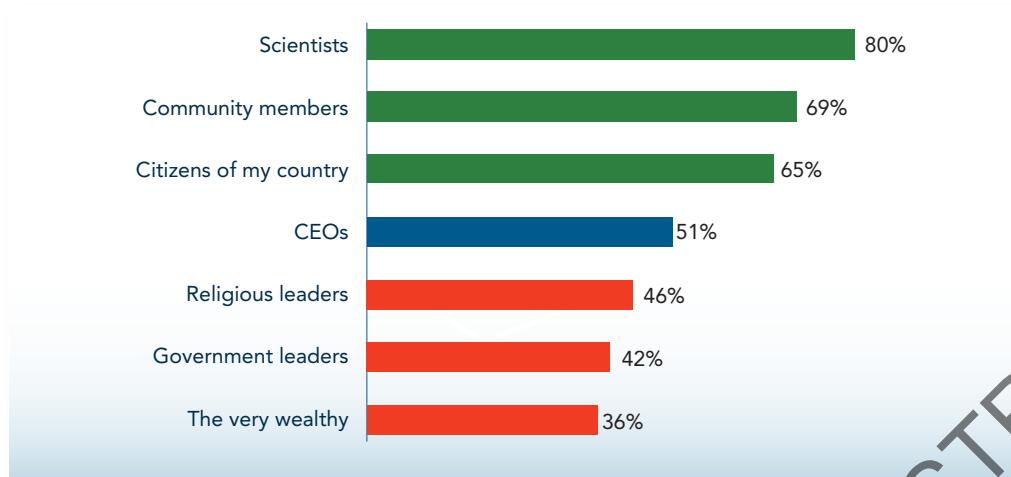
Levels of Distrust of Institutions



Source figure 1.2 and 1.3: adapted from Edelman Trust Barometer 2020. https://www.edelman.com/sites/g/files/aatuss191/files/2020-01/2020%20Edelman%20Trust%20Barometer%20Executive%20Summary_Single%20Spread%20without%20Crops.pdf

figure 1.3

Percentage of Trust in People Doing These Jobs



So, what can be done to foster trust during this particular crisis? First, it helps to know the most trusted sources of information related to COVID-19:

1. doctors
2. scientists
3. national health officials³⁰

What separates these groups and the individuals within are their competence- and integrity-based trust. Compared to other individuals involved in the pandemic response, people think that doctors, scientists, and national health officials have more relevant knowledge (competence) and thus are more qualified to communicate related information and guide responses. These same professionals also are perceived as relatively more ethical (integrity) than others involved in the response (e.g., politicians and other government officials). This suggests that business leaders and politicians, despite their roles and responsibilities, may be well served to involve experts and let them do the talking. This assertion is reinforced by the fact that in the same survey people reported that only 38 percent of employers are doing well or very well at considering employees before profits.³¹

You hopefully now have an even more compelling sense of the importance of trust. Let's explore ethics and your career next.

Ethics and Your Career

This entire book provides you with knowledge and skills to help you understand business ethics and increase your job and career success. Three overarching actions can be especially helpful—anticipate challenges, reflect and learn, and celebrate successes.³²

Anticipate Challenges. What are the most likely ethical challenges you'll confront? Generate a list and make a plan for how you will respond. If X happens, then I will do or say Y. Mentors can help in both identifying the ethical issues and planning your responses, and they can be helpful to consult with when such experiences transpire. Being prepared makes it easier to deal with, as ethical challenges often occur very suddenly and without notice.

Reflect and Learn. Relatively simple missteps or even colossal ethical debacles happen, and when they happen to you, it is important to learn from them. A one-time

lapse is difficult enough, as it can cost you relationships and/or a job, but you don't want to make the same mistake twice. Rather than being defensive and trying to justify or rationalize what happened, think of your role, how your (in)actions contributed to the situation, and if confronted with a similar situation in the future how will you handle it.

Celebrate Successes. Also be sure to reflect on your business ethics victories. All of us can learn from successes and mistakes. Give yourself credit for doing the right thing, especially if it was difficult.

More generally, both individuals and organizations are encouraged to do all three of these. Organizations have the benefit of history to know what types of ethical challenges are likely and what approaches work best. As for you, until you have years of experience, you will benefit from seeking some help in identifying what is most common in a given job, company, or industry. So, don't be afraid to ask.

Truth and Lies in Job Interviews

Research shows that 81 percent of people lie during job interviews.³³ Strive to be in the minority and don't lie! Use the TV Test presented earlier in Ethics in Action box and imagine your interview is posted online, or the interview is live on the evening news for everyone you know or have worked with to see. Would the answers you provide during the interview hold up to the scrutiny of these people? Not only could you but would you want to defend your interview answers to these people? If you can answer "yes" to both questions, then you're off to a good start. Finally, assume you are the interviewer instead of the interviewee—turn the tables. Also assume you own the company. How would you feel if the person you're interviewing gave the same responses as you?

The next Ethics in Action box offers advice for interviewers who are frequently confronted with the challenge of assessing the ethical nature of job candidates. When reading the questions, think of how you would respond. If you're currently working or have worked, assume you are the hiring manager, then think of how you might modify these questions to make them more relevant for that job and company.

For your jobs and career, remember that trust is fragile, and once lost in the business arena, it can be hard to recover. Therefore:

1. Carefully consider who might be affected by your conduct (stakeholder approach).
2. Effectively deal with ethical dilemmas using the knowledge and many tools in this book, including the problem-solving approach explained next.
3. During interviews and even after accepting a job, ask "What types of ethical dilemmas am I likely to confront in this job?" "How does this company advocate ethical conduct? Please describe policies, practices, or examples related to ethics."

Bottom line: Trust is fragile for both individuals and organizations, and people have consistently felt fairly low levels of trust for people in particular jobs and institutions. Also, people are more forgiving for a lack of skill than ethics. If given a choice between ethics and skill, choose ethics.

Next, you'll learn about a widely applicable tool for addressing ethical challenges at work. Versions



Ethics in Action

Ethics-focused Interview Questions

As explained earlier in this chapter, there is no value in asking someone if they are ethical. Even lifelong scoundrels and the most despicable people you'll ever work with would say "yes." Therefore, the challenge in interviews is to get candidates to discuss actual situations and how they have handled or would handle them, and the intent of this is to reveal their ethical compass and character. The following are a few helpful questions to ask if you're the interviewer and to be prepared to answer if you're the candidate.

1. How would you describe an ethical workplace?
2. How do you define honesty and accountability at work?
3. Tell me about an ethical challenge you have faced?
4. Assuming you looked at our web page, what element(s) made an impression on you and why?
5. I assume you've worked with people from different cultures, even if only in college classes. What values and ethics did you find similar and different?
6. When/if you have ethical concerns at work, whom did you consult? Describe.
7. What is the difference between an ethical employee and an ethical employer?³⁴

For Discussion:

1. As a job candidate, pick two questions that would make you most uncomfortable?
2. As an interviewer, what are two additional questions you think would accurately assess a candidate's ethicality?

of this approach have been taught to and used by thousands of students over many years. The hope is that you too will benefit.

Using the Three-Dimensional Problem-solving for Ethics (3D PSE) Tool to Improve Your Ethical Performance

Throughout this book, you are provided with practical tools to understand and apply your knowledge about business ethics. The 3-D PSE is one such tool and is used in each chapter. A similar version (3-D Problem-solving—Define the problem, Determine the causes, and Describe the solutions) was used by students and clients for many years, and it was adapted to better fit problem-solving for ethics. This approach has benefits beyond business ethics, as employers consistently rate problem-solving as one of the skills most sought in employees. You can apply it to many business ethics challenges (e.g., dilemmas), and it is especially useful for end-of-chapter cases. In fact, you'll notice the 3D approach in the case discussion questions. It is simple, intuitive, and effective. Let's learn about the approach by applying it to this simple scenario.

Scenario: It is the end of the quarter and you are working extremely hard to meet your sales target. Not only is it what your boss expects, you will also earn a large bonus. The key to making your goal is to close a potential sale with a longtime and significant customer, and the customer told you she will go with your product instead of the competitor's if you provide tickets to the soccer game this weekend. What would you do?

You, like many people, may simply provide the tickets or find something else the customer wants and be done with it. However, you may have a different view if your company forbids gifts of any sort. Now what do you do? Let's increase your chances of success by implementing the 3-D PSE.

Dimension 1: Define the Ethical Challenge

This scenario, like most other ethical challenges, represents particular types of problems at work, and if approached as a problem to be solved you are likely to be more successful in resolving them. It therefore can be helpful to define ethical challenges as problems, and **problems** are gaps between what you have and what you want—current state versus desired state.³⁵ Ethics are the same. The critical first dimension in effective problem-solving is defining the problem correctly. The widely used example of this is a visit to the doctor when you are sick. Sound medical practice involves determining the underlying cause rather than simply treating the symptoms. For instance, assume you have a fever and without gathering any additional information, the doctor recommends taking Tylenol every eight hours. Sure, this may reduce your fever, for some period of time. But what if the underlying cause of the fever was a lung infection? You would likely get even sicker, miss school and work, need to return to the doctor, and maybe even need to be hospitalized if you develop pneumonia. It obviously would have been more effective had the doctor defined the problem as an infection, rather than a fever, and prescribed an antibiotic instead of Tylenol.

You need to do the same to address ethical challenges more effectively. Using only information contained in the case, what is the gap in this scenario? What do you have and what do you want? Applying the stakeholder approach, you also need to consider the scenario from the customer's perspective. What does she have versus what does she want?

- Is it simply that you want the sale and don't have it? From your perspective, this makes sense.
- Or, is it that the customer really likes your product better, and actually intends to purchase it instead of the competitor's, but wants to test your ethical boundaries? This makes it more challenging.

You can see that how you define the problem can make a significant difference.

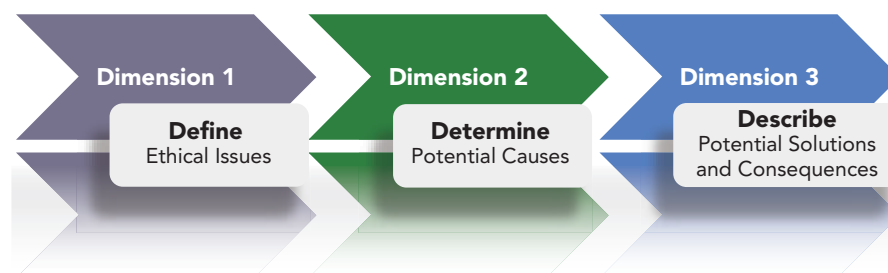
Finally, define your problem in one or at most two sentences and structure it in terms of what is current versus what is desired.

problems

gaps between what you have and what you want—current state versus desired state

figure 1.4

Three-Dimensional Problem-Solving for Ethics (3D PSE)



Dimension 2: Determine the Causes

For any given problem there may be numerous causes, but you also can see how critical it is to define the problem appropriately. To assist, it can be helpful to think of multiple categories or sources of causes—those that reside with individuals and those that are in the context.

Individuals. Many causes of unethical conduct are due to the traits and behaviors of individuals. For instance, as you'll learn in chapter 7, unethical leaders often possess narcissistic, psychopathic, and/or Machiavellian traits. People with these traits are likely to use people to achieve their own interests, show little or no empathy, and only fake concern for others.

Greed is another trait that causes or motivates unethical conduct. Inserting yourself in the scenario above, are you greedy and willing to close the sale at any cost? Or, is it the case that without the bonus you will be unable to pay your tuition or rent? Part of the cause for the problem in the scenario may be with the customer. Perhaps she is truly testing you to see if you will compromise ethical standards to get the sale. She may be impressed if you do; however, she may also choose not to do any business with you or your employer in the future. She also may simply be trying to get something for nothing and have questionable character (chapter 7).

We will explore and learn about many different personal characteristics that cause (un) ethical conduct at work.

Contextual. These can be policies and practices in particular organizations or industries. One powerful cause in the scenario may be your performance management system (chapters 6 and 8). What if your sales goal is unrealistic, or the economy is in the toilet, and it therefore is unlikely you will achieve the sales goal? This could be made even more difficult if the bonus is large and/or meeting the goal is necessary for a promotion. It is entirely possible such gifts or sweeteners are industry norms, meaning they are common with no formal policies forbidding them.

Given the way you defined the problem, what are the potential causes in the scenario using only information contained in the case? For each cause, it is helpful to refine and clarify by asking "How does this cause the problem I defined?" If you ask this question repeatedly for each cause, you may redefine your problem and be more confident you determined the appropriate causes.

Dimension 3: Describe Your Solutions and the Intended and Potential Unintended Consequences for Stakeholders

If you have been diligent in defining the problem and determining the causes (Dimensions 1 and 2), then generating potential solutions will be easier (maybe not easy but easier). Just as doctors do, it is best to "treat" the causes, as addressing these effectively most often improves or remedies the problem. Consider each cause and create a solution, then develop your response by answering the following questions regarding your proposed solution?

1. **What** you will do and **how**? This is your action plan.
2. **Why** you will do it? Answering this question can help you gain clarity about your intentions and help resolve dilemmas.

If your responses to these questions are unsatisfactory, then go back to Dimension 1 and repeat the process. If, however, you are comfortable and confident in your problem-solving efforts thus far, then ensure you achieve the desired outcomes and avoid any unintended consequences by considering the following questions.

3. What is the *desired and likely effect in the short- and long-term* for you and the key stakeholders involved in the problem and causes (Dimensions 1 and 2)? This question forces you to check your goal and get clear on the desired outcome. Moreover, considering the potential effects in both the short- and long-term gets you to think about the sustainability of your proposed solutions. The negative consequences of some actions only occur over time.
4. What *potential unintended consequences* may occur with each proposed solution? In the scenario, for example, if you decide to provide the tickets or some other enticement to the customer, then she may expect it from you again in the future (it becomes a norm) or decide you are unethical and not give you or anyone else from your firm business in the future.
5. What are the **implications for other stakeholders** (e.g., individuals, organizations, and communities) besides those noted in Dimensions 1 and 2? The next thing you need to do is to consider the likely or potential consequences for additional key stakeholders. Again, if you provide the tickets, then the customer may expect such exchanges not only from you and your colleagues in the future but also from your competitors. You then earn the (bad) reputation in the market as the one who “bought business,” didn’t play fair, and caused grief for everyone.
6. Will your solution work in an ethical manner? Make a final assessment of whether your chosen solution will reduce or eliminate the causes determined in Dimension 2, and if yes then it will remedy the ethical problem defined in Dimension 1. If not, then repeat and refine the dimensions.

To conclude the chapter, reflect on what you learned. The intent was to get you off to a fast start by introducing some key concepts in your study and practice of business ethics, along with making the case for why ethical conduct is critical for businesses and you and your career.

As a reminder, the remainder of the book is organized into four sections. Section 1 is intended to help you build a business ethics foundation, introducing key concepts (e.g., social responsibility and sustainability) and developing a common language. Sections 2, 3, and 4 correspond to the individual-, organizational-, and societal-, or global-level influences on business ethics. Arranging the book according to levels assists you in organizing and applying your knowledge as you learn it. The rationale is that individuals work in organizations, and organizations operate in a larger global society, as such your business ethics learning can be thought of as a building process. First, a foundation (section 1), next the individual is added, then the organization, and finally society. These interdependent elements must be considered collectively to understand and effectively navigate the many business ethics challenges you will encounter in your career.

Chapter Summary

1. Morals, values, and norms are fundamental elements of business ethics. Understanding the differences between these concepts is foundational to your understanding and successful application of business ethics knowledge and tools.
2. Many situations are clearly right or wrong with clear, but not always easy, decisions. But ethical dilemmas have multiple difficult or unclear alternatives, which make dilemmas one of the most challenging ethical situations you will be confronted with in your career. The TV Test is a widely applicable and helpful tool for addressing not only dilemmas but challenging decisions more generally.

3. The vast majority of unethical conduct is not illegal, which means throughout your career rarely will the legal system be a remedy to unethical conduct at work.
4. Stakeholders are any entity (individual, group, or organization) that is affected by or can affect your business, and stakeholders' expectations are critically important to determining what is considered ethical conduct.
5. Your ethical conduct is invaluable to your job and career success for many reasons, and one of the most critical is that it influences your trustworthiness. Ethical conduct is essential for building trust, and unethical conduct is one of the surest ways of damaging trust, your reputation, and opportunities.
6. Both domestically and internationally, business is suffering a crisis of trust, as people's reported levels of trust in people doing various jobs and many institutions continue to be low. This means that individuals (e.g., you) may need to overcome low levels of trust customers and others may have for your employer and companies in your industry.
7. The 3-D PSE is a valuable and practical tool to use when solving ethical challenges in the workplace. The dimensions are Dimension 1—Define the ethical problem, Dimension 2—Determine the potential causes of the ethical problem, and Dimension 3—Describe potential solutions and consequences.

Key Terms

bribery 11	ethical dilemmas 6	problems 18
business ethics 5	integrity-based trust 12	secondary stakeholders 10
business ethics norms 5	moral humility 12	stakeholders 9
business values 5	morals 4	stakeholder approach 10
competence-based trust 12	primary stakeholders 10	

CASE STUDY: When Business, Safety, and the Government Collide, Ethics Get Complicated

The COVID-19 pandemic hit the meatpacking industry especially hard. Employees in those facilities have historically worked shoulder to shoulder in conditions that enabled the virus to spread easily, quickly, and widely. The health impact has been real, and nobody denies it. However, it seems that health officials and politicians at various levels (city, county, and state), along with company leaders, have been less than effective in their efforts and responsibilities to employees and the larger public.³⁶ Put differently, employers, politicians, and public health officials all play central roles in ensuring the safety of workers and the surrounding communities during pandemics. Critics, however, claim that their actions and inactions have endangered employees, their families, and members of the communities in which they work and live.

Close Early. Open Early?

Meat processing facilities were some of the first businesses closed in early 2020 due to COVID, but they were also some of the first to go back to work. Part of the impetus for the early return was President Trump declaring the industry as "essential," meaning they could not close. This decision was in part spurred by the ripple effects of closed meat processors.³⁷ Grocery stores were reporting shortages, which strained availability

Continued

and increased prices for consumers, and upstream, animals were accumulating on ranches and farms.

Of course, it is appropriate to assume that all of the stakeholders were interested in employee and community safety and health. But it also quickly became evident that this genuine concern was not enough. For instance, extensive testing, tracing, and reporting of infections among employees were essential elements to ensuring the safety of any facility as well as the surrounding community.

Who Is Responsible?

Health departments could have played a role in this, and they did to some degree, but they could only test employees if their employers allowed it. Health officials were also limited by politicians and pressured by company leaders in terms of reporting test results. Politicians didn't want their communities to be stigmatized as hot zones, and company leaders did not want any of their facilities to be labeled hotbeds of infection. Health officials, whatever their intentions, have no authority to force testing or force facilities to close.³⁸

This scenario resulted in a lack of data, and that which were released were unreliable or viewed with great suspicion. For instance, in late April and early May, the Centers for Disease Control and Prevention reported that approximately 5,000 meatpacking employees tested positive across the industry. Yet, another report in the same space of time by the nonprofit Food & Environment Reporting Network estimated the number to be 17,000 with 66 deaths. Employees' anxiety and concerns were intensified by the occasional reports from individual facilities, such as a Tyson plant in Waterloo, Iowa, wherein 58 percent of its 730-person workforce tested positive. All of this was further exacerbated by the fact that employers are not required by law to test or report.³⁹

Certainly, someone or some organization can compel or otherwise require testing and data sharing, after all, worker safety is a right—isn't it? The short answer is "yes." Among those with such authority and formal responsibility is the Occupational Health and Safety Administration (OSHA), and although the organization disseminated recommendations, OSHA leadership said they would not enforce them out of concern of being overly burdensome for companies during the pandemic.⁴⁰

Consequences

A lack of transparency and unreliability in data is consequential for all parties, as accurate, timely, and appropriate data are needed to make all related decisions. Notably, all stakeholders seemingly need to know who is sick, who should work and not work, which facilities can be opened, which should be closed, as well as the potential health implications for employee's families and the communities in which they live. This seems obvious, but the actions and lack thereof of many of those involved seem to contradict this claim.

Discuss the business ethics implications using the "For Discussion" questions and instructions, then analyze the case using the 3-D PSE that follows.

For Discussion:

1. What morals do you think are evident in the case?
2. What ethical norms are being violated and by whom?
3. Describe the dilemmas confronting each of the following: meatpacking executives, health officials, local government officials (politicians), and employees.

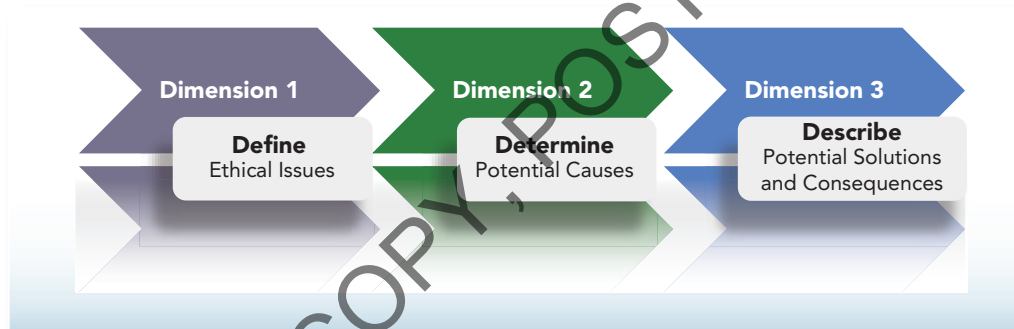
4. From the perspective of executives at the meatpackers, which stakeholder(s) do they appear to view as primary? Secondary?
5. Which stakeholder(s) does it seem health officials treat as primary?
6. The TV Test. Assume you are the plant manager for a meatpacking facility, and you have been told to order your employees back to work. Now, assume you are on the evening news and asked to justify this action. What would you say?

Apply Three-Dimensional Problem-Solving for Ethics

You can apply the 3D PSE from multiple perspectives in this case—meatpacking executives and managers, health officials, politicians, employees, and other members of the communities. Just be sure to specify from whose perspective you are analyzing the case. For our purposes, let's analyze the case as if you were an executive and decision-maker at one of the major meatpackers, as any actions that are taken (or not) involve them. Of course, it would also be appropriate and interesting to analyze the case from the perspective of an employee, especially given that their workplaces were rivaled only by aged care homes as hotbeds for the coronavirus.

figure 1.5

Three-Dimensional Problem-Solving for Ethics (3D PSE)



Dimension 1: Define the Ethical Challenge

What is the gap in the case?

- a. What do executives have and what do they want? (Remember, use only details included within the case for your analysis.)
- b. Why is the current situation a problem? What difficulties or undesirable behaviors and outcomes happen as a result of the problem you defined? From an executive's perspective, why would they care about the problem you defined in 1a?
- c. Define your problem in one or at most two sentences and structure it in terms of what is current versus what is desired.
- d. Who are the key stakeholders who affect or are affected by the problem you defined?

Dimension 2: Determine the Causes

- a. **Individuals.** Given the problem you defined in Dimension 1, describe how individuals caused the problem. Individuals may not be causes, but you should

consider whether there are any or not. If yes, then describe how they contributed to the problem.

- b. **Contextual.** What behaviors, policies, and practices caused the problem defined in Dimension 1? These elements may be within the meatpackers or they may reside with other organizations or stakeholder groups.

Dimension 3: Describe Your Potential Solutions and the Intended and Unintended Consequences for Stakeholders

For each cause you identified in Dimension 2, answer the following questions:

- a. From the perspective of a meatpacking executive, and then other stakeholders, *what* do you recommend they do, and *how* would you make it happen?
- b. *Why?* Explain your motives.

If your responses to these questions are unsatisfactory, then go back to Dimension 1 and repeat the process. If, however, you are comfortable and confident in your problem-solving efforts thus far, then ensure you achieve the desired outcomes and avoid any unintended consequences.

- c. Describe the *desired and likely effects in the short- and long-term* for the key stakeholders involved in the problem and causes (Dimensions 1 and 2)
- d. What *potential unintended consequences* may occur with your proposed solution for each of the relevant stakeholders?
- e. If any, what are the **implications for other stakeholders** (e.g., individuals, organizations, and communities) besides those noted in Dimensions 1 and 2?
- f. Will your solution work in an ethical manner? Make a final assessment of whether your chosen solution will reduce or eliminate the causes determined in Dimension 2, and if yes then it will remedy the ethical problem defined in Dimension 1. If not, then repeat and refine the dimensions.

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