



Practical Business
Ethics

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PRACTICAL BUSINESS ETHICS



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*To the future research of William Kurtines
and Marvin Berkowitz. May they break down barriers!*

PREFACE

In teaching business ethics, our experience has shown that many students enter the course with a particular mindset. That mindset is that they know what is right or wrong, and no teacher or text can convince them otherwise. We have found over time that such mindsets can be changed but rarely by the instructor advocating a particular ethical theory.

We believe that though we may have arrived at our own personal stances with respect to ethics, our task is not to try to convince others that we have found "truth." Rather, our task is to provide readers with background knowledge and guidelines that will enable them to test their own ethical positions in business situations. How we achieve these goals is described in the Introduction.

Each of the ten chapters of the text is followed by three cases. The cases depict ethical situations that have actually occurred for the firms and individuals mentioned. The theme of each case matches the theme of the chapter in which it is contained. The task laid out for the reader is to establish a process for resolving conflicts over the ethical issues described by each case. Also contained within the chapters are the issues which the Conference Board has designated as the most serious ethical problems facing business. There are twenty-seven of these issues, and they, along with other moral issues, are spread through the book.

Toward the end of establishing a process for resolving conflicts, we have made conflict resolution the focal point of the text. The title of our text, *Practical Business Ethics*, contains a term, *practical*, that connotes a workable procedure. This procedure is composed of three components:

1. Any workable ethical stance has to be grounded in theory. Intuition alone just does not work. Theory gives legitimacy to ethical arguments and provides a logical framework for analyzing positions and arriving at positions. We have outlined two approaches to ethical theory. The first is an overview of the traditional deontological and consequentialist views. The second is the analysis of ethical reasoning according to stages of moral development. These approaches, which constitute the first six chapters, give the reader options to choose from.
2. The last four chapters center on the process of conflict resolution. As we mention in the text, rarely does a person win an ethical argument. Lasting conflict resolution usually results from a position with which both parties can live. Thus the last four chapters provide the reader with the groundwork for negotiating ethical concerns.
3. Underlying the presentation of ethical theory and the process of conflict resolution are guidelines for arriving at practical positions. Four guidelines are offered as tests to check if positions are truly viable. These tests or guidelines are described in the first six chapters and used in the last four chapters.

This three-component process is simply an attempt to synthesize some of the more important contributions from the literature in ethics, moral development, and conflict resolution so as to apply the knowledge from those disciplines to resolving ethical problems.

Most of us tend to forget much of what we have been exposed to in academic courses. On this assumption, we are more interested that our readers incorporate the process outlined in this text into their lives rather than memorize different moral philosophers' theories of ethics.

Acknowledgments

We wish to extend our thanks to the following persons, whose helpful comments improved this text: Professor Ben Abramowitz, University of Central Florida, Orlando; Professor David Newell, Washington College, Chestertown, Maryland; and Professor Stephen Snyder, University of West Florida, Pensacola.

This text has been in various draft forms since 1978. While there may be much to criticize in it, we have noticed one thing about the process it outlines. The students who have used it seem to think it works.

Warren A. French
John Granrose

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INTRODUCTION

General Goals

We believe it is important to clarify goals or objectives at the beginning of any major project. Hence, we shall list and explain certain general goals that we have had in mind in preparing *Practical Business Ethics*. We base these goals on two related studies published by the Hastings Center: *Ethics in the Education of Business Managers*¹ and *The Teaching of Ethics in Higher Education*.² The development of sound moral judgment in business situations depends on six kinds of capabilities and skills, and we believe that the study of business ethics, directed by these goals, can help in this process.

1. Stimulating the Moral Imagination

It is tempting for both the business student and practitioner to suppose that legal and economic factors totally determine rational business decisions. We want the reader of this book to see that “human beings live their lives in a web of moral relationships, that a consequence of moral positions and rules can be actual suffering or happiness, and that moral conflicts are frequently inevitable and difficult.”³ We want the reader to develop a greater ability to imagine himself or herself “in the other person’s shoes,” to notice hidden assumptions in our thinking about moral dilemmas that arise in business, and to recognize that the moral dimensions of a business situation are important—even when they are somewhat vague or difficult to quantify.

2. Moral Identification and Ordering

The ability to identify, to order, and to set priorities about the moral factors in a situation requires cultivation. A business manager makes use of a similar process

2 Introduction

when he or she sorts out and orders the economic factors that bear on a decision. The cases and points of view presented in this text are intended to help the reader, through repeated practice and reflection, to identify ethical issues quickly and to begin to analyze them rationally rather than just emotionally.

3. Moral Evaluation

Notoriously, there are several different and conflicting schools of thought about how issues of moral right and wrong are to be settled. The major viewpoints described in the following pages can be applied to specific cases within each chapter. By the conclusion of this book, the reader may expect to have advanced toward a position on ethics that will be coherent and consistent on the one hand and applicable to business situations on the other. Not all readers will arrive at the same position, but this should not be surprising. Neither will the authors try to support one theory of moral evaluation over another. The goal will be for the reader to come to appreciate the pros, cons, and applicability of each major theory in business situations. The choice of a personal (or corporate) position on ethics is an issue for the reader of this volume, not for the writers.

4. Tolerating Moral Disagreement and Ambiguity

For the most part, the people described in the chapters' cases in this text believed that they were morally justified in choosing their actions. By including particular cases in our book, we do not mean to suggest that these persons acted correctly. Rather, the actions taken by the individuals and firms cited in the cases are presented because they present conflicts about moral values and judgments. The inevitable disagreements that will arise during group discussion of the cases should result in an increased tolerance for both disagreement and ambiguity on the part of those who work carefully through each chapter.

5. Integrating Managerial Competence and Moral Competence

The purpose of studying and discussing cases concerning business ethics should not be simply to recognize moral dilemmas and be able to analyze them. Once the skills of recognition and analysis have been developed, the reader must tackle the additional problem of using those skills in a business situation to negotiate a resolution to the conflict. Both moral and managerial competence are required and must be integrated. Managerial competence is developed through experience as well as through formal training. Moral competence, by contrast, is usually assumed as a given. The essential skill here is to develop a combination of moral and managerial competence so that moral decisions may be transformed into institutional practices.

Such integration may result in somewhat different sets of practical skills, depending of course on one's role in the business community. The problems faced by a chief executive officer will differ from those faced by a middle manager, and the skills required to accommodate the moral concerns of each

employee in a company will be different. Also, the response to a moral issue in a small business may well differ from the response in a large corporation.

6. Eliciting a Sense of Moral Responsibility

A course focusing on value conflicts in business must at some point address the underlying question in all moral dilemmas: “Why be moral anyway?” The reader of this book who fails to raise this question may well be tempted to evade his or her responsibilities with the glib conclusion, “It doesn’t really matter after all.” Beyond exploring these fundamental questions of responsibility, there may be relatively little that can be done by any book, course, or teacher to create a sense of moral responsibility if none exists in a person to begin with. Perhaps all that can be expected is that whatever level of commitment to morality itself already exists can be built upon, applied to business situations in some coherent and explicit way, and, to some small and limited extent, be deepened or made more sophisticated. In some situations, the reasoning used by others in discussions of these cases may influence the development of a personal sense of responsibility. In any case, we list this sixth goal separately from the first five since it is the most fundamental—and in many ways the most elusive.

About Case Studies

We believe that the case study approach has proven itself to be the most stimulating and productive method of helping both students and business people develop the skills necessary to cope effectively with the moral or ethical dilemmas that arise in the competitive business world. And we believe that actual cases, rather than fictitious ones, provide the best starting point. This belief is reinforced by the conclusions of the Hastings Center study in *Ethics and the Education of Business Managers*.⁴ That report strongly suggests that case studies be used as the crux of courses devoted to the topic of business ethics. We want the user of this book to have the reality of these dilemmas and conflicts always in mind. Accordingly, we have drawn the following cases partly from published accounts of the experiences of business practitioners.

The chapters are presented sequentially according to the level of moral reasoning depicted in the case examples. Each chapter is also prefaced by discussions of the specific value issues that arise in the cases and by the application of some of the major theories of ethics related to these issues. In addition, the chapters include analyses of some of the “middle-range concepts” (such as exploitation and custom) that we find helpful in clarifying the issues involved. Our goal in these chapters is to provide the conceptual *tools* to help prevent the discussions of the cases from degenerating into mere “bull sessions.” We believe that disciplined and clearheaded reflection on these issues is possible—and necessary.

Ethics and the Causes of Human Conflict

Conflict is relevant to ethics in at least two ways. First, ethical issues frequently present conflicts (for example, where one person believes an action to be morally right and another person disagrees). And, second, conflicts between persons lead to the need for ethics in the first place because people and businesses compete for scarce resources (for instance, as when two competitors each try to win a valuable contract). The cases in this book illustrate both types of conflict.

Writers on ethics have long recognized that conflict between persons gives rise to the need for standards of ethics. This insight goes back at least as far as Socrates and Plato in ancient Greece. Without some kind of ethical and/or legal limitations on human behavior, the inevitable conflicts between people would lead to neither the efficiency nor effectiveness that marks a successful business operation.

What causes such conflict? Traditionally, two basic causes have been mentioned: human selfishness and scarcity of many things that people want. Human selfishness—or at least “limited altruism”—stems from the fact that few persons are as concerned with the interests of others as they are with their own. We need not take sides in the ancient debate about the extent to which it is natural for humans to be selfish. We need only observe ourselves and our neighbors to recognize that there are limits to what most of us will do to help others when their needs conflict with our own. Add to this fact the recognition that humans compete for limited resources such as land, possessions, positions, and status, and you can see the virtual inevitability of frequent conflict in human groups. This, at least, is the traditional analysis.

Some more recent writers (Philip Slater, for example)⁵ have questioned the so-called “scarcity assumption,” in part because it seems to overemphasize the desire for the limited physical goods such as land. After all, there are many things that humans need or want that are not necessarily limited. The famous “hierarchy of needs” formulated by the psychologist Abraham Maslow⁶ begins with physiological and safety needs, for example, but goes on to include the needs for love, esteem, and self-actualization. Obviously not all of these needs involve competition for a limited supply of goods. Hence, harmony rather than conflict may be more likely to occur in some situations than in others. Still, however, harmony is frequently an elusive goal in ethical deliberations. Just why this is so should become more apparent to you as you progress through the following chapters.

The order of the first six chapters is important. We developed these in the light of the theories of cognitive and sociomoral development worked out over the past several decades by a variety of philosophers and social scientists. Each chapter presents a method for resolving ethical conflicts that arise in a business environment. Some of these methods will already be familiar to you: for example, trying to eliminate conflict by silencing the opposition (“Don’t

complain or you are fired”) or by bargaining of some kind (“If you’ll go along with me on this, I’ll return the favor when you need something”). But some of these ways of resolving conflicts may leave you dissatisfied, given your particular moral state or level of moral reasoning. So an initial sketch of the current work in the field of moral development may help provide you with some initial orientation. We take this approach in light of a statement of the contemporary philosopher, G. E. M. Anscombe, who commented that moral philosophy “should be laid aside until we have an adequate philosophy of psychology.”⁷

Theories of Moral Development

For over thirty years, first at the University of Chicago and then at Harvard, the late Lawrence Kohlberg and his associates have researched the moral development of large numbers of individuals. Basing his work on the general approach to human development presented by the psychologists Jean Piaget and William McDougall, Kohlberg postulated six states of moral development that he believed form “an invariant and universal sequence in individual development.”⁸ Each of us goes through the same stages in the same order, although some of us may get “stuck” at one stage of moral development and never progress to the next. Passage through these stages is related to age to some extent—although, again, passage is not simply a function of age.

Kohlberg’s work aroused much interest among both social scientists and philosophers, many of whom have proposed additions and revisions to his original theory. For example, the extent to which the stages are “invariant and universal” has been questioned by several recent researchers. James Rest, for instance, has found that while people evolve in their moral development, they keep vestiges of their earlier stages with them, and thus the behavior and reasoning marking those earlier stages sometimes reappear.⁹

Some recent writers have argued that Kohlberg’s stress on *cognitive* factors such as the reasoning involved in moral decisions provides too little attention to the *motivation* behind moral actions. They believe that emotion as well as reason has an important motivating role. These writers also question whether persons living in different cultures and under different social conditions really go through the same sociomoral development, especially in what Kohlberg described as the later stages.

Finally, as will be discussed below, there has been some discussion of a possible “seventh stage” beyond the six originally identified by Kohlberg.

Yet even with modifications such as these, Kohlberg’s format provides a useful tool for examining the ways in which business people attempt to resolve conflicts from their own moral vantage points. Since the first six chapters of *Practical Business Ethics* will make use of Kohlberg’s theory of “stages,” we will now briefly describe each stage.

Kohlberg's Six Stages

Stage One may be referred to as the “obedience and punishment” stage. The sole criterion of right for the person at this stage of moral development is obedience to the will of those in authority—or more precisely, to those persons who have the power to punish. The primary motivation for doing what is right is to avoid punishment. According to Kohlberg, we all begin our lives as moral agents at this stage.

Stage Two may be referred to as the “individualism and reciprocity” stage. Here the criterion of what is right is that of the greatest good for the individual making the decision. This stress on the individual's own needs or interests, however, includes the recognition that to advance one's own good one sometimes must enter into agreements or “deals” with others. What is right is relative to the interests or good of each individual, although certain concrete exchanges (“reciprocity”) may be thought of as “fair.” Self-interest, however, is always the motive for entering into and maintaining such agreements.

Stage Three is called by Kohlberg the “interpersonal conformity” stage, but might also be labeled the “good boy/nice girl” stage. The idea here is that what is right will be determined by what is expected of you by people close to you or by people generally. Within a certain social group or business organization, there are relatively clear ideas about what makes someone a “good member of the team” or a “good employee.” The person at this stage of moral development tests his or her attitudes and behavior by such expectations. The person at this stage does not think in terms of having a “system of ethics,” but may often reflect on a moral situation by trying to imagine being in the other person's shoes—since thinking in that way is part of what is usually expected of people who are “good.”

Stage Four may be labeled the “social system” or the “law-and-order” stage. Morality is seen by persons at this stage as a matter of playing one's part in the social system, of doing one's duty, of obeying the rules. Generally there is a fixed set of duties and rules that one must honor. Kohlberg's view is that most American adults are fixated at this stage. A major motive for persons at this stage of development would be to keep society as a whole—or some institution of society—going.

Stage Five is sometimes referred to as the “social contract” stage. This stage presupposes a kind of philosophical reflection on morality and a growing independence from the actual or concrete rules or duties recognized in a particular society. Some basic values, such as life or liberty, may be appealed to even if they are not built into the laws or rules of one's own group. An appeal to the “greatest good for the greatest number” is seen to be a test of right and wrong that would be freely agreed to by rational persons generally. (The “greatest good for the greatest number” test follows the same theme as that followed by the moral utilitarians' aim for “the greatest balance of good over evil.”) This hypothetical social contract is taken as the basis for moral decisions by persons at this stage. According to persons at this level, there are moral values