MORAL REASONING AT WORK

Rethinking Ethics in Organizations

Øyvind Kvalnes

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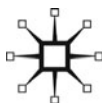# Moral Reasoning at Work: Rethinking Ethics in Organizations

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Contents

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OPEN

1

Beyond Compliance

Abstract: *This book explores how ethics in organization can draw on research streams in moral philosophy and moral psychology in order to attune to the actual and concrete moral dilemmas in the workplace. Compliance activities in organizations often include ethical training of employees and formulations of codes of conduct to define required and expected behaviour. In order to prepare leaders and employees for moral dilemmas in their professional lives, organizations need to go beyond compliance and acknowledge the complexity and ambiguity of the situations the employees can face. Familiarity with ethical tools, principles, and concepts can be part of a foundation for responsible decision-making, but only in tandem with empirical knowledge from social and moral psychology about judgement and decision-making.*

We can understand moral reasoning at work to be the activity of judging and deciding what is morally right and wrong, permissible, obligatory, and forbidden in an organizational context. We can also place the activity under the heading of ethics in organizations. This book proposes a rethink of the assumptions this activity rests upon, in order to strengthen its potential to create responsible conduct in the workplace. It combines research streams in moral philosophy and in moral psychology to outline how it can be possible to attune ethics in organizations to the everyday tensions and dilemmas experienced by leaders and employees in work settings.

Three assumptions about ethics in organizations will be under scrutiny in this book. There are elements of truth in all of them, but they also tend to overshadow important aspects of the decision-making processes in organizations. The first assumption is that the development of skills to engage in ethical analysis can effectively prepare leaders and employees for the ethical challenges they will face at work. The second assumption is that decision-making should ideally rest with people of strong moral character, that is, with those who have a stable disposition to behave in a morally responsible manner, even when they are under pressure to do otherwise. The third and final assumption is that codes of conduct strengthen an organization's ability to deal with ethically challenging situations. The underlying problem with these three assumptions is that even an organization where the leaders and employees have been through ethical training and become familiar with ethical analysis, where the individuals are of reasonably good moral character, and where a detailed and concrete code of conduct is in place, is vulnerable to internal moral wrongdoing. In this book, I will attempt to address the limitations of the three assumptions, and show how the combination of insights from moral philosophy and moral psychology can create a more robust ethics in organizations.

Moral dilemmas are a pervasive feature in organizational life, and the discipline of ethics offers principles, tools, and concepts to analyse them and reach a decision about what to do. A moral dilemma is typically a situation where the decision-maker must choose between two or more options that represent some moral requirement or duty. The decision affects a range of stakeholders, and several of them can have reasonable moral claims to make on the decision-maker, but some of them will be disappointed. A moral dilemma is a choice between wrong and wrong. Something of moral value will be lost, no matter what the

decision-maker opts to do. Leaders and employees from the private as well as the public sector can experience that they spend their professional lives in a moral minefield. No matter where they put their feet, a moral dilemma can lay hidden and spring up to demand a swift response from them. In the process of rethinking ethic in organizations we should be guided by a fundamental respect and understanding of the predicament of individuals who work under such conditions. Leadership research documents how important it is for employee motivation to experience that leaders stand by their side and are supportive when they face the most stressful and demanding situations, and moral dilemmas are concrete instances where such presence is pivotal. What individuals in professions as dissimilar as being a business manager and a social worker have in common is that they make decisions that can have considerable dramatic impact on other people. Their integrity, empathy, and common sense can be questioned and under pressure on a daily basis. Ethical perspectives on what goes on in organizations need to reflect the intense moral tensions experienced by the decision-makers who operate there.

Ethics training has become an integral part of leadership and employee development programs in many organizations. Companies who are about to establish business in some of the most corrupt areas of the world, send their people to anti-corruption training to prepare them for the realities they are about to face there. In many countries, professionals like accountants, lawyers, teachers, doctors, nurses, and financial advisors have ethical training as part of their obligatory continuing education. The expressed purpose of all these learning activities is to make the participants better equipped to meet ethically challenging situations at work. However, the distance between the harmonious teaching settings in the seminar room and the tense and complex realities the participants face in their everyday work life can be considerable.

I have facilitated ethics sessions in organizations internationally for 15 years. In my experience, the commitment from participants and their bosses can range from intense all the way down to stone cold. In some organizations, ethics training becomes an arena for lively discussion of a broad range of professional issues, going well beyond the ethical. In others, the activity takes the form of compliance work that one reluctantly puts on the agenda and participates in with minimal engagement and effort. One accounting firm defines the main goal of an ethics course as fulfilling the requirement of having seven hours of ethics teaching for its partners. Not a word about substantial learning outcomes regarding

the ability to cope with ethical challenges at work. If a company or group of professionals establish a code of conduct and invite their people to an ethics seminar, they can tick those two boxes on the compliance list. If things nevertheless go wrong, and individuals from the company become entangled in wrongdoing, the leadership can claim that those people have acted on their own behalf and not in accordance with the intentions expressed during the ethics training. In the courtroom, it can make a significant difference to the outcome for a company whether the employee who has bribed a public official on their behalf has been through ethical training or not. If he has, the company can distance itself from the critical event and claim that the person acted on his or her own, even though it has intentionally sent the employee on a mission into an area where wrongdoing appears to be inescapable. Incentives can be at odds with the messages from the ethics seminars, and the employees are expected to cope with that internal conflict.

Some of the ethical training sessions I have facilitated have been in the oil and gas industry. Since the early 1970s, my home country Norway has benefitted greatly from its natural resources in the North Sea. The income has financed the development of a well-functioning society, with excellent infrastructure in transport, health, and education. Norwegian oil and gas companies have also gradually developed competence and skills that have enabled them to pursue and establish business in other countries. Some of the world's richest oil and gas resources happen to be located in areas where corruption is commonplace, and the Norwegian companies have faced dilemmas in coping with that dimension of reality. In 2004, the company Statoil admitted that it had paid 15.2 million dollars to the son of the former president of Iran, with the aim of securing lucrative contracts in that country. As a result, the Chairman, the CEO, and the Director for international operations resigned, and the company received a heavy fine.[1]

In the aftermath of the Statoil scandal, companies of all sizes and shapes in the oil and gas industry sat down to fine-tune their codes of conduct, and invited leaders and employees to a range of extensive ethics seminars. I contributed to a series of these, in judgement and decision-making sessions focusing on how to cope with realistic dilemmas. The CEO of one of the companies participated on every session, and gave an introductory talk at each of them. His main message to his travelling employees was: "Make sure you keep at arm's length from anything that smells of corruption." After that, he wished them a safe journey to

Azerbaijan, Angola, Nigeria, and other countries where the company had activities.

How much should top management back home know about the complexities of business life and the level of corruption in the countries where their companies are active? When corruption cases come to trail, one of the key issues is often to settle whether top management knew about the transactions taking place. Legally, it is not enough to establish that they did not know. They may have chosen the stance of willful blindness, which involves taking conscious steps not to know, deciding not to inquire about how the company won a particular contract, which agents were involved, and about the details of the methods they deployed to get the attention of the local decision-makers. A CEO can decide to turn a blind eye to the details of the business culture and business methods his company partakes in, but that strategy is both ethically and legally dubious.

One group of professionals who have come under critical scrutiny after the financial crisis in 2008 is that of financial advisors. They have come under criticism for recommending and selling questionable products to their customers. The response from financial authorities in Norway and in other countries has been to tighten the control of the institutions, and to demand that the financial advisors participate in ethical training. I have contributed to this activity at the business school where I work, by introducing ethical theories and concepts to financial advisors, and inviting them to apply them to practical cases.

The creditable aim with these activities is to encourage ethical awareness in the profession, and make the participants familiar with analytical tools with which to weight and consider their options. However, my impression is that the incentives these individuals encounter at work remain more or less unchanged, which means that the ethical training makes little difference to how they behave towards their customers. I ask the financial advisors what they would say to a customer under the following circumstances: Anne has recently inherited 200,000 Euro from an aunt, and turns up for financial guidance. The advisor looks at Anne's overall financial situation, and believes that the smartest thing this woman can do, clearly is to use the entire inheritance to reduce her debt. However, this option will not give the advisor or his company any profits. He has a strong personal incentive to go against his own judgement of what would be the best option for Anne, and advise her is to spend the money on an investment package. What should he do?

When I put this question to the financial advisors, many of them appear to experience what I in this book will call moral dissonance, a discrepancy between their moral convictions what they are tempted or ordered to do. On the one hand, they want to live in accordance the professional standard indicated in the title of being a financial advisor. Their primary goal should be to serve the client, the secondary goal to make profits. From a moral point of view, then, they realize that they should be honest to their customers and state frankly what they think would serve their personal economies best. On the other hand, their own income depends on sales of financial products, and their employers expect them to show good results. Anne may enter their office the day before the personal sales report for the month is due, and the advisor can be in a position where a sale to Anne will have a big positive impact on what happens in the meeting with the supervisor. In similarity to the corruption cases, top management seems to choose willful blindness over detailed knowledge of the practical consequences of the incentives they present to their employees, in the shape of the conversations that go on between their employees and customers.

Conflicts of interest are at the core of many ethical challenges in organizations (Nanda, 2002ii). The financial advisor can decide to give priority to his or her self-interest and the employer's interest ahead of the customer's interest, with very little risk of detection. A similar pattern is present in relations between professionals and their clients, customers, students, and patients in other setting. These situations are different from moral dilemmas, in that they do not pose a choice between options that are more or less on equal moral footing. They are not choices between wrong and wrong, but between one option that is morally obligatory and right, and another option that is tempting, but morally wrong. Professionals often have strong incentives to choose the morally wrong options, and when they found out, face stern moral criticism. The public tends to expect and demand strength of character in the professionals, a disposition to withstand temptation to exploit their superior knowledge for personal gain. Studies in social psychology suggest that this reliance upon character is misplaced, and that organizations should instead attend to the incentives employees have for balancing between self-interest and client interest.

This book presents two streams of research and inquiry to support a rethink of ethics in organizations. The first is moral philosophy and ethics, which contributes with analytic tools to handle moral dilemmas and other challenging situations at work. I draw on classical contributions from Aristotle, Immanuel Kant, Jeremy Bentham, and John Stuart

Mill, and contemporary input from Philippa Foot and Judith Jarvis Thomson, as well as a variety of more specific works in business ethics and organizational ethics. A central and original component in the book is the Navigation Wheel, a tool I have designed in collaboration with philosopher Einar Øverenget (Kvalnes and Øverenget, 2012). Decision-makers can use the Wheel to keep track of the legal, ethical, value-oriented, moral, reputational, and economical dimensions of a decision. I have used in ethical teaching settings in a range of organizations, and the participants have appreciated it as a simple and practical tool with which to structure a conversation about right and wrong in work contexts.

The second stream of research is from moral and social psychology, in tandem with criminology. It explores the foundations of moral agency, and attempts to identify the primary causes of moral wrongdoing. The traditional virtue ethics approach has been to explain moral transgressions and misconduct in terms of character defects. A person who gives in to temptation and prioritizes personal wealth over the legitimate claims of clients and customers, is seen as a person of weak character, someone who has not developed a strong and stable disposition to do the right thing. An alternative circumstance approach has developed from experimental studies in social psychology, which indicate that aspects of a situation can have more predictive power in terms of right- or wrongdoing than information about the decision-makers personality or character traits. Individuals may move from initial moral dissonance when facing an option that goes against their moral convictions, to acceptance of that option, through a process of moral neutralization. Circumstances, in terms of organizational climate and norms of communication amongst colleagues, can crucially affect whether a decision-maker either remains loyal to his or her moral beliefs, or convinces him- or herself that it is acceptable after all to choose that option. The main instigators to this research stream have been Sykes and Matza (1957) and Bandura (1986).

The major ethical scandals in business (Enron, Arthur Andersen, Parmalat) have all involved not just moral but also criminal wrongdoing. Ethics in organizations can thus learn from criminological studies of why people engage in lawbreaking activities. According to Heath (2008, p. 611), individual decision-makers "do not commit crimes because they lack expertise in the application of the categorical imperative or the felicific calculus. They are more likely to commit crimes because they have talked themselves into believing some type of excuse for their actions, and they have found a social environment in which this sort of excuse is accepted or

encouraged." Organizations can set out to build a communication climate where it normal to challenge colleagues' justifications and excuses and people are encouraged to express their moral concerns and stay loyal to their moral commitments. In doing so, familiarity with Immanuel Kant's categorical imperative and other ethical concepts may actually be useful in articulating a position and arguing beyond an appeal to a gut feeling that one particular option is wrong. Ethics offers a vocabulary in which to voice a concern and challenge a decision that seems to be morally questionable. Psychology and criminology helps to understand how people of reasonably strong character and ability to reason about their choices can nevertheless become involved in serious wrongdoing.

The academic and practical contribution of this book is to combine two research streams to create a platform for responsible conduct in organizations. Training in ethical analysis, focus on moral character, and integration of codes of conduct are important to maintain normative standards in organizations, but even people with superior analytical skills who are strongly committed to an adequate set of moral values, and take guidance from a set of codes and principles can become entangled in moral wrongdoing. Studies in moral psychology and criminology enlighten how this may happen, and provides input to how to avoid it. These reflections are relevant both for how to conduct systematic ethics initiatives in organizations, and for teaching of business and organizational ethics to students. It is not sufficient to make people familiar with ethical tools and principles, and to attempt to isolate individuals of strong moral character to become the leading decision-makers. Insights from psychological disciplines indicate that collective justification processes can pave the way for wrongdoing. The main countermeasure can be to make it acceptable and normal to criticize moral neutralization attempts openly. When that happens, ethics in organizations move beyond compliance and fulfilment of external expectations, to the serious everyday conversations about right and wrong.

Note

1   http://news.bbc.co.uk/2/hi/business/3849147.stm.

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2
Moral Dilemmas

Abstract: *Moral dilemmas are situations where two or more moral values or duties make demands on the decision-maker, who can only honour one of them, and thus will violate at least one important moral concern, no matter what he or she decides to do. This chapter draws a distinction between real and false dilemmas. It defines the former as situations where there is tension between moral values and duties that are more or less on equal footing. The decision-maker has to choose between a wrong and another wrong. It defines the latter as situations where the decision-maker has a moral duty to do one thing, but is tempted or under pressure to do something else. A false dilemma is a choice between a right and a wrong.*

Anne is the project manager of a large industrial project in a developing country, run by a Nordic company. On a crucial day for the project, the electricity is suddenly gone from the entire plant. Large quantities of cement are about to congeal in the blenders, and it is crucial to activate them again, quickly. More than a thousand employees are unable to do their work. Anne contacts the local authorities to solve the problem. A bureaucrat turns up at the plant and explains that he can get the electricity back on again very quickly, on the condition that he can bring ten of the company's PCs back to the town hall. There is a desperate shortage of PCs there, and the bureaucrat and his colleagues are therefore unable to do provide adequate service to the local community. Thus, he suggests a trade-off: PCs for electricity. In this manner, Anne and her company can make a significant contribution to the society in which they operate.

Time is of the essence, and Anne has little time to dwell on the alternatives. There is no time to contact top management in her home country to get advice or instructions about what to do. She has to figure this out by herself. If the cement congeals today, it will mean a considerable delay in the project. Several operations will have to be redone, at a high cost, particularly compared to cost of losing ten PCs that can be easily replaced. Anne also has sympathy with the local bureaucrats and the population they are serving. They will probably make very good use of the PCs. On the other hand, if she gives in to blackmail this time, the same may happen again, at other crucial stages of the project. Anne faces a difficult choice. What should she do?

Anne wants to honour the moral value of finishing the project on time and within budget, but also the moral value of not giving in to blackmail or corruption. One of these values will have to give way at the expense of the other. There is no harmonious way out, where Anne can say that she has done everything right.

Moral dilemmas are a pervasive part of working life. They occur in the public and private sectors and from the smallest to the largest organizations. Every decision-maker can encounter them, from the executive level and downwards. In hectic working environments, people can become blind to the moral dilemmas they face, by failing to see the moral dimensions of their choices. Understanding the nature of moral dilemmas is important within organizations, in order to identify and recognize them, and find ways in which to deal with them in a responsible manner. Kidder (2005, p. 89) has suggested that although there can be a myriad of moral dilemmas, they tend to fall into four patterns: Truth versus

loyalty, individual versus community, short term versus long term, and justice versus virtue. Categorizing moral dilemmas in this manner can be a useful way to identify and start to address them.

We can understand morality or morals as a set of personal and shared beliefs about right and wrong in the interaction between human beings (Goodpaster, 1992, p. 111; Buchholz and Rosenthal, 1998, p. 4). Over time, individuals and groups form moral convictions and beliefs about how one ought to behave towards others. The universe of beings we believe to have moral obligations towards may include other animals. The concepts of morals or morality on the one hand, and ethics on the other are in many contexts understood to be synonymous. From the outset, the concepts have had the same meaning. Morals have Latin roots and ethics stems from classical Greek, and both depicted respectable and good behaviour in a given society. Gradually the concepts have become labels for different phenomena. As noted above, morality can be defined as a set of beliefs and convictions about right and wrong in the interaction between human beings, and our obligations towards animals. Ethics, on the other hand, is the discipline of thinking systematically about right and wrong. We learn morality differently from how we learn ethics. Moral beliefs and convictions is something we adopt through social interaction, while ethics is an academic discipline that we can study and learn by reading books and attending seminars. We can take ethics courses and pass ethics exams. There are no equivalent activities on the morality side. The closest we come are the everyday or more extraordinary moral tests and challenges where have to make choices and either live in accordance with our moral convictions or not.

Morality and ethics play different roles in decision-making. A person facing a challenging situation can have a *moral intuition* about what would be the right choice, based on personal moral convictions, more or less shared in the community or culture. He can also engage in *ethical analysis* in order to clarify the issues at stake. We can liken these two approaches to Kahneman's distinction between fast and slow decision-making processes (Kahneman, 2011). He describes how human decisions originate in either what he calls System 1 thinking, which is quick and impulsive, and System 2 thinking, which is slow and analytic. When a person faces a morally challenging situation, he or she can draw upon the resources of both systems. There may not be time for a full-scale analysis of the options at hand, and the person may have to rely on a gut feeling or moral impulse about what to do. Kahneman documents

how we are systematically prone to make mistakes when we rely solely on quick thinking and what the heart immediately tells us (Kahneman, 2011). We can reap great benefits from activating the slow System 2 to weight the pro and cons of the alternatives. People who rely too heavily on analysis, however, can tend to be passive and immobile in situations that call for a rapid response. When we have thought things thoroughly through, it is too late to do anything.

We have system 1 and system 2 resources in place to think about and respond to moral dilemmas. On the one hand, we have moral intuitions and gut feelings about what we should do, based on our moral beliefs and convictions. On the other hand, we have the opportunity to engage in ethical analysis, identifying alternative courses of action and testing whether they can be properly justified.

A dilemma in the most general sense is a situation requiring a choice between two options that are or seem to be equally undesirable or unsatisfactory. There can be non-moral dilemmas, where the choice is between options that are undesirable or unsatisfactory for non-moral reasons. A person can have enough money to buy either a book or a shirt, and need both. Only one choice is possible, and the preference for one over the other will lead to some disappointment, in that it will fulfil only one of the two desires. There need not be any moral dimension to the undesirability of prioritizing the purchase of a book over a shirt, or the opposite choice.

A moral dilemma is a situation where the decision-maker has to give priority to one moral value over another (Toffler, 1986; Maclagan, 2003; Jackson, 1996; Brinkmann, 2005). They "arise when, faced with a difficult situation (e.g. fair treatment for some versus job security for others), two or more such values conflict in the perception of a decision maker, or when one is assessing another's moral choice" (Maclagan, 2003, p. 22). A person facing a dilemma must decide which moral duty to prioritize, and "whichever action is taken it will offend an important moral value" (*ibid*, p. 23).

In a moral dilemma, it is impossible to live up to all of one's moral convictions and beliefs regarding how one should behave in that situation. Anne in the opening example is morally committed to keep the industrial project on track, but also to reject blackmail and bribery. In the situation she faces, one of these moral commitments will have to give way at the expense of the other. She may not have a clear system 1 intuition about what to do, and even after some initial system 2 reflection, the

dilemma and the tension remains. Top management at home may still be unavailable, so she has to decide upon a response to the bureaucrat's offer on her own.

A moral dilemma may occur because of a prior personal mistake. The predicament of the situation is self-inflicted. A classic example is the story from the Bible about King Herod. On his birthday, his stepdaughter Salome danced so well in front of him and the guests at his party that he promised to give her anything she wanted. Salome consulted her mother about what she should wish for, and decided to ask for the head of John the Baptist on a platter. The king now had a choice between honouring the promise to his stepdaughter, or honouring the life of John the Baptist. The king had inadvertently designed a moral trap for himself, a dilemma where whatever he decided to do would be morally wrong.

One contemporary and everyday instance of a self-inflicted moral dilemma can be a situation where you make a double booking in the calendar, and hand out individual promises to be somewhere at 2 o'clock to two different people. You cannot keep both promises, and must choose between the wrong of breaking one promise and the wrong of breaking the other promise. You may have good moral reasons to keep promise 1 as well as promise 2, but must make a choice between them.

In a narrow sense, a moral dilemma is a situation where the moral values at stake are of equal importance. The appointments you have made for 2 o'clock may have equally strong pull and significance. Your moral reasons for keeping promise 1 are then exactly as strong as your moral reasons for keeping promise 2. There really is no choice available that is less wrong than the other choice. The situation is one where moral wrongdoing is inescapable (Gowans, 1994).

In a wider sense, there can be moral dilemmas where a person has strong moral reasons to do one thing, and notable but not equally strong moral reasons to do something else. When you consider the nature of the two promises, you may conclude that it is more urgent to meet one of them rather than the other. Something of moral value will be lost if you decide to keep the former promise and break the latter, but it is not really a hard moral choice, in the sense that anybody will have reasons to challenge or cast doubt about the rightness of your decision. You have a choice between a lesser wrong and a greater wrong. The other person you were supposed to meet will be disappointed and irritated by the cancellation, but is likely to understand the priority given to keeping the other promise.

The Herod case is also one where there is an imbalance in the moral weight of the two options. Herod in his exuberance made a questionable promise to Salome, and she in turn took advantage of the situation to make a horrible request. It seems that the king has stronger moral reasons to spare the life of John the Baptist than he has to keep his word to his stepdaughter. Something of moral value and importance will regrettably have to give way, but the other option is or appears to be morally superior. We can still call the situation a moral dilemma, although not in the pure sense of representing a decision between moral values that are on equal footing.

False moral dilemmas are instances where it is clear what a person ought to do, but he or she is either tempted or pressured to do something else. In business ethics, the distinction between these types of situations has also been labelled as one between dilemmas and temptations (Kidder, 1995, p. 7; Brinkmann, 2005, p. 183). Later in the book I discuss professional ethics and how the handling of conflicts of interest are at the core of the professionals' moral responsibilities towards clients, customers, patients, students, and other users of professional services. A lawyer or an accountant can face an opportunity to prioritize self-interest over the client's interest. The knowledge gap between the professional and the client is such that the risk of detection for such a choice is minimal. The professional can claim that he or she is facing a moral dilemma when an opportunity arises to oversell or overcharge a client. In the vocabulary of this book, it is more appropriate to describe such a situation as a false dilemma. It may resemble a real dilemma in that the decision-maker must decide between two options that are both undesirable in some way. Cheating on the client feels wrong, and so does the choice of turning down a chance to earn some extra money. The former feeling has moral component to it that is lacking in the latter. Thus, conflict of interest situations are generally false moral dilemmas, with only superficial likeness to real ones.

In connection with the dichotomy between real and false dilemmas, we need to acknowledge that there can be a continuum between them, as suggested by Maclagan (2003). On one side of the spectrum, we have situations where there is perfect balance between the two moral values that are at stake. Two promises are equally important. In another situation, the option to be compassionate towards another person has equal moral weight to the alternative of being honest to him or her. On the other side of the spectrum are the situations where the choice is clearly

between a morally right and a morally wrong option, as when a professional can choose to give priority to self-interest over client interest. In other cases where self-interest is involved, the distinctions are not so clear-cut, since pursuing self-interest on a personal as well as on an organizational level can have some moral value. Protection of one's own economic security has a moral dimension to it (Maitland, 2002, p. 5), and not standing up to defend one's own interests can be seen as a form of servility (Hill, 1985). Concrete cases, then, belong somewhere on the spectrum between purely real and purely false dilemmas.

Anne has to decide whether to get the electricity back by giving in to blackmail from local bureaucrats, or stand firm and see the cement congeal. Where exactly does the situation belong on the scale between real and false dilemmas? That depends on the further details of the case. The analysis Anne has to make in preparation for a decision does not require a precise placing of the dilemma on the scale, but rather an acknowledgement of the general dilemma nature of the situation. Anne's particular dilemma builds on a true story, where the outcome was that the project manager decided on a two-step response. First, she handed over the PCs and got the electricity back on to get the project on track again. The next day she invited senior bureaucrats from the town hall to a meeting, where she explained that the company wanted to contribute to the local community, but not in the haphazard way of the previous day. Instead, she proposed a systematic plan for how the company could help the town hall to modernize its PCs and other electronic equipment. With this initiative, she came on better and closer speaking terms with the local administration, and avoided further blackmail situations.

The following case can serve to highlight how challenging it can be to face a situation close to the false dilemma end of the spectrum: Ben is the manager of a small private banking unit within a large financial services group. Results have slumped recently, mainly due to a bitter conflict between one employee and some of his colleagues. They complain that he is rude and difficult to cooperate with. Ben has attempted to mitigate, to no avail. National legislation prohibits the option of firing the quarrelsome employee, at least in the short run. Key members of Ben's unit have become very upset by the situation and have started to look for work elsewhere.

A recent turn of events is that the employee himself has applied for a job in a different part of the financial services group. Ben has agreed to serve as a reference person. He receives a phone call from the manager

of the unit currently contemplating to hire the employee. She is particularly interested in the employee's social skills. "Does he function well with his colleagues?" she asks. If Ben gives an honest answer, he is likely to be stuck with the employee for a long time. If he is vague about the employee's social skills, he may get rid of a problem. He then runs the risk that his honesty will come up for questioning later. It also feels wrong to lie to another person in order to get rid of a problem at work. Lying in this case would be an attempt to transport one's own problem over to someone else, instead of taking responsibility and deal with it in one's own organization. How should Ben respond to the question about the employee's social abilities?

Ben must choose between being honest about an employee's anti-social behaviour and telling the truth, an option that seems guaranteed to block the employee's move to another organization. Like Anne, he acknowledges that whatever he decides to do, something will be wrong.

At first glance, it can appear to be an obvious example of a false dilemma. Ben can choose between honouring the moral value of being truthful to others, or giving priority to a selfish need to get rid of a human resource management problem. We can understand that it is tempting to withhold information and thereby help the difficult employee on his way to a new job, but doing so would violate the moral duty to be honest in business dealings. Ben might reason that the employee deserves another chance in a new work environment. If he can open a new page in his career, he might blossom and be better able to fulfil his personal and professional potential. That is all very well, but these considerations seem weak and constructed to camouflage a violation of a moral requirement to be straightforward and honest as a reference person.

The extent to which Ben's situation is a real or a false dilemma will depend on the details of the case. I have used the case as a starting point both for ethical teaching of business managers and business school students, as well as for research in moral psychology, where the purpose has been to map the extent to which the situation creates moral dissonance and gets managers to engage in moral neutralization activities (Kvalnes, 2014). I return to that topic in Chapter 11. The participants in ethical training have conveyed their experiences from being on both sides of the table under circumstances where one party is strongly tempted to keep silent about the negative features of a person applying for a job. Some have been untruthful as reference-persons. Among those, some have lived to regret it because the choice has backfired.

When the employee ends up in the same kind of conflicts at the new workplace, it generates painful inquiries from the new employer about the honesty of the reference person. Others convey that they came away with one less burden on their shoulders. They have avoided further questions and inquiries about how and why they withheld information. I have also encountered managers who have been open and honest about the employee's problems, and have found other means to deal with the conflict. American leaders have failed to grasp the tension of Ben's situation. "What it the problem?" they say. "Why doesn't Ben just fire the man with cooperation difficulties?" My work has for the most part taken place in Norway, where the legal scope for firing people in this manner is very limited.

The responses people have to Ben's dilemma expose their moral beliefs and convictions. When I ask for justification of the choice of either being truthful or not, the participants at my ethics courses have come up with a wide variety of reasons, expressing their individual loyalties and preferences. The first response is often that one alternative or another feels right or wrong. Two people who disagree on what to do compare feelings, and reach the conclusion that they feel differently about the case. The conversation is on Kahneman's system 1 level, where quick gut feelings and intuitions rule, and my task as a facilitator is to introduce the slower system 2 level of reflection and analysis. Ethical reasoning is the process of lowering the tempo in order to become aware of the moral issues at stake, and to progress from a state of mismatching feelings to one where the participants are able to recognize the ethical and moral foundations for their own choices.

Moral dilemmas are everywhere in organizational life. Situations on the entire scale from real and acute dilemmas all the way to false pseudo-dilemmas constitute challenges that the decision-makers should prepare for. The following chapters present analytic resources from moral philosophy and ethics, in the shape of principles and concepts that can serve as tools in the process of figuring out what one ought to do and how to justify one's choices in moral dilemmas.

OPEN

3
Duties and Outcomes

Abstract: *The two main traditions in moral philosophy differ in their perspectives on the lengths we can go to in order to maximize the best possible outcome for the people affected by our decisions and actions. Utilitarianism maintains that the morally right option in every situation is the one that will create the best overall outcome for all concerned while duty ethics claims that there are important limitations to what we can do to others, even if the option generates the best overall outcome. It places particular value on respect and human dignity, offering individuals moral protection against treatment as mere means to maximize outcomes. The chapter uses the trolley problem, introduced by Philippa Foot, as a starting point for exploring the differences between utilitarianism and duty ethics in organizational settings. It explains how the Doctrine of Double Effect and the distinction between intended and foreseen consequences allows duty ethics to accept harmful outcomes in some cases.*

Consequentialism is the view that the morally right thing to do in a given situation is to create the best possible overall outcome for all concerned. The dominant version of this tradition in moral philosophy is utilitarianism, which measures consequences in terms of utility and the extent to which our choices generate pleasure, pain, or the realization of positive and negative preferences to the people affected by our decisions. Contemporary utilitarianism takes its lead from the classical texts of Jeremy Bentham and John Stuart Mill. A utilitarian decision-maker will attempt to maximize the sum of utility for all concerned, and act with the view of promoting the common good. In contrast, the duty ethics tradition developed from the works of Immanuel Kant claims that there are moral considerations more important than creating maximum utility for those we can affect through our conduct. It proposes that it is never morally right to treat someone as mere means to achieve something, even if that something is the common good and total sum of well-being of others. The difference between the two traditions is that utilitarianism gives priority to outcome (the good) over conduct (the right), while duty ethics places conduct (the right) ahead of outcome (the good).

If Ben in the reference dilemma seeks advice from utilitarianism and duty ethics respectively, he will get different answers. A utilitarian will inquire about the difficulties the employee is causing at the current job, and the likelihood that he will cause more or less trouble if he gets a job in the other organization. Perhaps the potential employer has a better HR-department and is better equipped to handle a quarrelsome employee. For a utilitarian, this would count in favour of Ben keeping information to himself, rather than sharing it. If, on the other hand, the other organization is vulnerable and badly staffed to deal with quarrelsome behaviour, the utilitarian pendulum would swing towards the honest alternative. For duty ethics, these considerations of alternative outcomes are morally irrelevant. Ben should be honest in the reference situation, no matter what the consequences are, since he has a moral obligation not to lie. To be dishonest towards the person inquiring about the personal qualities of the employee would be disrespectful, in the sense that Ben would be using him as a mere means to get rid of a problem. Human dignity is at stake both for Ben and the person contacting him about the employee, and Ben owes it to both of them to be frank and forthright.

One significant source of tension between utilitarianism and duty ethics is their conflicting views on the moral protection of those affected

by our decisions and conduct. One criticism from duty ethics directed towards utilitarianism is that it offers inadequate moral protection to individuals. It does not give sufficient moral weight to respect and human dignity, by approving the use of men, women, and children as mere means to promote the common good. Immanuel Kant provided a categorical imperative for analysis and contemplation of conduct, a way of thinking about right and wrong that he considered to be binding for any rational and moral human being, irrespective of cultural background. He expressed this imperative in different ways. The humanity formulation of the imperative addresses the topic of moral protection:

> Act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means only. (Kant, 1998/1785, p. 429)

Kant does not claim that we should not use other people as means, and would accept that we pay someone to sweep our floor or bring a parcel to the other side of town. What he considers morally forbidden is to use someone solely as means to an end, where the ways we involve them put hindrances on their opportunities to live a meaningful life. A slave-owner uses the slaves as merely as means to an end. If Ben tells lies to get rid of the difficult employee, he is using the other person merely as means to achieve his own goal of creating a more harmonious workplace.

A utilitarian can argue that torture and other horrible acts under some circumstances are not only morally permissible, but also morally required, since they maximize utility. From a duty ethics perspective, conclusions like that expose the absurdity of the utilitarian outlook. The response from utilitarianism is to criticize duty ethics for providing too much moral protection to individuals, generating passivity in situations where lives can be saved, and societies protected. Utilitarianism embraces the concept of dirty hands, or the idea that it is sometimes morally acceptable to perform actions that in and of themselves are horrible, in the name of the greater good for all those affected.

Moral reasoning and justification in organizations can show traces of utilitarianism and duty ethics, even when the protagonists have limited knowledge of the two traditions. Ethical theories tend to capture different kinds of moral intuitions and gut feelings about how one should act under given circumstances. We can explore the issue further in the light of a fictitious story developed on the basis of remarks from the British philosopher Philippa Foot (1967, pp. 8–9). It is the famous *trolley problem*:

You are standing by the side of a track and see a runaway trolley coming towards you at great speed. The trolley brakes have clearly failed. Further down the slope you can see that five people are tied down to the track. The train is heading towards them, and it looks a certainty that the will be run over and killed. As it happens, you are placed next to a signal switch. You can send the runaway trolley down a side track by turning the switch. Unfortunately, one person is tied to the track in that direction. That person will be run over and killed if you turn the switch. Your choice is between turning the switch to save five lives and kill one, or doing nothing and letting the five people down the track be killed. All of the six people affected by your decision are innocent victims. They do not deserve to be in this horrible situation. None of them are friends, relatives or acquaintances of you. What should you do?

The trolley case can be seen as a real moral dilemma in that you face a choice of either letting five people get killed, or causing one person to get killed. You have a moral reason to save other people's lives, but also a moral reason to respect the life of innocent people, in this case the poor victim who is tied to the side-track. One of these moral reasons will have to give way. It seems that you encounter a choice between doing something wrong and doing something else, which is also wrong.

Foot introduced the trolley problem in a paper where she discussed the moral dimensions of abortion. It has become one of the most eagerly discussed stories in moral philosophy, and has created an entire research tradition that goes under the heading of trolleyology (Edmonds, 2014). We can be skeptical of the practical dimension of the trolley problem, since it describes an artificial situation with few contact points to real life. However, the strength of such a clean cut example is that it is possible to isolate and discuss particular features of moral reasoning. We may not expect to encounter a trolley problem in real life, but the moral intuitions and reflections generated by it are nevertheless relevant for how we respond to less dramatic everyday situations.

When people are presented with the trolley problem, a majority answer that they would have used the switch to put the trolley onto the side-track (Greene et al., 2009). The pattern is the same in my ethics classes for Master of Science students, where around five hundred students participate annually. Their moral intuitions or gut feelings point them in the direction of doing what it takes to save five lives. Respondents of a utilitarian persuasion claim that it is not a moral dilemma in its purest sense, but rather a situation where it is painful to do the right thing. The outcome of the situation will either be that five or one person dies. The

morally right thing to do from a utilitarian perspective is clearly to keep the number of deaths to a minimum. If you let the trolley pass and run over the five people down the track, you have done something wrong, in that you have failed to reduce the killings from five to one. According to this line of thinking, then, the choice is between right and wrong. A utilitarian can nevertheless acknowledge that the trolley problem is a moral dilemma in the wider sense, since something of moral value is lost by intervening and causing the death of one innocent person.

Duty ethics can also, to some extent accepts that you use the switch to save five lives. It does so by appeal to the Doctrine of Double Effect (DDE). This ethical doctrine allows a person to cause serious harm to somebody, on the condition that the outcome is not (1) intended by the agent, but only (2) a foreseen consequence. St Thomas Aquinas provided the first formulation of DDE in the 13th Century, and it has remained an integral part of Catholic ethics ever since. The doctrine can legitimize the use of lethal doses of painkilling medicine for dying patients, where it distinguishes between (1) the intention to alleviate pain and (2) the foreseen death of the patient. As long as the intention is to kill pain and not to kill the patient, the alternative can be acceptable, according to DDE. The doctrine can also justify instances of abortion where the mother's life is under threat, and the intention is (1) to save the mother's life and (2) an unfortunate, foreseen consequence is the death of the unborn child. Going back to the Trolley problem, DDE can provide moral approval to use the switch since (1) your intention is to save the five, and (2) the unfortunate the death of one is only something you foresee. The ethical logic here is that you are primarily responsible for what you intend, and not for the foreseen, and in this instance, unfortunate effects of your conduct.

In organizations, DDE can provide justification for seriously harming individuals and groups in the name of commercial progress or other business objectives. The leadership of a fishing company in Iceland can decide to close down the fishing plant in a small community, arguing that (1) the intention is to make the organization fit for future market challenges, and that (2) the negative effects on the local community in the form of unemployment is only a foreseen side-effect. For this and similar uses of DDE to work, it is a prerequisite that the good outcome in (1) cannot be reached in any other manner than the one also involving (2). The good effect of (1) must also be sufficiently good to compensate for the bad effect in (2). In the Icelandic case, the commercial restructuring of

the fishing company to meet future market demands must be sufficiently good to compensate for job-losses and depopulation of rural areas.

DDE draws what from a utilitarian perspective is an artificial line between intended outcomes and merely foreseen outcomes. The decision-makers moral obligation is to maximize utility for all concerned, and whether the consequences are intended or only foreseen side-effects is of no significance for a utilitarian.

Judith Jarvis Thomson introduced a second version of the trolley problem to put pressure on the utilitarian argumentation (Thomson, 1985). In this version there is also a runaway trolley hurtling down the track, and five innocent people tied down and facing death if you do not intervene. You are watching the event from a footbridge crossing the track. In front of you stands a fat man. The only way in which you can save the five this time, is by pushing this man down on the track. He will die from the fall, and the weight of his heavy body will suffice to stop the trolley. It is not an alternative to sacrifice yourself and jump ahead of the trolley instead of the fat man, since you are simply not heavy enough. Should you push the fat man?

For the utilitarian the conclusion here is the same as in the first version of the trolley case, since the central equation is the same. It is a matter of simple calculation: One life versus five lives. You should push the fat man in front of the trolley even if you thereby kill him, since that alternative will save five lives. Most people who encounter the experimental circumstances of the second trolley case disagree with this conclusion. Experiments show that people tend to reject the option of pushing the fat man (Cushman et al., 2006; Greene et al., 2001; Greene et al., 2009). To the utilitarian this is irrational, since the relevant conditions and calculations are the same. All we need to know is that we can influence whether one life or five lives continue.

The alternative account can gather input from duty ethics, and claim that there is a morally relevant difference between the two cases. In the latter case, you would be using the life of one person to save the five. The fat man is an integral part of your plan to save them, while in the former case, the one person on the side-track unfortunately happens to be there. If, by some miracle he had managed to untie himself and get off the track before the trolley arrived, you would welcome that turn of events. If the fat man runs away, it destroys your whole plan. Duty ethics offers moral protection to the fat man. He can hide behind the principle that it is morally forbidden to treat another person as mere means, even if the

overall outcome will be better that way. DDE does not come into play here, since by pushing the fat man you would be intending to harm him. His death would thus be more than the mere foreseen and unintended side-effect of your conduct. Utilitarianism has the frightening feature that everybody can be sacrificed in one way or another, if it serves the purpose of maximizing utility for all concerned.

Neither utilitarianism nor duty ethics would describe the trolley problem as a pure moral dilemma, in the strict sense of presenting choices between two moral reasons, duties or values that are on equal footing. Both traditions would agree that something of moral significance will have to give way when you either choose to prioritize five lives over one, or not. Utilitarianism is not immune to the moral cost of doing something horrible for the greater good. Duty ethics is not immune to the moral cost of letting people die as a result of honouring moral duties. As such, the situation is a real moral dilemma, but both the utilitarian and the duty ethical approaches would describe the cases as choices between right and wrong, and not between wrong and wrong. For a person without a stake in any of the two traditions, the real moral dilemma involves a choice between a utilitarian and a duty ethics response to the problem. The decision-maker can sympathize with both ethical perspectives, but must decide which of them to prioritize.

To what extent are trolley problems 1 and 2 reminiscent of real life challenges? The British politician Gordon Brown was once confronted with the following scenario (Edmonds, 2014, pp. 10–11): You have received information about a tsunami and imminent flood wave, and can rush to alert people in one of two directions. You can go either to the hut where a family of five Thai people lives, or to the hut where one British citizen is staying. There is no time to alert people in both huts, and your intervention will save the lives of those people. Which hut do you run to? Unlike in the trolley cases, the decision maker does not have an option that will cause death, but must prioritize between one live and five lives. The politician rejected the ethical challenge outright, and said he would use modern technology in the form of a mobile phone to save the people in both huts. From a utilitarian perspective, the correct answer would be to save five lives rather than one, as dictated by the principle of maximizing utility and well-being among those affected by the decision. A duty ethics person would be free to follow any course of action, since none of the alternatives involve being disrespectful in order to save lives. In such neutral circumstances, it

seems likely that duty ethics is free to favour the option that generates the best outcome.

Moral dilemmas require a response and something of moral value will be lost, no matter what we decide to do. In this chapter, we have seen that utilitarianism instructs the decision-maker to maximize utility for all those affected by the choice, while duty ethics introduces significant restrictions to how we can reasonably affect other people through our actions. For the former, the end of making the world maximally good can justify the means of sacrificing the lives or well-being of some individuals. The latter provides moral protection for the individual, insisting that we never use others merely as means, no matter how great the overall benefit is. These alternative ethical perspectives can sometimes generate the same conclusions about what we should do, but will often collide and provide opposite normative advice.

4

Moral Luck

Abstract: *The concept of moral luck appears to be an oxymoron, since it indicates that the right- or wrongness of a particular action can depend on the agent's good or bad luck. That goes against the assumption that the moral quality of our conduct, the praise- and blameworthiness of what we do, should only hinge on factors that are within our own control. It seems unreasonable to let the moral verdict of someone's decision and action depend on whether the outcome happens to be good or bad, particularly in situations where luck plays a significant part in how things turn out. In organizational life, moral luck nevertheless is a recurring phenomenon, in that actual outcomes do affect our moral evaluations of what people do. A reckless person can get away with his or her moral gamble if the outcome is good, but will get severe criticism in the likely event of a bad outcome. This chapter explores how moral luck connects to the normative theories of duty ethics and utilitarianism, and the extent to which moral evaluations based on actual outcomes are acceptable.*

An entrepreneur needs backing from his investors to start a business venture in the far north of Norway. The venture will provide much needed activity in the local community, and create hundreds of jobs to people who have been unemployed for a long time. One key element in the story the entrepreneur has told his investors is that he will have a strategic relationship with a multinational customer from day one. The day before finalizing the investment, the customer announces that they are backing out. If the entrepreneur informs the investors about this negative development, they are likely to withdraw from the project. Should he nevertheless tell them now, or wait until the first board meeting, after the money from the investors is in the bank?

The entrepreneur can turn to duty ethics and utilitarianism for guidance in this situation. From a duty ethics perspective, to keep the investors out of the information loop is morally unacceptable. It does not help that the outcome is likely to generate work and be good for the local community. Duty ethics encourages the decision maker to consider how he would want anybody else in a similar position to behave. Would it be morally acceptable if all entrepreneurs withheld information from their financial partners in such situations? No, is the answer coming from duty ethics, since no rational person can will that deception becomes the standard way to act in such situations, without becoming inconsistent, making exceptions for him- or herself. Furthermore, the act of keeping crucial information from the investors would be an example of using them as mere means to achieve financial success and create jobs, and as such, it would be morally unacceptable from the perspective of the humanity formulation of the categorical imperative.

A utilitarian can see things differently, and will take into account that the project will create important jobs and activity in a poor community. Keeping the information away from the investors might be necessary in order to maximize utility for all concerned, and promote the common good. However, the case can illustrate a split amongst the utilitarians. Some of them share the duty ethical concerns about universality. What if everybody in business started to keep information away from their own investors and business partners? That would create environments of distrust, and cause bad outcomes in the long term. Other utilitarians are not concerned about this aspect of the situation, and focuses instead on the here and now. The split in the utilitarian ranks is real. One fraction is called *rule utilitarianism*, and it proposes a two-step decision-making process: First, identify the rule of action that will generate the most

utility and common good in situations like these, and then act in accordance with that rule. They agree with duty ethics in the entrepreneur case, and advise him to be transparent and open with the investors, since that would be to follow the rule most likely to maximize utility in such situations. If every entrepreneur started to keep bad news from their investors, it is likely that it would have created mistrust in their relations, and the overall outcome would have been negative. The alternative theoretical fraction is called *act utilitarianism*, and it maintains that the simple principle to follow is to choose the available course of action that will maximize utility. The entrepreneur should keep the information about the customer withdrawal to himself, since openness would jeopardize the project to create jobs in the far north of Norway. This should not be mistaken for an egoistic argument, since it is out of concern for the common good and the inhabitants of the local community that it would be right for the entrepreneur to keep the information to himself.

The story about the entrepreneur and his investors continues. He decided not to share the information about the loss of the customer to his investors, and the project gets underway. New customers arrive quite early in the process, and the project becomes a success, creating profits for the investors and new jobs for local people. The business venture was the starting point for social development and growth in the community. Hundreds of people now have a good income and can remain with their families in their local community. At the ten-year anniversary of the project, the entrepreneur drew attention to the opening incident, when he was in serious doubt about telling his investors or not about the customer withdrawal. Now he can look back and be relieved that he did not follow the moral intuition to be open and transparent with the investors. To this day, he is convinced that they would have taken their money elsewhere if he had told them about the negative development. The project would have collapsed, and there would have been no new jobs in the local community. He believes that the actual positive outcome justifies the decision to keep quiet. He thinks that the overall consequences in terms of benefits to the local community prove that he was right in doing so.

The extent to which we agree with the entrepreneur's evaluation depend on our stance on what we can call moral luck. The philosophers Thomas Nagel (1979) and Bernard Williams (1981) introduced the concept of moral luck, with the intention of identifying a tension in our moral reasoning. On the one hand, we believe that morality is immune to luck,

in the sense that people are only morally responsible for aspects of their behaviour that have been within their control. It seems unreasonable to blame or praise someone for actions and outcomes that largely have come about through a set of fortunate or unfortunate circumstances. On the other hand, the actual outcomes of what people to tend to colour our evaluations of their conduct. Theoretically, we may be convinced about the moral irrelevance of luck, but in practice, we discriminate and judge based on actual outcomes.

One domestic example we can use to illustrate moral luck is that of drunk driving. Two guests who have drunk considerable amounts of alcohol at a party may both foolishly decide to drive home in their cars. They are equally to blame for exposing other people to the risk of serious harm and death. One drunk driver gets home safely without hurting anybody, while the other hits and kills a pedestrian while driving on a red light at a street crossing. The former is likely to get off more lightly than the latter, both legally and morally. From a legal perspective, it makes sense to distinguish between the two cases, but morally it seems that both deserve equal amounts of blame and criticism. Both have put other people at risk, in exactly the same manner. In general, we can be convinced that there is no morally relevant difference between the two cases, but in reality, it is commonplace to distinguish between them, and even shrug at the former driver's behaviour. There seems to be an unsatisfactory imbalance, then, between our moral theory and our moral practice.

Michaelson (2008) has studied moral luck in a business context, using as his main example the pharmaceutical company Merck and their development of medicine to cure river blindness, a plague affecting millions of poor people in river-dwelling communities in West Africa and Latin America. The company made the decision to invest in the development of the medicine under a cloud of uncertainty, not knowing if it would ever become profitable and of any help to the sufferers of the disease. The project has proved to be both profitable and effective in treating the disease. Since the program began in 1987, more than 40 million people annually, in 30 different countries, have benefitted from the medicine, and Merck have committed itself to manufacture and distribute it for as long as river blindness exists. The company and its executives have received praise and recognition for their efforts, although the outcome has depended upon factors well beyond their control. Due to good moral luck, the initial decision to invest and develop the medicine turned into a

success story of business ethics and corporate social responsibility. With a negative outcome, the responsible executives would most likely have received criticism for wasting the investors' and the owners' money to no avail.

The research literature acknowledges three categories of moral luck. The most prominent one is resultant moral luck, where the entrepreneur story from the north of Norway and Merck and the river blindness medicine are examples. Then there is constitutive moral luck, which has to do with the elements affecting a person's character. Nature and nurture, genetic heritage and culture, can affect the extent to which a person is respectful, honest, kind, and benevolent in his or her interactions with other people. Good or bad luck plays a significant part in the formative processes, yet we tend not to take it into account when praising or blaming people for the character traits they have. The third category goes under the name of situational moral luck, and concerns the moral tests a person faces or avoids, and the extent to which character traits become publicly exposed. A person can be morally fortunate to never face situations where her moral weaknesses are exposed, or morally unfortunate to never get a chance to demonstrate personal courage and honesty, since the situations she faces do not call for the application these moral qualities.

There is room for a fourth category of moral luck, not yet identified or discussed in the studies of this phenomenon. We can call it relational moral luck, and it concerns the social environment a person finds him- or herself in at the time of decision-making. At crucial points in the process of judging and reasoning about what to do, the decision-maker depends on feedback from others, in the form of support or opposition to the ideas that are on the table. In an organization, he or she needs colleagues who intervene and question the assumptions that are present in the reasoning. I return to the concept of relational moral luck in the final chapter of the book, where I dwell more explicitly on the nature of the thought processes that lead from contemplation of options and alternatives, to action, and the extent to which their quality depends on the social side of decision-making.

To what extent does moral luck pose a challenge to the coherence of our moral reasoning? Nagel and Williams thought that they identified a deep tension in the way we think about right and wrong when they introduced the concept. Moral luck is no doubt a thought-provoking concept and can serve as a reminder that success and failure often

depends on factors beyond our own control. However, I do not think the philosophers who launched it actually managed to reveal any profound inconsistencies in our moral thinking. Rather, the examples of moral luck indicate that we sometimes mistakenly let actual outcomes affect our evaluations of character and conduct. These evaluations do not appear to survive careful analysis. The considered view we are likely to reach is that success does not justify lying to an investor, that the conduct of the two drunk drivers are equally morally wrong, and that we can judge the Merck initiative to cure river blindness independently of the actual outcome. Moral luck would have been much more troubling if there were tensions between what we take to be the correct evaluations of conduct, and the general assumptions we have about right and wrong. The main value of the concept is that it can serve as a reminder of how outcomes affect our moral judgements, and that we have good reasons to correct them when they do.

OPEN

5
Two Ethical Principles

Abstract: *This chapter presents two ethical principles that are helpful in analyses of morally challenging situations at work. The principle of equality states that equal cases should be treated equally, and that a difference in treatment requires that we can identify a morally relevant difference. The principle is related to the Golden Rule, and to the consistency formulation of Kant's categorical imperative. The principle of publicity states that the decision-maker should be willing to defend his or her decision face-to-face with relevant individuals and groups of people. In an organizational setting, this can include internal and external stakeholders like one's colleagues, leaders, customers, and suppliers. This principle is related to the universality formulation of Kant's categorical imperative, in that it invites a consideration of whether other rational agents would endorse the decision or judgement. From the outset, the two principles are neutral with regard to the tension between utilitarianism and duty ethics. Both traditions can acknowledge that different treatment requires the identification of a morally relevant difference, but will disagree about what constitutes such a difference. They can also acknowledge the transparency requirement inherent in the principle of publicity, but again part company when it comes to the applications of the principle.*

Clare is a professor at a business school. She recently bid farewell to a very talented MBA-student that she has supervised to an A degree. On the final day of term before Christmas, the student turned up at her office with a flat package wrapped in gift paper. He wanted to thank her for the excellent work she had done in supporting and supervising him during his studies. He was now heading back to his home country in the Middle East. From the size and shape of the package, Clare assumed that it contained chocolate, and had no hesitation in accepting it. Two weeks later, she has friends over for a Christmas party, and wants to share the chocolate with them. She unwraps the package and finds that what is beneath the gift paper is an iPad. What she had assumed to be a cheap and innocent chocolate gift was instead an expensive electronic device. She is devastated. What should she do now? Can she keep the iPad?

Clare's initial moral intuition is that the answer is no. She needs to locate the student and return the iPad. This gift is too valuable to hold onto. Then she slows down and starts to engage in ethical analysis. She can consult utilitarianism and duty ethics, but their doctrines seem designed for grander situations, where more is at stake. To maximize utility with or without treating others as mere means is not the core issue in the situation Clare faces. What she needs is a set of simpler ethical principles. One place to start is with the formal principle of equality, an inheritance from Aristotle:

> Equal cases should be treated equally. A difference in treatment requires that there is a morally relevant difference between the two cases.

When the student turned up at Clare's office, she did not hesitate to accept the gift he handed her, since she assumed it was chocolate. Now the situation is different, but how might it be different in a morally relevant sense? The striking difference between a box of chocolate and an iPad is in the monetary value. Clare assumes that the former costs about 30 Euro, and the latter about 500 Euro. Had she known at the time that the package contained an iPad, she would have turned it down, since she considers the value to be too high in relation to the work she has done for the student. A box of chocolate can be seen as a simple and symbolic gesture of gratitude, and Clare struggles to see the iPad in that light, due to the high price. Cost, then, appears to be a morally relevant feature, but is the difference between the assumed and the real price great enough to warrant either a process to locate the student and return the iPad, or to find another way to dispose of it?

Clare faces a situation where she would be grateful for a concise demarcation between a gift and a bribe. Many transactions in organizational life occur in the grey zone between the white and innocent practice of exchanging gifts, and the grim blackness of pure bribery. Equipped with the principle of equality we can enter this grey zone with the intention of deciding where to draw the line between acceptable and unacceptable transactions. Five aspects seem particularly relevant:

A.   Intention: What does the giver want to achieve?
B.   Roles: What are the particular roles and positions of the giver and receiver?
C.   Timing: When does the transaction take place? Before or after a decision?
D.   Value: What is the value of the object changing hands?
E.   Culture: Is it customary in this culture to offer gifts of this kind?

Clare can apply this list to her own situation, to clear her own mind for a decision on the matter:

A.   Bribes are normally offered in order to gain an improper advantage. Clare is convinced that the student's intention was to show gratitude, and not to affect future decisions on her part. It is unlikely that she will ever see or hear from him again.
B.   Clare has been a supervisor to the student, and so has been in a higher ranking position than the giver. She has had power to affect the outcome of the grading, but that period ended when the student got the A grade, before she received the package.
C.   Bribery occurs before a decision takes place, not after, unless the participants have agreed beforehand that a transaction will happen after the desired and agreed upon decision has been made. This does not hold in Clare's case, since the package came as a genuine surprise, on the right side of the timeline. She would not have accepted it if the student had offered it to her before the grading, even if she had thought that it only contained chocolate.
D.   The value of an iPad is high, and a decision-maker would normally have to reject it, since one could reasonably think that the reception of such an object would have the power to affect a decision, on a conscious or subconscious level. The receiver will normally feel that he or she owes the giver a considerable favour. An iPad creates indebtedness, but Clare can argue that she will probably never be in a position to repay the debt, and so should be free to accept it.

E. The student comes from an area of the world where generous and valuable tokens of gratitude are accepted and expected. Turning them down can be interpreted as rude and impolite. On the other hand, such generous gifts are not part of the academic culture where Clare works, and it is not obvious which cultural norms should have the upper hand in the situation.

In sum, the analysis generated by the use of the principle of equality appears to support the conclusion that Clare can keep the iPad and consider it a pure and genuine gift rather than a calculated bribe. There may still be other arguments in favour of returning or giving up the iPad, but so far the reflections based on equality considerations give Clare moral reasons to hold on to it.

Another analytic test that flows from the principle of equality is one where the decision-maker can consider whether he or she would accept that his or her conduct became the norm for how to deal with situations of the same kind. Equal cases should be treated equally. If Clare thinks it is morally acceptable for her to keep the iPad, then presumably she must also believe that it morally acceptable for anybody else to do the same, under the same kind of circumstances. The fact that it is Clare and not Clarissa that faces this situation is normally not a relevant difference.

The principle of equality is similar to the Golden Rule, or the principle that one should treat others the way one would want them to treat oneself. An early version is attributed to the Greek philosopher Thales: "Avoid doing what you would blame others for doing." The Golden Rule appears in many religions, philosophies, and cultures. It accentuates the idea that whether it is you or somebody else facing a particular decision situation, is from the outset morally irrelevant. It therefore follows that you should behave towards others in ways that you would want and accept that others to behave towards you.

Immanuel Kant's consistency formulation of the Categorical Imperative appears similar to the Golden Rule, and is often interpreted as a version of it:

> Act only according to that maxim by which you can at the same time will that it should become a universal law. (Kant, 1998/1785, p. 422)

Kant thought that the Golden Rule lacked the universal and formal dimensions he sought to articulate in the Categorical Imperative. The Golden Rule is more of a hypothetical imperative, on his view. It encourages thinking of the kind that if you want people to be helpful

towards yourself, then you should be helpful towards them. Presumably, if helpfulness is not something you particularly treasure in others, you have no moral obligation to be helpful towards others. Kant meant the categorical imperative to be stricter than a hypothetical one in that it is universally binding for all rational beings, and not contingent upon individual or cultural differences. It seems that he considered the Categorical Imperative to be an improvement on the Golden Rule in the sense that it avoided subjectivity and added universality as a requirement of moral considerations.

The principle of equality puts demands on the justification of choices. It requires that a decision-maker can back up a difference in treatment of two cases with an identification of a morally relevant difference between them, but does not single out one particular moral outlook or ethical foundation to be uniquely right. It does not favour duty ethics over utilitarianism, or vice versa, but remains neutral regarding the tension between them. As we saw in the discussion of the trolley problem, duty ethics considers the fact that a person is used as mere means to indicate that it is a morally unacceptable option, even though this option maximizes utility. Utilitarianism, on the other hand, considers consequences as the only morally relevant features of the situation, and thus comes to different conclusions about what to do. Both traditions acknowledge the principle of equality, but part company on the issue of what constitutes a morally relevant difference.

Looking back on previous examples from this book through the lens of the principle of equality, we can see how the justifications can take the form of finding reasons to make exceptions in the application of ordinary moral norms. In the blackmail case, Anne can claim that she does not give in to blackmail or other kinds of pressure that can occur in a corrupt economy, but that she makes an exception in this case, due to the colossal economic stakes that are involved. In the reference case, Ben can argue that he normally is truthful towards others, but that he is making an exception in this case, since he needs to restore harmony in his unit, and can do so effectively by hiding truths about the employee's quarrelsome behaviour. In the second trolley case, a person can argue that he or she would normally not kill an innocent person, but that the current situation warrants an exception, since it is thereby possible to save five lives. Whether we accept these appeals to morally relevant differences depends on how well they fit with our moral convictions and beliefs.

Turning back to Clare and her decision regarding the iPad, she also has access to a second ethical principle, one we can call the principle of publicity. Formulated to fit an organization setting, we can express it as follows:

> You should be willing to defend your decision publicly, and be open about it to relevant people, that is to your leaders, colleagues, customers, suppliers, other business relations, and other relevant stakeholders.

At the core of this principle is an appeal to transparency. Decisions should withstand the light of day. By sharing the decision and talking openly and publicly about it, the decision-maker is seeking some sort of endorsement from his or her peers, and from rational stakeholders. In Clare's case, the relevant people would primarily be her academic colleagues and students. The responses from the latter group is particularly interesting. How would they respond to the information that professor Clare received and accepted an iPad from a student she supervised to an A? Accountants are a profession drilled in the use of a distinction that is relevant here. They learn to consider both how things are "in reality" and "in appearance". A client may actually have been in good faith when underreporting about an incident, but it might appear to the authorities that he has intentionally misled them. Both what we take to be the truth and how it may appear to others is relevant. In line with this way of thinking, Clare can be totally convinced that there is no link whatsoever between the good grade and the iPad, and can also have no doubts that the student's intention was to show gratitude. Nevertheless, she also should consider how other people are likely to view the situation. If students start to connect the iPad and the A, it can create doubts about her integrity as a supervisor.

The principle of publicity addresses whether a decision will stand up to public scrutiny. The principle is a part of many versions in ethical guidelines in the professions, and in organizations' codes of conduct. It is sometimes called the *New York Times* test: Never do anything you would not want to see reported on the front page of the *New York Times*, or whichever newspaper you consider important. One American lawyer I have worked with calls it "the smell test": Does this particular action smell all right, or is there an unpleasant odour to it? I have heard an accountant refer to it as "the Aunt test". His rule of thumb is to ask himself whether his aunt, a person he perceives to have formidable integrity and wisdom, would have found his choice morally acceptable. One

of my colleagues operates with a "blush test" and considers whether the course of action he is contemplating would make him blush if it became common knowledge.

One objection to the principle of publicity is that in business and elsewhere in society decision-makers may face situations where all the alternatives open to them have negative consequences. Real moral dilemmas have no painless solutions, and some people will have legitimate reasons to complain, no matter what the decision has been. Hooker (2010) gives the example of a CEO of a large corporation who decides that the most responsible option in the tough economic situation is to lay off several thousand employees. The individual consequences are severe, and the CEO would not like to see the stories enfold on the front pages of newspapers and websites. Nevertheless, what he did might be the most morally sound option available to him under the circumstances.

This objection is primarily relevant in relation to a version of the principle of publicity interpreted as a newspaper or media test. It may be painful for the CEO to experience detailed media exposure of the personal sufferings of the people he has laid off. That in itself is not enough to say that his conduct demonstrates a failure to act in accordance with the principle of publicity. It is likely that relevant stakeholders will understand his predicament and acknowledge the fact that no painless and harmonious options were acceptable to him.

A second objection to the principle of publicity is that it conflicts with the idea of having company secrets, in the form of strategies and plans the competitors should not know about. This objection stems from a misunderstanding of the principle. It is not a plea for you to spread your company secrets with the wind. It allows you to keep sensitive business information to yourself, but challenges you to consider how your decisions would look to the public eye. X out the names of the companies and persons involved, and contemplate what kind of response you would get from people close to you if you chose this or that option in a dilemma.

The principle of publicity invites reflection on the extent to which other rational agents would endorse our judgements and decisions. As such, it resembles the *universality formulation* of Kant's categorical imperative:

> Act as though the maxim of your action were by your will to become a universal law of nature. (Kant, 1998, p. 422)

We can interpret this formulation to address the issue of transparency, and the extent to which your decision stands up to public scrutiny from other rational agents.

To sum up the practical contributions from normative ethics, utilitarianism offers one ethical principle, claiming that the decision-maker should strive to maximize utility for all concerned, and thus promote the common good. Duty ethics claims that there are limitations to what we should do in the name of promoting the common good, since we have a moral responsibility to respect other people and their human dignity. This ethical outlook comes to expression in the consistency, humanity, and universality formulations of Kant's Categorical Imperative. On a formal level, a utilitarian can actually accept the consistency and universality formulation, and say that he or she is consistently committed to the idea that one should maximize utility, even in a situation where that person would have to be sacrificed for the common good. The humanity formulation, however, is unacceptable to the utilitarian, and marks the point where the two ethical traditions are in fundamental disagreement.

The two ethical principles presented in this chapter offer a way to structure practical moral reasoning that oversteps the conflict between utilitarianism and duty ethics. We can apply the principles of equality and publicity to concrete cases without evoking the traditional tensions in ethical theory. That makes it possible to engage in ethical analysis of moral dilemmas without prior commitment to either of the two ethical theories.

6
The Navigation Wheel

Abstract: *When people encounter moral dilemmas at work and have to decide on a course of action, they can respond intuitively or analytically. From the analytic toolbox, they can pick up utilitarian and duty ethics considerations, and the principles of equality and publicity. This chapter adds content to the toolbox by introducing the Navigation Wheel, a figure designed to put ethical considerations into a context where the dimensions of law, identity, morality, reputation, and economy also matter. The Navigation Wheel can assist the decision-maker in keeping track of these six dimensions of the available alternatives. The priority of these dimensions are open to discussion in each separate case.*

Moral dilemmas call for a careful consideration of options before a decision takes place. Ethics offer analytic tools to engage in a systematic analysis of the alternative courses of action. We have seen that the two main traditions of ethics emphasize different and conflicting aspects of the situation in which the decision is taking place. Duty ethics focuses on respect and human dignity, while utilitarianism instructs the decision-maker to maximize utility and promote the common good, even at the expense of using other people merely as means to do so. We have also seen that the principles of equality and publicity provide guidance for evaluation of the alternatives. Application can take place from a duty ethics perspective, and from a utilitarian one, but also from a perspective that is more or less neutral with regard to the tension between those theories. The decision-maker can consider whether there is a morally relevant difference between option A and option B, without being committed to a particular ethical theory.

This chapter adds to the decision-makers toolbox by introducing the Navigation Wheel, a figure designed by Einar Øverenget and myself (Kvalnes and Øverenget, 2012) to be the central component in ethics training in organizations. We have applied the Navigation Wheel in ethics seminars and courses in a range of different organizations, in the private and the public sectors, and in organizations of different shapes and sizes. The formative idea has been to supply the participants with a simple tool to use in practical settings where they face moral dilemmas and other challenging decision-situations:
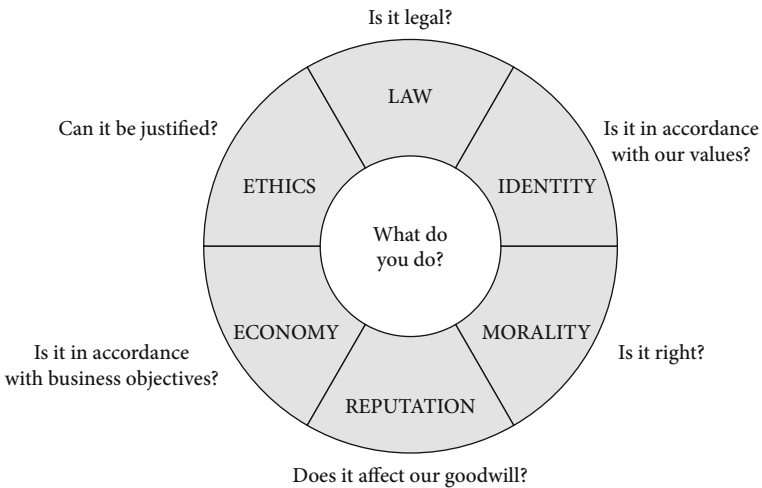

FIGURE 6.1   *The Navigation Wheel*

The set of questions presented in the Navigation Wheel belongs to a family of such analytic sets, from the simple ones such as Blanchard and Peale's (1988): "Is it legal, is it fair, can I defend it?", or Rion's (1990) "Why is this bothering me? – Who else matters? – Is it my problem? – What is the ethical concern? – What do others think? – Am I being true to myself?" More complex approaches are described in van Luijk's eight-question list (1994), the eight-step list of Laczniak and Murphy (1985), the 12-step list of Nash (1989), and the 10-step list from the Markkula-center (2007).

The decision-maker can address the questions in the Navigation Wheel to each alternative, in no particular order. It is also an open issue how to weight and prioritize them. Should ethical considerations trump economical ones, or vice versa? Is morality and doing the right thing more important than reputation? What should one do if the choice is between going economically bankrupt or compromise one's values and go bankrupt with regard to identity? The Navigation Wheel does not build on a particular theory of how to settle such issues. The presentation I give of the six questions below does not indicate, then, that the decision-maker should give them a particular ranking or address them in a particular order.

LAW: Is it legal? This question can involve national as well as international law. If the answer to this question is "no", then any professional person has a strong reason to refrain from performing this action. The laws of a given society may not be perfectly matched with the decision-makers personal morality, and even be at odds with the more or less common morality of ordinary citizens. Nevertheless, an employee in an organization is bound by those laws and owes it to his or her employer to stay within the realm of the legal options.

Civil disobedience is normally something that a person can choose to perform as an individual, not as the employee of an organization. There can nevertheless be cases were we have sympathy with someone who decides to break the law at work. Consider the following case, where the leader of a nursing home faces a dilemma: On a hot summer's day, she receives an offer of fresh mackerel from a local fisherman. She sees this as a chance to arrange a grill party for the residents, where she can serve them excellent local fish, straight from the sea. However, the law on the matter is clear. The residents at the nursing home should only receive food from registered food suppliers. Legal mackerel is controlled, processed, and packaged the standard way, and arrive at the residents' plates

as grey and harmless matter. In this situation, the nursing home leader can decide to take a chance and break the law, since she is convinced that the illegal fish will contribute to a far better culinary experience for the residents than the legal alternative. Her staff can check the fish for bone and harmful materials, and make sure that it will be safe to serve it. It is nevertheless a risk to take. We can see it as an example of good moral luck if there are no negative incidents at the table during the grill party.

One interesting and important asymmetry with regard to the legal aspect is that the illegality of an action provides a reason to refrain, while the legality does not provide a corresponding reason to act in that particular way. There are plenty of legal actions open to a person, that it for other reasons would be unwise to perform. You cannot respond convincingly to the question "How could you do such a thing?" the claim "Because it was legal". Decision-makers should be aware of this asymmetry of the legal, but many fail to do so. Consider a situation where a communication advisor participates in a public debate about her country's dominant diary producer, who had come under criticism for trying to squeeze smaller competitors out of the market. She argues that the company has done nothing wrong, and protests intensely against talk of boycotting its products in support of the smaller diary product companies. "I love this company", she declares in a television debate. What she fails to mention in the debate is that the company she defends also is a customer of her communication bureau. She appears to be a concerned citizen participating in a public debate on her own behalf, but is actually promoting the views of her own customer. When challenged on this issue, she can defend herself by saying that what she has done is legal. There is no law against hiding your professional ties to an organization in a public debate. With a response of this kind, she fails to understand that her critics are not questioning the legality of her participation, but rather its wisdom. More precisely, they raise doubts about the ethical dimension of her initiative in the debate.

We can also revisit Ben and the reference dilemma in order to illustrate the use of the Navigation Wheel. According to Norwegian national law, it is illegal to wilfully mislead a prospective new employer and lie about a person's social competence in such a situation. You are not legally required to tell everything you consider relevant, but you risk prosecution for lying. Some of the participants in our courses have said that they always give honest answers when they are reference persons, but that they leave it to the questioner to identify the significant issues.

If an employee is somewhat lacking in social skills, and the questioner only inquire about technical skills, then that is his responsibility. You are not legally required to bring attention to issues that the questioner has overlooked or seems to consider irrelevant.

IDENTITY: Is it in accordance with our values? There can be two aspects of the question of identity. I have had ethics sessions with people who are part of particular professions, with their own strong identities. Accountants worldwide identify with the values of integrity and objectivity, while practitioners in health institutions have a long tradition for caring and placing the patient's interest in the forefront. A parallel identity issue concerns the organization's own identity. Since Collins and Porras (1996) documented the significance of core values for stable commercial flourishing, there has been a growing interest in the maintenance of identity. Companies like Sony, Disney, Volvo, and Nike have succeeded in staying loyal to their own core values, and thus managed to establish an easily recognizable identity that they have benefitted from commercially.

How does the identity question affect the circumstances of a business manager Ben, who is the reference-person for an employee he would like to get rid of? I have presented the dilemma in one financial services organization where one of the core values is "team spirit". The participants found that the concept strongly discourages the alternative of being dishonest to a questioner from the same organization. What then about the circumstances where the employee has applied for a job with a competitor? It seems that a situation where he moves on will enhance team spirit. Taken in isolation, then, this value seems to favour being economical with the truth.

Values in the sense described here are not identical to moral values. "Team spirit" can belong to the characteristics of an organization, and come into conflict with moral concerns. It can thus become an issue for consideration whether identity should trump morality, or vice versa. Something may have to give, and it can be a business manager's responsibility to decide which.

MORALITY: Is it right? When considering the moral aspect of a situation, a person's convictions and beliefs about right and wrong set the framework. They can, to a greater or lesser extent be common beliefs shared with other people who have grown up in a similar culture, under similar circumstances, and they affect the moral intuition or gut feeling the person has with regard with what should and should not be done in the concrete situation.

Is it morally acceptable for a reference person to lie about a person's part in conflicts at work? Could we define it as a white lie? Most of the participants in the ethical training sessions I facilitate conclude that the answer is no. From the point of view of morality, they argue, the lying option is clearly unacceptable. Honesty is a central tenet in society as we know it, making it is disrespectful to tell lies. As indicated above, some claim that they will not tell a lie, but refrain from bringing attention to dark issues not addressed by the questioner. In arguing that way, they rely on a distinction between what is active and what is passive, favoured by thinkers in the tradition of duty ethics. They are bringing their moral convictions and commitments in touch with ethical theory. From this perspective, you are mainly accountable for the things you actively do and not so much for what you refrain from doing. A utilitarian will challenge this stance, and claim that the active – passive distinction is morally irrelevant. Consequences count, whether they come about through acts of commission or omission. The outcome of Ben's reluctance to convey relevant information about the employee can be that he receives a job offer on false premises. Ben could have stopped it, and he is morally accountable for his decision to keep quiet, according to the utilitarian.

The morality part of the Navigation Wheel is primarily a place to test moral intuitions about the case at hand, and not to engage in ethical analysis, but as the example illustrates, once we articulate a moral standpoint or hear about other people's gut feelings regarding a particular case, it is easy to become engaged in argumentation using ethical concepts.

REPUTATION: Does it affect our goodwill? One of the main conclusions I draw after many years of conducting ethics training with business people is that they are deeply and supremely concerned about their reputation. They consider it a necessary asset in order to reach strategic and economical goals. It takes years to build good reputation, but it can be lost very quickly, is a commonly held view in business communities.

Business leaders will protect their reputation even if that demands admitting to wrongdoing in cases where they have in fact acted responsibly and wisely. When the oil company Shell made plans to dispose of the redundant oil storage facility Brent Spar, they consulted environment specialists. The advice they got was that the safest option, both from an environmental and from an industrial health and security perspective, was to dispose of the construction in deep Atlantic waters. British authorities accepted the plan as the Best Practicable Environmental Option (Zyglidopoulos, 2002, pp. 141–143). The activist

group Greenpeace protested, and started a campaign leading to wide-spread boycott of Shell service stations in European countries. In the end, Shell decided to abandon the plan, in order to save reputation and avoid economic disruption. The company claimed that they needed to identify a better storage plan, although their own studies showed that deep-sea disposal outside Scotland was optimal from an environmental perspective. Later, Greenpeace had to acknowledge that the organization had grossly overestimated the environmental damage of the proposed disposal of Brent Spar. By that time, however, they had won the fight with Shell, and the media was only mildly interested in Greenpeace's use of false numbers (Shell International, 2008). Bowie and Dunfee (2002) have questioned the wisdom of giving in to pressure in order to save reputation in such cases.

In ethical training, my general approach is that each person and each working environment must decide how to rank the questions in the Navigation Wheel. However, I do point to some disadvantages of giving top priority to reputation. For one, succumbing to media pressure can have a negative effect on internal morale. Insurance companies sometimes give in to such pressure and hand out money to customers who are not entitled to it. They choose this option rather than attempt to correct what they see as the distorted picture painted in the press. For the companies' employees such capitulation can be a bitter blow to their motivation.

This is not to deny that reputation matters. Ben has good reasons to be concerned with the effect on his reputation in the aftermath of his efforts as a reference-person. However, such considerations often take the attention away from the identity and morality dimensions of the options, and instead focus on appearance. I once encountered a company whose identity and values statement on their webpage said: "We want to be perceived as an honest company". The focus, then, was not on actually being honest, but on maintaining an image of being an organization with that quality. The language of reputation had taken over from, or been confused with, the language of values. If the claim accurately expresses the dominant attitude in the company, we can expect that the motivation for honesty is shallow and frail. It only emerges when there is a chance of scoring reputation points, and not when public attention is absent.

Reputation can of course be a genuine and legitimate concern for the decision-maker. As noted in the discussion of the case where Professor

Clare faces the option of keeping an iPad given to her by a student, other people's perceptions can be crucial. The professor can be convinced that the student gave her the iPad to express gratitude, and not to cash in any improper advantage later. She would be wise, however, to take into account not only what she takes to be the reality of the case, but also how it may reasonably appear to relevant others. Her reputation amongst students may suffer significantly if the iPad story reaches them, and this gives her a good reason not to keep it.

ECONOMY: Is it in accordance with business objectives? The inclusion on economy as one of the dimensions to take into consideration in ethical analysis raises eyebrows. Why is the question concerning business objectives addressed at all, when the topic of the day is moral dilemmas? It seems that economy and ethics belong to different spheres, and that profitability is not an issue to bring up in the ethical training in organizations.

Many of the most significant moral dilemmas do involve the balancing of economic considerations with other dimensions of the situation. As noted earlier, the choice under a given set of circumstances can be between going economically bankrupt or bankrupt with regard to identity. There may be legal and profitable options available, which are at odds with the basic values a company traditionally has stood for. By choosing such an option, the company in a significant sense ceases to be the unit it has been. It may keep its name and address, but the break with one or more core values means that the identity is different now. A transformation has taken place.

With regard to Ben and his options in the reference dilemma, he can have short term as well as long term economical concerns. In the short term, results may improve if he keeps his lips tight about the employee's involvement in social conflicts. The working environment will probably respond with relief, and gain new energy with the removal of the cause of so much frustration. In the long term, however, this risky enterprise may backfire on the unit as a whole, and disrupt its ability to perform profitably. The economic dimension of a moral dilemma, then, warrants a consideration of short term and long terms benefits.

ETHICS: Can it be justified? This question invites a consideration of the alternatives in the light of ethical theories and principles from earlier chapters. The decision maker can compare and analyse the available options from a utilitarian or a duty ethics perspective, and by applying the principle of equality and the principle of publicity.

In the discussion and analysis of a particular dilemma, the focus can be on all six of the dimensions addressed in the Navigation Wheel, or it can be on the tension between the answers we receive to two or more of the questions. The decision-maker can face a choice of giving primacy of economy (here we have a potentially profitable business option) or identity (it is not really us to act that way). The dilemma can be to prioritize between ethics (according to the principle of equality we can do this) and reputation (it may nevertheless harm our public image), or between law (it is illegal) and morality (I believe it is the right thing to do), and so on.

The main purpose of the Navigation Wheel is to assist the decision-maker in his or her efforts to analyse the available options and keep track of the relevant dimensions of the situation. Is a person who has participated in ethics training and become familiar with the Navigation Wheel better equipped to deal with moral dilemmas and work, and less likely to engage in serious moral wrongdoing? Organizations who hire me to conduct ethical training obviously hope so, but I think there are limitations to what we can achieve simply by making people familiar with tools of ethical analysis. If all it took to establish responsible conduct in organizations was ethical tools, this book could have ended here, with the presentation of the Navigation Wheel as the final analytic device to apply when facing moral dilemmas. Instead, it continues, to attend to how even people with excellent analytic skills, well trained in the use of the three versions of the categorical imperative and in other ethical principles, can become involved in moral wrongdoing at work. Even the ancient idea that tough moral decisions can be safely left to people of particularly strong and stable moral character, will come under critical scrutiny in the remaining chapters.

7

From Responsible to Responsive

Abstract: *To what extent do companies and business leaders have responsibilities that go beyond looking after the economic interests of their owners and shareholders? This chapter investigates that question in the light of a story about the owner of an Icelandic fishing company, who has to decide whether to maintain activity on four locations in the country, or downsize to one location, which appears to be the best solution from an economic perspective. The owner can analyse his alternatives using the Navigation Wheel, or he can apply Archie Carroll's two models, one focusing on levels of corporate responsibility and another identifying corporate responsiveness. The former model distinguishes between legal, economical, ethical, and philanthropic dimensions of responsibility, while the latter conveys how a decision-maker in business can choose between four response levels: Reaction, defence, accommodation, and pro-action. The Icelandic fishing story serves as an illustration of what these alternative perspectives can mean in a concrete and practical setting.*

Hjalti is the CEO of Farsæll, a fishing company in Iceland. The fallen price of cod and haddock in the international markets and fierce competition from Norway and other countries are making it difficult for Farsæll to run the five fishing vessels and four fish processing plants located around Iceland. The company has activities in Djúpavogur in the east of the country, Húsavík in the north, Þingeyri in the west fjords, and in Grindavík in the south west. Increasing demands from the buyers of fish products for a flexible product portfolio and shorter time to market is also hard to handle with the current business setup.

Hjalti is pondering the suggestion from the chairman of the board to close down three of the four fishing plants and concentrate on one location. It will give Farsæll more productivity and flexibility, as well as much lower labour cost. He also knows that their fish processing plants are vital to the local communities where they operate. If they close down the plants, up to 50% of the local work force will lose their jobs, not counting the related jobs his operations create in supporting companies.

A recent article in the newspaper reported about another Icelandic fishing company that had just paid out high dividends to its owners. The reaction was very negative and the journalist accused the owners of running away from their social responsibilities. The company had received the fishing quota for free from the government, based on the national policy to support those companies and investors who promise to operate in small communities around the country and create jobs. Those jobs are very poorly paid, so the value of the quotas seems to go all in the pockets of the owners. The press is likely to be even more negative if Hjalti decides to close the Farsæll plants around the country, since that move will be even more dramatic than the one of not sharing profits with the low paid workers.

The situations reminds Hjalti of the words of his father, who never tired of telling him how he grew up in Þingeyri and took over the family fishing company after having lost his father, Hjalti's grandfather, at the age of 11. Hjalti's father always said that Þingeyri and the small communities are the heart of the company. They gave them short access to the fishing grounds and a steady and loyal work force. Hjalti knows many of these people by name and he knows that they will not have other income opportunities if he decides to close down the plants permanently.

Hjalti experiences considerable moral unease and dissonance at the thought of closing down the three fishing plants. The decision will negatively affect many people, and due to his personal history and the history

of his company, he feels responsible for the outcome for the employees and the local communities. One alternative he considers is to sell the whole company to an investor. He knows that this investor immediately will close down the plants and downsize dramatically. The outcome for the population will be the same, but at least it will not be Hjalti's decision. He has to choose one of three alternatives: Either continue as before with all four fishing plants, downsize to one plant, or sell the entire company to an investor, who will rationalize the setup and close three plants.

The Icelandic philosopher Ketill Berg Magnússon and I have designed the story about Hjalti and his company, and we have used it in the teaching of business school students. We have asked the students to analyse Hjalti's alternatives using the Navigation Wheel, and in their eyes, the main conflict is between the company's values and identity and Hjalti's moral convictions on the one hand, and the economic aspects on the other. There are no legal obstacles to stop Hjalti from closing down the plants, but that in itself does not equip him with a reason to do it. As we saw in the previous chapter, the fact that there are no laws against a particular course of action, does not in itself constitutes a reason for choosing it. Company values and personal moral convictions are closely entwined in this case, since Farsæll is a family enterprise that has developed over generations, based on shared family values regarding community and building up activity together. Hjalti is also likely to be concerned about his own reputation, both in the country as a whole, and in the local communities in particular, and in the short and long term. Of course, he does not want to be remembered and labelled as the person who put a stop to social life in the three affected locations. On the other hand, Hjalti must also take economic realities seriously. He has obligations towards family members to keep the company profitable and secure economic stability for future generations bearing his name.

Corporate social responsibility is also a dimension of the Icelandic story. To what extent are decision-makers in business responsible for the outcomes of their decisions, beyond looking after the shareholders' and employers' financial interests? One approach can be based on the dictum that the business of business is business, a claim attributed to Milton Friedman. There is insufficient textual support to claim that Friedman actually wrote or said this, but he clearly opposed the idea that business leaders should take upon themselves any other responsibilities than the ones of generating profitable activity (Friedman, 1962; Friedman, 1970). He claimed that "there is one and only one social responsibility

of business – to use it resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, 1970). From Friedman's perspective, then, Hjalti should choose the economically best alternative, which appears to be to close down three fishing plants and concentrate the activity on one remaining plant.

Archie Carroll has presented models to analyse the social responsibility of companies (Carroll, 1979; Carroll, 1991). One of them distinguishes between economic, legal, ethical, and philanthropic dimensions of decision-making, and is similar to the Navigation Wheel in that it offers a framework for analysis of alternatives and options. One difference is that Carrol provides a ranking of his four dimensions, in that the economic and legal are required of the decision-maker, while the ethical is expected, but not required, and the philanthropic considerations are desired, but neither expected nor required. Applied to Hjalti's situation, the model indicates that he is required to respect the restrictions of law, and to make economically sound decisions, while he is only expected to take ethical aspects of the situation into account in his decision-making. If he decides to be philanthropic and place the concerns for society at the forefront, he acts in a manner that is desired from a societal perspective, but that goes beyond what is required legally and economically, and also beyond what can reasonably be expected of him.

In a second model, Carroll distinguishes between four ways in which decision-makers in business can respond to social issues that occur in connection with their activities. Responsiveness is a more action-oriented conceptualization than the one focusing on responsibility. Decision-makers in business can be in a position where they have identified a social issue, and their corporate social responsiveness can be reaction, defence, accommodation, and pro-action (Carroll, 1979, p. 501). The first of these responses – reaction – is to deny any responsibility and claim that it is up to the government or other institutions to remedy the problem. The defence response consists of reluctantly accepting and taking some minimal responsibility, but mainly for reputational purposes, to demonstrate a societal concern that it can be beneficial to show towards other stakeholders. If there are no reputational benefits to reap from taking an initiative, the company should remain passive, according to this line of thinking. The third response is accommodation, and it involves listening to affected stakeholders in the situation, and to

experts in the field of dealing with such issues, taking up their advice about how to deal with it. Finally, the pro-action response is one where the decision-makers go beyond industry norms and expectations, and shows innovation in coming up with unexpected and brilliant solutions to the challenges at hand.

Even Carroll's responsiveness model offers input to Hjalti and the decision he faces. He can choose reaction, and claim that it is not his responsibility as a business owner to uphold activities in remote parts of Iceland. It is the politicians and the local and national authorities who should address that issue. Hjalti can go for defence, and become minimally engaged in what happens in the local communities once his plants are closed down, or he can involve experts in an accommodation effort to identify how a company like his can contribute to social development in remote communities in Iceland, following their advice. Finally, he can choose pro-action, and explore ways to generate activities in those communities, making them less dependent on the fishing traditions of old. He can offer the fishing plant facilities for free or for a very low price to entrepreneurs and innovators who can generate other kinds on employment in the communities. He can collaborate with education providers, who can help his employees to identify and pursue alternative careers. All may not be bleak, even though the employment in fishing disappears.

It is worth noting that one of the alternatives that Hjalti considers, of selling the company and leaving the dirty work of closing down the plant to others, is another course of action where utilitarianism and duty ethics will offer conflicting advice to the decision-maker. The utilitarian focuses on the outcome of the alternatives, and since they in all relevant senses appear to be the same, it would not be better, or less worse, for Hjalti to sell and leave the unpopular decision to others. Whether he directly or only indirectly causes this painful outcome for the local community, is morally irrelevant from a utilitarian perspective.

An evaluation from a duty ethics perspective, on the other hand, can claim that there is a morally relevant difference between what a person does, and what he or she merely lets happen. We are primarily responsible for what we decide actively to do, and not so much for what we are passive witnesses to, even though we may have been in a position to stop that from happening. Duty ethics also gives emphasis to intention, and as noted in Chapter 3, the Doctrine of Double Effect distinguishes between intended outcomes and outcomes that are merely foreseen

and unfortunate side-effects of a decision or course of action. Hjalti can claim that his intention is to make sure the company is profitable, and not to hurt the local communities. Duty ethics, then, relieves Hjalti of at least some of the moral burden of either closing down the plants himself or leaving that to an investor. This ethical theory provides him with the opportunity to wash his hands, and claim that the negative outcome is merely foreseen and not intended. Utilitarianism offers a more stern perspective, since it dismisses both the active – passive distinction, and the distinction between intended and foreseen outcomes.

Corporate social responsibility and responsiveness are areas where business leaders and employees have to engage in moral reasoning, in order to clarify to themselves and others where their priorities should lie. It is one thing to agree in general that companies and individuals in business have social responsibilities, and another to agree upon concrete measures and activities in concrete cases. People, who disagree in general about the scope and content of the social responsibilities of companies, may agree in particular cases about what a company should do. Furthermore, people who agree that corporate social responsibility matters and deserves to be high on the agenda, may disagree fiercely in particular cases about what a company should do under those given circumstances. It is by exploring cases like the one involving Hjalti and his decision about the future of his fishing activities that we can go from comparing personal moral intuitions and gut feelings to seeing the principled dimensions of the roles of business in society.

8

Loophole Ethics

Abstract: *Codes of conduct are statements that commit organizations, industries, and professions to particular moral values and beliefs, and define appropriate behaviour for employees and professionals. This chapter explores how codes of conduct can affect the moral reasoning and behaviour in the workplace. On the one hand, they clarify the scope of action available to decision-makers, but on the other hand, they can incentivize people to identify and exploit loopholes in the codes. When organizations structure ethics around a set of codes defining appropriate behaviour, it can create an unforeseen and unwanted form of creativity. Loophole ethics is the activity of remaining loyal to the letter of the code of conduct, and assume that anything the code is silent about, is morally acceptable. The International Federation of Accountants operate with a code of ethics that is 162 pages long. It increases with each new edition, and the main reason for this development seems to be that since the last edition, some accountants have identified and exploited a loophole. Instead of operating with codes of conduct of increasing complexity, professionals and organizations should leave more room for the use of personal and common judgment.*

One practical approach to ethics in organizations is to formulate a set of codes, rules, or guidelines to define appropriate and expected behaviour from employees. A merit of the code-based approach is that everybody can in principle know up front what is morally required and expected of them at work. Whenever they are in doubt, they can consult the code of conduct and find guidelines there about whether they can accept a particular gift from a supplier, invite a customer to a dinner and pay the expenses, participate in decision-making where a friend or relative is one of the stakeholders, and so on. Codes of conduct can help to clarify the boundaries between morally right and wrong in concrete cases, and also generate consistency in how employees and professionals behave towards each other and stakeholders in the outside world. An organization with an established code of conduct can reduce subjectivity and contingency in decision-making.

The code-approach is nevertheless problematic. Detailed codes tend to signal that the ethical issues have been thought through, once and for all. What remains to do is to live by the codes, consulting them whenever one is in doubt. In reality, however, each new situation can demand ethical reflection, based on the realization that the codes may be silent about the issue at hand. There is a considerable risk that people interpret the silence to mean that anything goes.

The purpose of this chapter is to explore how a code-based approach to ethics in organizations can have the unfortunate side-effect that decision-makers adopt a loophole mentality that is likely to lead to more rather than less immoral behaviour. Loophole ethics is the practice of looking for an exploiting the options the code of conduct does not explicitly mention or deem unacceptable.

Loophole ethics is a phenomenon that often occurs in sports (Kvalnes and Hemmestad, 2010). A story about the American ice hockey player Sean Avery can serve as an example. On April 13, 2008, his actions on the ice in a match for his team New York Rangers led to a rule change and also a principled discussion about the nature and purpose of rules and codes. During a match against the New Jersey Devils, he placed himself in front of Martin Brodeur, the opposing goalkeeper. With his back to the play, Avery stared at Brodeur and waved his stick and his hands in front of the goalkeeper's face, in an attempt to distract him and block his view. During these proceeding, one of Avery's team mates came up to him and seemed to try to push him away, apparently unhappy with this attempt to give the Rangers team a better scoring chance. Avery

continued until the attack broke down, went down the ice to participate in the preparation for another siege on goal, and in the following move actually scored.

Avery could defend his act of blocking the goalkeeper's view by claiming that he broke no rule by doing so. He would be right. No rule of ice hockey forbids a player from distracting the goaltender the way he did. However, that changed the day after the match. The ice hockey authorities made a swift response, by introducing a new rule. Collin Campbell, National Hockey League director of hockey operations, said in a statement that:

> An unsportsmanlike conduct minor penalty will be interpreted and applied, effective immediately, to a situation when an offensive player positions himself facing the opposition goaltender and engages in actions such as waving his arms or stick in front of the goaltender's face, for the purpose of improperly interfering with and/or distracting the goaltender as opposed to positioning himself to try to make a play.[1]

With the new rule in place, any player who attempts to copy Avery's tactic would receive a two minute sending off. The rule quickly got a name after the man who initiated it, as The Sean Avery Rule.

Sean Avery's method of distracting the goalkeeper could not be sanctioned on April 13, 2008, since he did not break a particular rule. The situation changed on April 14, 2008, when the new rule was in place. A loophole had been identified though Avery's action, and was then promptly removed. One potential consequence for the ice hockey authorities is that other players will also look for loopholes, in the shape of ethically doubtful alternatives that strictly speaking do not violate any rules. By responding to Avery's action the way they did, they inadvertently provided further support for loophole ethics.

What is the alternative? Michael McGeough, an experienced ice hockey referee, claimed that he could and would have penalized Avery even without the new rule (Paumgarten, 2008). In his eyes, what Avery did was unsportsmanlike conduct. A less experienced referee may think that he has no right to sanction Avery's distractions, in the absence of a concrete rule. The ice hockey authorities also seemed to share this view, since they found it necessary to introduce a new rule. They could instead have supported the claim from the experienced referee, and agreed that even without a specific rule it was possible to sanction Avery's action. That way they could have signalled that the participants

in their sport – players, referees, coaches and others – cannot expect the rules to provide explicit answers in every case. Each participating individual needs to make his own judgements about the choices he faces, and should not use the absence of explicit rules stating that the option is wrong, as a justification.

Curling is a sport that has integrated the application of personal judgment. When two teams match up and start to compete, they do so without the active presence of a referee. The players settle minor disputes between themselves, using common sense. In the unlikely event of a major dispute, the players can call upon a referee from the stands, but the normal situation is that the match of curling starts, enfolds, and ends without any interference from a referee. Other sports can take note of how curling has placed the exercise of personal judgment at the core of its activity.

Worries about the emergence of loophole ethics in organizations belong under the heading of how detailed codes of ethics provide incentives to the people who adhere to them. The philosopher Thomas Pogge has given a general account of the nature of loopholes in ethics, and his approach can help us to clarify the issue at hand. Its starting point is to acknowledge that the concrete ways we think about ethics can have good and bad effects, judged by the same ethical standards. We can thus ask ourselves: "Have we organized our moral commitments in a way that reflects, and helps effectively achieve, what by their own lights matter?" (Pogge, 1992, p. 80). If the answer is no, we have good reasons to reconsider the ways we think about moral issues, and our ethical approach.

Fair play evidently matters in sports (Loland, 1998, 2002). It is a serious flaw in the organization of ethical thinking in sports if it provides incentives for unfair play. According to Pogge, we cannot establish that it has such a flaw simply by showing that some individuals happen to be misguided into unfair play as a result of being exposed to our current system of moral commitments. They may simply be foolish people who fail to grasp the incentives in a proper and reasonable manner. The relation between the code and the conduct must be tighter in order to establish that we are in the presence of a loophole:

> A loophole only exists if the connection between the code and the regrettability of the conduct it encourages is tight in two respects. First, the relevant incentive must be an ideal one, so that the code can be said to *guide* agents towards the regrettable conduct. Second, the conduct must be regrettable in itself, rather than in virtue of any further effects it may bring about, however predictably. (Pogge, 1992, pp. 83–84)

Does the Sean Avery example meet the two requirements for being a loophole case? His conduct can be interpreted as an example of unfair play, as suggested by referee Michael McGeough, and thus regrettable by the ethical standards of sports. It is regrettable in itself, so it meets the second criterion. Is it, in addition, the case that the code guides Avery towards the unwanted conduct he engages in? Does the code provide incentives to stand in front of the goalkeeper and distract him?

We can reflect on these questions in the light of a distinction Pogge draws between two kinds of incentives: Compliance incentives and reward incentives. With the former, the sole motivation to act in a particular way comes from the commitment to adhere to the code. When Avery distracts the goalkeeper, it is not an action motivated by a wish to adhere to the code of conduct within ice hockey. The code does not provide him with a compliance incentive to act that way.

Reward incentives are active when adherents to a code of conduct "are motivated by other, code-independent interests of theirs insofar as these can be pursued without violating requirements of the code. Here a code encourages conduct by affecting the official pay-offs: eligibility for benefits or liability to burdens" (Pogge, 1992, p. 82). Avery had a reward incentive to distract the goalkeeper. The interest to have one's team win is a standard interest of players, and Avery pursued this interest within the scope defined by the rules that were in place on April 13.

The rule-based approach to ethics in sports is in danger of encouraging unfair play not due to its specific content, but through its form. When we organize moral commitments in comprehensive codes of conduct, people it can lead people into thinking that all they need to do is to stay clear of any alternative that the code explicitly singles out as morally forbidden. Thus, they have reward incentives to act in ways that are regrettable and bad, even according to the ethical outlook that allows them to act in that manner.

Ethical rules and regulations do not necessarily lead people to look for and exploit loopholes, but there is a considerable risk that they may promote and encourage actions that even according to the rule-makers themselves are regrettable. I have explored how this phenomenon can occur in the relation between insurance companies and their customers. Dishonest behaviour from customers can be a loophole response to detailed, small print insurance documents (Kvalnes, 2011). One way to avoid loophole ethics can be to rely less on detailed rules, and more on personal judgment and practical wisdom. This approach does not allow

the agent to justify his actions simply by pointing to the fact that there are no rules explicitly defining his choice as wrong.

A rule-based approach to ethics has a strong foothold in many professions and organizations. The accounting company Arthur Andersen had Enron as its client. Both companies collapsed, and the accountants came under criticism for their close personal and economic ties to the people they were controlling (Nanda, 2002i). They had not actually violated the code of conduct for the profession, but behaved unwisely. The response from the profession itself and the financial authorities has been to formulate more detailed ethical rules and regulations for accounting. The Enron case exposed loopholes in the Code of Ethics for Professional Accountants (CEPA).[2] A former Enron accountant has admitted that the loophole mentality was part of the cognitive setup in the working environment. They complied with the rule-based framework, and found creative and dubious solutions not mentioned as unacceptable in the rules. "All the rules create all these opportunities. We got to where we did because we exploited that weakness" (McLean and Elkin, 2003, p. 142). After the Enron downfall, the loopholes were identified and removed by adding new codes. At the beginning of this century the CEPA document consisted of 98 pages. In the recently revised version from 2014 it has been expanded further, to 162 pages.

Critical voices within the finance sector have started to argue that the preferred rule-based approach may not only be insufficient as a response to ethical challenges, but may also make matters worse, by encouraging what I have labelled as loophole ethics. The critics recommend a change from a rule-based to a principle-based approach (Somerville, 2003; Satava et al., 2006). There is a call for guidance through a limited set of general principles, rather than through comprehensive and detailed rules. One advantage of such a move can be to limit the scope of reward incentives. The agent's personal interests will remain intact, but he will now have a harder job defending and justifying a choice to pursue them in the light of the code's silence on the matter. A move away from comprehensive codes towards a limited set of general principles changes the logic of the justification requirement. You now have to take more of a personal stand in the process of justifying your choice. It is not enough to scan the code in search of explicit mentions of the options you have available.

Organizations, professions, and authorities face a common challenge in taking steps to avoid loophole ethics. In accounting, the strategy of adding new rules to make the overall code more comprehensive has

had the unfortunate side-effect that people act as if the relevant moral thinking has already been performed by the rule-makers. In sports, the tendency to rely on rules is not yet as strong as in the accounting sector. People within sports can look to accounting if they need a concrete scenario of what lies ahead if they take the rule-approach further, and continue in the pattern suggested by the authorities in The National Hockey League, by constantly expanding on the rules.

Moral reasoning in organizations needs to strike a balance between written rules and codes on the one hand, and wise personal and communal judgement on the other. Shorter and more general codes leave more room and responsibility to the individual decision-makers to apply their own judgement to the case at hand. Such codes signal to the decision-makers that they need to use their common sense to figure out what is right and wrong in the situation they face. The problem with this approach in organizations can be the appearance that common sense is not so common anymore. The general idea can be that moral outlooks tend to be more fragmented and disparate than they used to be, and codes of conduct are the best tool to compensate for that. We cannot take for granted that people interpret and judge situations similarly, and consider the same aspects of it to be morally relevant. Differences in cultural background, and generational and gender difference add to the moral confusion. When top management in organizations have doubts like these, codes appear to offer the most promising solution. Eagerness to compensate for an apparent lack of common sense and judgement can then create a foundation for loophole ethics.

Notes

1   http://sports.espn.go.com/nhl/playoffs2008/news/story?id=3346729.
2   http://www.ifac.org/publications-resources/2014-handbook-code-ethics-professional-accountants.

OPEN

9
Conflict of Interest

Abstract: *At the core of ethics in professions is the ability to cope with conflict of interest situations. The professional has a primary duty to look after the interest of the client, and a secondary duty to serve his or her personal interests. The client is normally not in a position to evaluate the quality of the service on offer. Due to the knowledge gap, a lawyer, accountant, consultant, doctor, or teacher can be in a position to give priority to self-interest over the interest of the person who receives the services, without detection. Some professions operate with more or less explicit pledges to the clients not to do exploit their advantage in knowledge: "Trust me; although my own self-interest might dictate other actions, I undertake to serve in your best interest." A conflict of interest situation is different from a real moral dilemma in that it does not constitute a choice between moral values that are on more or less the same equal footing, but are instead false dilemmas, in the sense of being temptations to choose the morally wrong option at the expense of the morally right one.*

When the international partners of one of the world's leading consultancy firms met for a seminar some years ago, a facilitator asked them to consider the following situation: Their company has agreed to do a project for a client for the price of 1,000,000 Euro, based on an hourly price and an estimated use of working hours. As the project comes to a close, the project manager can see that the hourly price multiplied with the actual number of working hours will give a total price of 700,000 Euro. Due to some wise decisions and clever thinking underway, the company will deliver a quality project with lower input in terms of working hours. The project manager is uncertain about how this should affect the invoice she sends to the client. She considers three options:

A Send an invoice for the agreed 1,000,000 Euro.
B Send an invoice for 700,000 Euro.
C Add extra work useful for the client, so the working hours add up to 1,000,000 Euro, and send an invoice for that amount.

When the consulting firm partners heard this story, they stood in the middle of a room, with no furniture. They were told to think individually about the decision for a brief moment, and then decide to move to one of three corners of the room, each representing the three options the project manager faced. The outcome was that all three options received considerable support, as the partners placed themselves evenly in the three available corners.

   The participants in this exercise had to make a decision without full information about the situation, and the differences in their behaviour may be due to variations in how they interpreted it. It is unclear what sort of contract the company had with the client, whether it was a fixed price contract or one where the price would be calculated retrospectively, when the actual number of hours was known. Those who moved to the A corner may have interpreted the situation to be of the former kind, while those who moved to corners B and C may have interpreted it to be of the latter kind. In the ensuing discussion, it became clear that the company could face situations of this nature, where there was ambiguity in the contract and in the expectations from the client. There was also disagreement about how openly they would and should share information about working hours with the client. What should the project manager say to the client if she sent a 1,000,000 Euro invoice and the client later inquired about the number of working hours? One partner claimed that this provided an opportunity to demonstrate client loyalty.

A combination of transparency and an invoice for the lowest sum could generate more work for the same client at a later stage. In terms from the Navigation Wheel, it made good economic and reputational sense to share information with the client and invoice for 700,000 Euro.

The project manager in the example faces a conflict of interest situation, where she must choose between prioritizing the client's interest or her company's interest. As a provider of professional services, the company has a primary duty to look after the client's interest, and a secondary duty to serve its own interest. Typically, the client will not have the knowledge or insight necessary to judge whether his or her interest is at the forefront when the provider performs its services. It is difficult for a non-professional to determine whether an accountant, a lawyer, a teacher, a doctor, or a financial advisor delivers work of the required quality, and puts client interest first. Due to the knowledge gap, the professional can often give priority to his or her own interest, without much fear of detection.

Nanda (2002ii) places conflict of interest at the core of ethics in professions, and emphasizes how information asymmetry and knowledge gaps can create temptations to give priority to self-interest over client interest. It is one thing to be transparent and open when the client has the resources critically to evaluate what you are doing, and quite another thing to be so when the client is wholly lacking in professional knowledge. The pattern is present in private as well as public services, and is a pervasive feature whenever someone with a specialized and superior knowledge offers to look after less qualified people's interests and needs. Some professions operate with more or less explicit pledges to the clients not to do exploit the knowledge gap. "Trust me; although my own self-interest might dictate other actions, I undertake to serve in your best interest." Doctors and lawyers are amongst the professions who have institutionalized pledges of this kind. In other professions, there is more of an implicit expectancy that the client gets what he or she needs, and that professional decisions are not dictated by the professional's self-interest.

Accountants are supposed to look after not only their clients' interest, but also the interest of other stakeholders who depend on correct financial information from the clients. In the Enron case, the accountants in Arthur Andersen assisted their client in hiding financial losses, by using mark-to-market accounting (Nanda, 2002i). By applying this accounting method, Enron could hide losses and appear to be a more

profitable company than it actually was (McLean and Elkin, 2003). In the aftermath of the collapse of both Enron and its accounting firm, new legislation forced the companies to implement stricter and more reliable accounting practices. What remains unchanged, however, is a system where accountants are supposed to control and be critical of financial information coming from clients who pay their fees to do so. The system can be likened to one where athletes pay their own doping controllers, and have the freedom to sack them and hire new ones if they are not satisfies with the service they get. In sports, a system of this kind would be unacceptable, since it would lead to doubt about the reliability and objectivity of the controls. The doping controllers would be under pressure to look the other way when the athletes were preparing for competition, since they otherwise risked losing their jobs. With the principle of equality in hand, we can challenge the accountants to identify the morally relevant difference between their own relation to clients, and that of doping controllers' relation to athletes under such a system. If the system is unacceptable in sports, it is equally so in finance, unless there is a morally relevant difference between them. I have yet to hear an adequate explanation of how accounting is different from the hypothetical sports system outlined here.

Ethics training with professionals and with students who are preparing to become professionals generally take the form of teaching them ways to analyse moral dilemmas. They become familiar with the Navigation Wheel and other tools to weight and consider the alternatives open to them in a moral dilemma. I contribute to such learning processes, and see the practical use of teaching the participants to think clearly about their options, in the light of ethical concepts and theories. However, the most challenging situations individual professionals or groups of professionals meet may not be ones where it is intellectually hard to identify the right choice. It may instead be situations where they have to recognize and deal with conflicts of interest, as when the client demands that an accountant accepts a dubious form of financial reporting, and threatens to go to another accountant if he does not get his way. These situations are not real moral dilemmas, since they do not constitute a choice between moral values that are more or less on equal footing. Instead, they are false dilemmas, temptations to do wrong rather than right.

The financial sector has been under scrutiny for dubious handlings of conflict of interest. To what extent can the client of a financial advisor expect to receive services that put his or her interests at the forefront?

Greg Smith added fuel to the criticism of the financial sector when he quit his job as an executive at the investment bank Goldman Sachs and published his resignation letter in the *New York Times* on March 14, 2012. Smith had been an employee at the bank for twelve years, and wrote that he had "always taken a lot of pride in advising my clients to do what I believe is right for them, even if it means less money for the firm." It had gradually become more difficult for him to work in accordance with that principle, as the company culture became more toxic and destructive. In the published resignation letter he wrote:

> I attend derivatives sales meetings where not one single minute is spent asking questions about how we can help clients. It's purely about how we can make the most possible money off of them. If you were an alien from Mars and sat in on one of these meetings, you would believe that a client's success or progress was not part of the thought process at all. It makes me ill how callously people talk about ripping their clients off.

Smith eventually released a book with his story of why he quit Goldman Sachs (Smith, 2012) and it generated renewed public skepticism about the handling of conflicts of interest in the financial sector. Smith's own motivation for going public also came under critical light, as it appeared that he had recently been turned down for promotion and pay raise at the company. Former colleagues claimed that his criticism was unfounded, and that it merely was an expression of frustration over the slowness of his own career movements at the bank. It seemed that he would have been able to tolerate the alleged company culture of ripping off clients, if only his pay and position in the company had been high enough.[1] Other commentators focused on Smith's inside reports about cynical treatment of clients, especially those who were novices in the world of finance, and found them credible.

The crucial issue when it comes to conflict of interest, in finance and elsewhere, is incentives. My own impression based on a range of dialogues with financial advisors in Norway is that there is a tension between the official claim that client interests come first, and the practical incentives in the industry. Top management in the banks claim that things have improved after the financial crisis in 2008, and documentation of sales of dubious financial products to clients. Post-crisis, I have had sessions with financial advisors and asked them if they would ever advise someone to make a financial transaction that is best for him or her (the client), and only second best for the financial institution.

The question promotes hesitancy and reflection, and I try to be more concrete, by using the example from the first chapter in this book: A client has recently inherited 200,000 Euro from a relative, and comes for financial advice. The considered opinion of the financial advisor is that the smartest thing this person can do is to use the entire sum to reduce her debt. This option generates no income to the financial institution, and not personal bonus to the advisor. The pressure is on to get the client to buy a financial product and it is likely that the advice will be to do just that, particularly if the client is a financial novice and will be unable to evaluate the professional quality of the advice.

If top management in professional services organizations really want to signal that client interest comes first, they need to go over incentive systems in detail, and make sure they do not generate temptations to prioritize self-interest over client interest. They also need to demonstrate a willingness in concrete situations to forgo company and personal profits at the expense of what is best for the client. Another option in the financial sector is to change the label on the individuals who are in dialogue with clients about what they ought to do with their money from financial advisor to financial salesperson. That would make it clear to people who turn up to have a conversation about their economy that they cannot expect client-oriented behaviour from the person on the other side of the table, but instead a presentation of financial products that person has an interest in selling.

I have discussed conflict of interest with a range of professionals, amongst them dentists. In 2011, the Norwegian Consumer Council cooperated with the Faculty of Odontology at the University of Oslo to test the professional advice given by dentists in the Oslo area (Norwegian Consumer Council, 2001). Four patients first had their teeth analysed by professors of odontology, and then went to 20 different dentists (five each) to ask for analysis and a written recommendation for treatment. The results showed considerable differences in the treatment suggested by the dentists. Patients experienced pushy professionals, dentists who wanted to start treatment immediately, even if the problems were of the sort that according to the prior analysis should be treated at a later stage. Dentists failed to distinguish clearly between tooth issues that must, should and could be treated, three categories that the health authorities require dentists to operate with. One of the patients got recommendation from one dentist to nothing with her teeth, and recommendation for treatment costing 3000 Euro from another. Only three of the

twenty dentists passed the test of giving adequate recommendations for treatment.

In ethics sessions with dentists I have asked them to identify situations where conflict of interest can be a challenge for them (Kvalnes, 2015). One of them answered: "For someone who is good with the hammer, everything looks like a nail." His point was that a dentist will prefer to use the method he or she prefers, rather than the method best suited to remedy the particular patient's problem. Dentists in the private sector have economic incentives to change old fillings, and may suggest doing that even in situations where the best thing for the patient is to leave them as they are. Dentists in the public sector do not have incentives to over-treat their patients, but may instead have a personal interest in under treating a patient. The patient may be uncooperative and difficult, and the dentist can be tempted to say that there is nothing wrong with his or her teeth. Even in this profession, the knowledge gap creates situations where there is a discrepancy between the professional's interest and the client's interest, and the former can prioritize as he or she chooses, without being found out by the latter.

How can business schools and other educational institutions prepare students for conflict of interest situations? How can they create awareness of the moral obligation to prioritize the client's interest over self-interest? Integrating ethics in professions in the curriculum can be one significant step, but may not be sufficient. Sumantra Ghoshal has argued that business schools need to revise radically the theories about human nature that students hear in the auditoriums (Ghoshal, 2005). He is critical of what he calls the basic assumption of mainstream economics, which is that human beings are self-interest maximizers. The teachers at business schools tell their students that a rational human being will analyse each situation in terms of "what's in it for me?" and choose the option that they believe will serve their self-interest. Repeated mentions of the so-called *Homo economicus* assumption can make it come true:

> If a theory assumes that the sun goes round the earth, it does not change what the sun actually does. So, if the theory is wrong, the truth is preserved for discovery by someone else. In contrast, a management theory – if it gains sufficient currency – changes the behaviours of managers who start acting in accordance with the theory. A theory that assumes that people can behave opportunistically and draws its conclusions for managing people from that assumption can induce managerial actions that are likely to enhance opportunistic behaviour among people. (Ghoshal, 2005, p. 77)

Theories about human beings, then, can actually have an impact on the object of research. Empirical studies show that business school student do indeed tend to live and decide in accordance with the theory that human beings are self-interest maximizers (Ferraro et al., 2005; Gandal et al., 2005; Molinsky et al., 2012). The educational systems need to take this tendency seriously. Ghoshal argues convincingly that adding ethics courses to the curriculum is not sufficient, since faculty keeps the *Homo economicus* assumption alive in the standards courses in economics. His contribution sparked a debate about the effects of teaching and theory on business school students (Gapper, 2005; Hambrick, 2005; Kanter, 2005). Here we can add that students who learn that it is always rational to prioritize self-interest will be badly equipped to decide and act responsibly in conflict of interest situations.

The behavioural psychologist Dan Ariely tells an interesting personal story about conflict of interest in a public talk on honesty (Ariely, 2012ii). When I first saw a photograph of Ariely, I though there had to be something wrong with it, since his face looked odd, with blank skin on the right side of his face, and ordinary skin with beard stubbles on the left side. It turns out that Ariely was badly burnt in an accident many years ago. His story about conflict of interest is about what happens when he goes to the hospital to see a physician who has treated him over a long time. On this visit, the physician introduced him to a fantastic new treatment that he thought would be ideal for Ariely. It consisted in using technology to tattoo artificial stubbles on the blank parts of his facial skin, making him look more symmetrical. The physician showed him pictures of two patients who have taken the treatment already, and demonstrated the likeness between the real stubbles and the artificial ones. After careful consideration, Ariely decided not to go for this treatment. His answer provoked a shocking response from the physician, who verbally attacked him and tried to instil guilt in his patient. "What's wrong with you? Do you get some pleasure from being asymmetrical? Do you enjoy looking different?" Ariely could not understand the fierceness of this response. He asked a hospital deputy about it, who explained that the physician was working on an academic paper about the treatment, and desperately needed a third patient to take it in order to make the paper publishable in a prestigious journal. That was his motivation for putting pressure on his asymmetrical patient. Ariely sees this as an example of how an excellent physician and a wonderful human being can become a prisoner of his own conflict of

interest, trying to coerce his patient into doing something that is good for physician and not for the patient.

A traditional approach to ethics in organizations is that people of weak moral character are the primary cause of misbehaviour in the workplace. In the category of moral culprits at work, we find the financial advisor who sells products to a client who would have been better off reducing her debt, the dentists who deliberately either over- or undertreat their patients, and the physician who tries to coerce a patient to tattoo stubble on his cheeks. One view, then, is that these people are morally deviant and weak, lacking the personal moral fibre to withstand temptations. In the next chapter we shall see that this character approach comes under pressure from experimental studies in social and moral psychology, which indicate that circumstances have at least as much predictive power as character. The people who are guilty of wrongdoing at work can be ordinary leaders and employees, with ordinary moral standards and convictions. Experiments in this research stream gives us reasons to doubt that weak moral character is the most plausible explanation to moral misbehaviour in organizations. Rather, moral wrongdoing at work is something anyone can become involved in, if they are unfortunate with the circumstances they encounter, and the support, encouragement and critical feedback they get from colleagues in their working environment.

Note

1   http://www.bloomberg.com/news/articles/2012–10-18/greg-smith-quit-goldman-after-unrealistic-pitch-for-1m.

10
Character and Circumstances

Abstract: *In the tradition of virtue ethics, moral wrongdoing at work and elsewhere is explained in terms of weakness of character. On this view, a person who prioritizes self-interest over client interest and engages in other kinds of moral transgressions exposes him- or herself to be someone of dubious moral character. A response within this tradition to ethical scandals in business has been to call for authentic leadership, exercised by individuals who consistently embody firmness of character. Experimental studies in social and moral psychology have put the virtue ethical assumptions regarding moral wrongdoing under pressure, suggesting that circumstances affect decision-making and conduct to a high degree. An empirically oriented ethics in organizations should take into account that character and circumstances both affect conduct. When morally questionable behaviour in professions and organizations are exposed, it will not be enough to kick the culprits out and substitute them with morally clean and authentic individuals. Earmarking leadership for morally strong and authentic individuals may be a futile endeavour. Circumstances, often in the shape of incentives and decision-making structures, are significant causes of wrongdoing, and revising them appears to be the most promising measure to create responsible and fair organizations.*

Professionals and other individuals in organizations face decisions all along the scale from real to false moral dilemmas. In some cases, it can be a struggle to decide what is the morally right or the least morally wrong option, since all available options involve the sacrifice of something of considerable moral importance. In other cases, it is obvious to the decision-maker what he or she should do from a moral point of view, but it is tempting to do something else, since it would enhance self-interest in some way. The financial advisor needs another big sale before Monday's meeting with her supervisor, and the client who just walked in the door is both rich and blind to economic realities.

As a client, customer, or patient, you hope that the professional will provide advice based on what is in your best interest, and not in the professional's own interest. In this chapter, I explore two alternative approaches to what that hope of experiencing responsible conduct in organizations can build upon. The first approach maintains that the foundation for such conduct is the decision-makers' character: Professionals and their leaders need consistently to embody principles of integrity, responsibility, compassion, and forgiveness in order to behave decently at work (Kiel, 2015). When a person fails or struggles to live in accordance with these principles, it is a sign of personal moral weakness. That person needs to work on his or her moral constitution, or alternatively find work elsewhere, in positions where the personal moral shortcomings cannot be harmful in the sense of leading to serious moral wrongdoing. The second approach claims that we should be less concerned about character, and more about the circumstances the professional works under. A range of studies in social psychology document that aspects of the situation have a strong impact on whether a person engages in moral misconduct or not. The social environment affects decision-making and conduct to a stronger degree than what the character perspective acknowledges.

Virtue ethics has identified the central individual factor concerning ethical decision-making to be a person's moral character, or set of stable and reliable virtues. A person of strong character can withstand temptations to engage in wrongdoing, while a person of weak character is unreliable in this sense. In recent years, virtue ethics has influenced significant developments in ethics in organizations as well as leadership studies, in the aftermath of scandals of moral wrongdoing in companies. Concerned scholars and practitioners have responded to the widespread examples of immoral behaviour amongst leaders and professionals

by promoting ideals of authentic leadership (Gardner et al. 2011). One basic assumption in this research field is that great leadership requires great character (Kiel, 2015). On this view, the leaders need consistently to embody virtuous character traits in their everyday dealings with employees and other stakeholders. By doing so they can serve as good role models in their organizations and contribute to making responsible conduct the normal way to behave in the workplace. Kiel (2015) also suggests that leaders of morally strong character generate more income to their companies. However, the causal relation may also go the other way. The study in question documents that companies with leaders who are perceived to be morally strong outperform those with leaders who are perceived to be morally weak, but it may be easier to embody virtuous character traits when you are in charge of a successful company rather than a struggling one where you can have economic incentives to cut corners.

The concept of authenticity has ancient roots, and is integral to the Socratic notion of knowing yourself. An authentic person is someone with a high degree of self-awareness, who acts in accordance with his true self by expressing what he genuinely thinks and believes. Aristotle defined self-realization and well-being – *eudaimonia* – as a state of happiness where the person acts and lives in accordance with who he really is. Crucially constitutive of *eudaimonia* is the exercise of virtues. Only people who possess virtues like courage, honesty, and loyalty will truly flourish and be happy in the eudaimonian sense. To be a virtuous person is to have a certain kind of mindset, a deeply entrenched set of dispositions to act in a particular manner. A truly honest person does not tell the truth out of blind habit, because it is the best way to make a good impression on others, or out of fear of the consequences of being caught in a lie. Rather, the honest person thinks that "it is the truth" is a particularly strong – if not always overriding – reason for speaking the truth. Similarly, a virtuous doctor considers "this is the right treatment for my patient" to be a particularly strong reason for providing that particular treatment to the patient, overriding self-interest and other considerations.

Virtue can come in degrees. Aristotle distinguished between full virtue, where an honest person tells the truth without experiencing any trace of a contrary temptation to lie, and less than full virtue where the person telling the truth has to overcome a desire to do otherwise. The latter is also an honest person, as long as his reasons for telling the truth are not opportunistic, but based on a conviction that telling the truth is

the morally right option. Immanuel Kant considered the act of overcoming one's desires to do the right thing to be more praiseworthy than acts where there was full harmony between reason and inclination, and the decision-maker could behave correctly without inner struggle.

Various accounts of authentic leadership share with virtue ethics an assumption about firmness of character. How will the leader respond to an opportunity to earn quick money by acting against his moral convictions? The standard answer from virtue ethics is that it depends on the stability and robustness of leader's character. If he is an authentic leader, or so the contributors to this field of research argue, internal moral standards will guide his decisions and conduct, and he will thus not give in to temptation.

Empirical research in social psychology indicates that the character-oriented approach has underestimated how circumstances affect decision-making. Aspects of the situation often appear to override character in affecting a person's response to a moral challenge. A range of experiments has demonstrated that circumstances influence what people actually do when they face a moral test (Alderman 1972; Isen 1987; Baron 1997), and Doris (2002) has outlined how these studies indicate the need for a more empirically informed ethics.

The Good Samaritan experiment, designed and executed by Darley and Batson at Princeton University, provides material for one of the most notable studies on character and circumstances (Darley and Batson, 1973). Theology students were individually told to walk to another part of campus, in order to do a presentation on The Good Samaritan story from the Bible. One third of the students were told that they needed to hurry up to get to the building in time, another third that they were just on time, and the final third that they were early and had plenty of time. On the way to the other building, the students encountered a person lying on the pavement in pain, needing assistance, in parallel with the actual Good Samaritan story. The researches wanted to test whether the differences in the students' hurry to reach the other building would make a difference to their helping behaviour. If character is the most influential factor, then there should be only minor differences. In the experiment, only 10% of the students in a hurry offered to help, 45% of students who were on time and 63% of those who were early made helping initiatives to the person in pain (Darley and Batson, 1973, p. 105). The results indicate that circumstances have a strong influence on conduct, and may have more predictive power than character.

Mazar, Amir, and Ariely (2008) set up an experiment to test whether moral reminders would affect cheating amongst students. A total of 229 students participated. They were asked to perform math tasks, and were given opportunities to cheat when reporting on the results of their individual performances. Before the test, the respondents were asked to write down either the names of ten books they had read in high school (no moral reminder) or the Ten Commandments (moral reminder). The outcome was that the respondents in the first group of students showed normal cheating behaviour, while all the respondents in the second group refrained from cheating. Evoking the Ten Commandments served as a moral reminder, and eliminated cheating. Even this study provides support to the view that circumstances can have a more profound influence on conduct than character. It also gives us reasons to be optimistic about the effects of encouraging people to think about ethics and values. Some of the participants in my ethics training sessions report that they have taken photocopies of the Navigation Wheel and distributed them amongst colleagues. It seems that such an initiative can serve a positive purpose beyond being a tool for ethical analysis. Seeing the Wheel on one's desk or on the wall in the office may serve as a modest reminder of the normative dimensions of decision-making, and as such be a circumstantial component in a work environment where you expect people to behave responsibly. The cognitive purpose of the Wheel and similar tools is to assist analysis of complex situations, while it appears that the emotional purpose can be to serve as moral reminders.

The character approach to moral wrongdoing advises organizations to identify, recruit, and develop people with particularly firm moral character. These will be the people to trust in morally critical and demanding situations. The alternative circumstance approach suggests that a more realistic scenario is one where organizations choose their leaders from a pool of people who are neither particularly good nor particularly bad at coping with moral challenges. They are likely to be ordinary people, vulnerable to ambiguity, uncertainty, and temptation in their decision-making. The leaders will encounter situations where they experience moral doubt and confusion, and can face moral dilemmas where there is no harmonious way out. Something of moral value will have to give way. They can also face temptations to act against their own moral convictions. In such critical situations, it can be useful for leaders to possess knowledge from moral psychology about the circumstances and processes that can lead people to act in opposition to their beliefs about right and wrong.

Tension between a character and a circumstance approach to wrongdoing has also been a feature in criminology and the alternative explanations of why people commit crimes. From a character perspective, criminals have been understood to be fundamentally different from ordinary people. Their lawbreaking activities are interpreted as proof that they are somehow morally and socially defective. In many cases, criminals are branded as "insane, inadequate, immoral, impulsive, egocentric" despite a lack of evidence to support such assumptions (Coleman, 1989, p. 200). Criminologists Sykes and Matza (1957) developed an alternative model for understanding criminal activities, claiming that the criminals were committed to more or less the same moral standards and norms as their fellow non-criminal citizens. The main difference was that the criminals had managed to convince themselves that breaking the law was actually acceptable, through processes of what the researchers called moral neutralization. Initially, they may have been morally ill at ease at the thought of breaking into other people's homes, but gradually they were able to justify to themselves that it was acceptable to do so after all. Through interviews with juvenile delinquents, Sykes and Matza identified how individuals in this group used moral neutralization techniques to distance themselves from their original misgivings. In the next chapter, I argue that ethics in organizations can benefit from adopting a parallel way of understanding wrongdoing. By doing so it can move beyond a simplistic call for authentic leadership and firm character, and instead supplement the character approach with an emphasis on how one can shape an organizational culture to be alert against attempts to neutralize moral dissonance and thereby normalize questionable behaviour.

11
Moral Neutralization

Abstract: *Criminologists Sykes and Matza developed a conceptual framework in which to explain and understand juvenile delinquency. They challenged the virtue ethical assumption that criminals are primarily morally deviant individuals, and instead suggested that crimes can be the result of processes where individuals with ordinary moral beliefs and convictions have been able to convince themselves that their actions are morally acceptable. This chapter adopts a similar approach to moral wrongdoing in organizations, and explains how it can be a process where initial moral dissonance gives way to acceptance through a process of moral neutralization. Sykes and Matza defined five techniques juvenile delinquents applied to overcome the queasiness of acting against their moral convictions: Denial or responsibility, denial of injury, denial of victim, condemnation of condemners, and appeal to higher loyalty. All of these can be active in workplaces where people experience dissonance between their moral beliefs and what they are tempted or ordered to do. A significant dimension of ethics in organizations is to be alert to neutralization attempts, and to be ready to challenge and question them.*

The concept of moral neutralization, derived from criminology, can contribute to the understanding of wrongdoing in organizations. Heath (2008) has argued that straightforward criminality has been at the core of the dramatic events that sparked renewed interest in business ethics:

> (A)ll the talk of 'ethical scandals' in the early years of the twenty-first century has been very misleading, since what really took place at corporations like Enron, Worldcom, Parmalat and elsewhere was, first and foremost, an outbreak of high-level, large-scale white collar crime. (Heath, p. 595)

Heath goes on to argue that business and organizational ethics can learn from criminology in trying to understand the reasoning and motivation of people who have been involved in wrongdoing.

Sykes and Matza (1957) introduced the concept of neutralization in connection with studies of juvenile delinquency, and identified five categories of techniques used by offenders to neutralize and deny the wrongness of their actions: Denial of responsibility, denial of injury, denial of victim, condemnation of condemners, and appeal to higher loyalties. I will present them in further detail below. A person can face a situation where it is tempting to act in a way that he from the outset believes to be morally wrong. Moral neutralization is the cognitive process of convincing oneself that it is morally acceptable to choose that option after all. The basic assumption of Sykes and Matza, and later adaptations of moral neutralization is that "people do not ordinarily engage in reprehensible conduct until they have justified to themselves the rightness of their actions" (Bandura et al., 1996, p. 365).

A person who engages in moral neutralization has initially experienced moral dissonance, a conflict between the option to act in a particular manner and the person's moral convictions. In music, dissonance is the simultaneous emission of two or more disharmonious sounds. The general term of cognitive dissonance applies to the discomfort of holding conflicting cognitions. Festinger et al. (1956) used it to depict the cognitive struggles of a UFO cult who believed in impending apocalypse, and had to take in a reality where it did not happen. The concept of moral dissonance describes a situation where a person has the option to act against his moral commitments and convictions. A conscientious athlete who faces an opportunity to use illegal drugs to improve performances can experience moral dissonance. So can a spouse who believes adultery is morally wrong, and receives a blink of an eye from an attractive and inviting individual.

Moral dissonance occurs when there is an absence of what Rawls (1971) calls reflective equilibrium. His assumption is that when we make moral judgments about a particular issue, we compare them with what we more generally consider morally right and wrong in such situations. We seek coherence between the moral beliefs about the particular situation and the general moral beliefs we have about how one ought to behave in such situations. The principle of equality guides us in reflections of this kind, as we try to achieve internal balance and equilibrium. When there is a breakdown in this attempt to reconcile the particular and the general, we can feel and experience moral dissonance.

Temptation is not necessarily involved in moral dissonance. Participants in Milgram's experiment on obedience to authority experienced an intense moral discomfort in obeying orders to inflict pain on another human being (Milgram 1963, 1974). They, too, faced moral dissonance, a clash between their moral convictions and the moral aspect of what they were ordered to do.

Who are the people who normally experience moral dissonance? In teaching sessions, Nigel Krishna Iyer and I have approached this question by placing them in the middle between two kinds of people who are not bothered by this particular kind of cognitive dissonance:

▸ The moral saint: A person who hardly ever does anything morally wrong and frequently goes beyond moral expectations to be of service to others.
▸ The moral cynic: A person who regularly shows a disregard for moral considerations in the pursuit of his goals, and shows minimal concern for other people's well-being.

In between these extremes, then, we can find:

▸ The moral doubter: A person who strives to live in accordance with his moral beliefs and convictions, but can experience temptations to do otherwise.

Wolf (1982) has highlighted the problematic aspects of being a moral saint, where being supremely moral is the main life project, overshadowing all other projects. Moral saints seem to belittle the activities we enjoy for the sake of doing them, where we are not contributing to the well-being of others. Neither the moral saint nor the moral cynic are bothered much by moral dissonance, the former because the morally wrong alternatives seldom or never occur as real options and the latter

because he lacks qualms about acting in opposition to ordinary moral considerations. It is the moral doubter, who can be genuinely tempted to act against his own moral convictions, who can experience moral dissonance.

A person experiencing moral dissonance can decide to either reject the option that creates the discomfort, or try to convince himself that it is morally acceptable to continue after all. It was the second alternative Sykes and Matza studied through interviews with juvenile delinquents. The five neutralization techniques they identified are as follows:

Denial of responsibility

The decision-maker claims that one or more of the conditions for responsible agency are absent. Forces beyond his or her control rule out genuine decision-making and the freedom to choose. In business, this technique can take the expression of the person presenting himself as a pawn on a checkers board, move around by top management or the dynamics of the competitive environment. The person claims to act out of necessity, and not from free will and personal control. It is a matter of survival. Natural forces are at play, and moral criticism makes no more sense here than if we were morally critical of a storm, a fight amongst animals, or some other natural phenomenon.

Denial of injury

The decision-maker aims to minimize or deny that the act will create any harm. This can happen through an appeal to the larger picture, where the act in question and its consequences are minor occurrences, soon forgotten. It may also be that the negative consequences of the action are spread so thinly onto a large number of people, so that no individual can reasonably claim that it would have made a notable difference if the agent had refrained from acting.

In moral philosophy, Parfit (1984) has discussed the prevalence of denial of injury justifications at length, and claims that we are morally responsible for the sum of the negative consequences we bring about, even when they are individually imperceptible to those affected by our conduct. A car user may argue that the negative consequences of the

pollution coming from his or her care are spread very thinly on a large number of people. Nobody will notice a positive change if this particular car user decides to walk or use a bike to work, instead of driving. Thus, the car user may argue, there is no point from a pollution perspective to quit driving. Parfit disagrees with this line of thinking, and believes that it is the sum of negative consequences we are responsible for, irrespective of whether they are thinly or thickly distributed on other people. An individual can cause a considerable amount of injury, even in cases where nobody will notice that he or she stops performing the actions that have caused them.

Denial of victim

The agent may acknowledge that his actions will have some negative impact, but claim that the injured part does not deserve moral protection. Those who will be affected have only themselves to blame. Either they were the ones who started it, or they engage in similar conduct themselves or would have done the same if they had been in a position to do so. Employees who experience poor treatment from their employers often employ this technique when they convince themselves that they are not really doing anything wrong when they act against the employer's interest, but rather are restoring justice (Hollinger and Clarke, 1983, p. 142). Ariely (2011) has identified a similar phenomenon when informants who participate in experiments are deliberately treated with some degree of disrespect. When they get a chance to cheat, they do so, and seem to think that they are entitled to do it, to restore moral balance and order.

Even with denial of victim, the Parfit argument regarding distribution of negative consequences is relevant. It is tempting to say that since nobody will notice that I quit driving or stop performing some other action that have negative consequences that are imperceptible to the individuals experiencing them, there can be no real victim. On Parfit's line of thinking, there are numerous victims, even if none of them will notice that you decide to leave the car in the garage.

One Parfit example can serve to illustrate the combination of the techniques of denial of injury and denial of victim: In the Bad Old Days, each of a thousand torturers inflicted severe pain on one victim. If one of them stopped, one victim would experience a complete stop to pain.

Each of the torturers had to overcome moral dissonance and attempt to live with the fact that his or her day's work had a significant impact on one person. Things have now changed and there is now a set of the harmless torturers in place. They are still one thousand in number, and they have one thousand victims. Each torturer now presses a button, thereby turning a switch once on each of a thousand torture instruments. In sum, each of the thousand victims suffer the same severe pain, but none of the torturers makes any victim's pain perceptibly worse. Each of them can claim with credibility that it would make no perceptible difference to any one victim if he or she suddenly refrained from turning the switch. They really can claim to be harmless torturers, and individually deny that their conduct causes injury to particular victims. Parfit challenges this line of argument, claiming that the modern torturers are no less responsible for causing pain than their predecessors, although the new setup is more sophisticated (Parfit, 1984, p. 80).

Condemnation of the condemners

The decision-maker accuses his or her critics of not understanding the dynamics of a particular social practice. He or she can raise doubts about their motives for expressing moral criticism in the first place. Moral concerns deflect back on the critics. They are the ones with a dubious ideological or moral agenda. This technique can be in use when we are face-to-face with real critics, or the foil can be an imaginary one.

Appeal to higher loyalties

The decision-maker denies that self-interest motivates the decision or act, claiming instead that it honours some other important moral obligation. In business, it can typically be loyalties to one's company, colleagues, employer or employees, or to the shareholders. The decision-maker perceives them to be more important in the current context than honesty, fairness or other moral values.

    Processes similar to moral neutralization fit under headings like moral disengagement (Bandura 1986; Bandura et al. 1996) and self-serving cognitive distortion (Barriga and Gibbs 1996; Gibbs, Potter, and Goldstein, 1995). Ribeaud and Eisner (2010) present an overview of the

different approaches, and discuss the extent to which they are overlapping conceptions dealing with the same phenomenon. The general question uniting them is: "Through which cognitive processes can an individual who is generally rule-abiding and compliant with moral standards minimize cognitive dissonance, threats to self-concept, and experiences of moral self-sanction when he or she transgresses those standards?" (Ribeaud and Eisner, 2010, p. 300). The process in question is different from rationalization, in that it takes place prior to the action. *Ex ante* moral neutralization is the mental process that lowers the threshold, allowing the person to act against his or her original moral convictions, while *ex post* rationalization is the person's attempt afterwards to justify the decision to act that way.

What happens after moral neutralization regarding one kind of behaviour has occurred in an organization for the first time? A financial advisor has convinced himself that it is acceptable to recommend structured financial products to his clients. From the outset, he had moral qualms about recommending them to his customers. The first instance may well be the starting point for what Donaldson (2012) has called normalization of questionable behaviour. In an analysis of the ethical roots of the financial crisis in 2008, he describes how "bad practices can become institutionalized, and initial queasiness gives way to industry-wide acceptance" (Donaldson, 2012, p. 6). A standard process in an organization, then, can have three stages:

1 Moral dissonance
2 Moral neutralization
3 Normalization of questionable behavior.

One significant challenge facing organizations and their managers and employees can be to counter and avoid the development of patterns like this. They will primarily have to identify and arrest attempts at moral neutralization. People can be encouraged to challenge what they see as efforts to get out of moral dissonance by using moral neutralization techniques.

Do business leaders actually experience moral dissonance and respond to it by applying techniques of moral neutralization? Over a three-year period (2005–2007), I had the opportunity to explore this topic by observing the moral reasoning of business leaders who participated in leadership training in a Norwegian financial institution. The program consisted of two three-day sessions, and it ran 20 times, with an average

of 25 participants each time. A core element in the program, taking up one day of the total of six days, was an ethics module. It consisted in short introductions to ethical concepts and principles, including the Navigation Wheel, and dilemma training sessions, where the participants reflected on ethical challenges they could and had encountered in their roles as leaders. I have presented the study in further detail elsewhere (Kvalnes, 2014), and will recap the main ideas and findings here.

The purpose of having ethics and moral reasoning as an integral part of leadership training was to develop the participants' abilities to reflect on and justify their decisions at work. We defined a set of dilemmas in advance, based on interviews with experienced leaders within the institution. The criteria for selecting these dilemmas were that they should be relevant and concrete situations which the leaders could expect to encounter in their leadership roles.

I served as one of two facilitators in the reflection processes, introducing the conceptual tools and the dilemmas. When the leaders were working with the dilemmas, we observed them and identified structural elements in their moral reasoning, both in the small group sessions, and in the plenary sessions.

We used a number of different dilemmas during this project. One dilemma turned out to be particularly engaging and useful in getting the participants to reflect on their moral convictions and their loyalties, and that was the reference dilemma from Chapter 2 in this book. What should Ben answer in response to inquiries about the social skills of a person who is wrecking the working environment in his unit? As noted earlier, the situation constitutes a particularly tough leadership challenge in a Norway because of the country's employment legislation. Employees have a stronger protection against layoffs than in many other countries. Leaders often perceive lying in a reference situation as a last resort to instill harmony in the organization or unit.

The participants' moral reasoning when confronted with the reference dilemma constituted data for exploring their use of moral neutralization techniques. I studied the extent to which they applied these techniques in their moral reasoning.

Moral neutralization occurred in the justification and reasoning of many of the participants in the leadership training. When confronted with the reference dilemma many reported that they experienced moral dissonance. On the one hand, they felt an obligation to be transparent and honest, but on the other hand, they were tempted to be less than fully truthful

when interviewed about the employee's social skills. In the dilemma training sessions, they had to make a decision. Most participants decided to be truthful in the reference situation, at the cost of being stuck with the employee and having to deal with the social problems in the unit. Those who chose to withhold information about the employees involvement in social unrest tried to justify that alternative to themselves and others, by using expressions that fit under the moral neutralization techniques.

Denial of responsibility

The participants who decided to conceal parts of the truth about the employee appealed to a lack of a real choice to do otherwise. They claimed that the tough competitive marked made it necessary to tell lies. Some passed responsibility and blame onto their superiors in the company. They were the people who demanded quick and effective fixes to social instability at work. Those who were unwilling to do sacrifice honesty for efficiency risked losing their jobs. Among the claims the participants used were:

▶ It is the Iron Law of business.
▶ I must take the opportunity to relieve tension in my unit.
▶ Let us not fool ourselves. Everybody does it. It is the unwritten rule of the game.
▶ The forces of competition leave me with no choice.
▶ Somebody has to do the morally dirty work around here. It is a necessity.
▶ The protection against layoffs is unreasonable, and forces us to take other measures.

Expressions like this have the common feature that they diminish or remove ordinary moral responsibility for the decision-making process. The leader is a pawn with restricted freedom for choose, rather than a responsible decision-maker.

Denial of injury

Some participants claimed that lying in the reference situation was not really a serious moral problem, because the other organization would

be resourceful and stable enough to accommodate the socially difficult person. They would have the capacity to adjust to the situation, and to put the employee on a more constructive path:

▸ They have a good HR department with staff who are used to helping people onto a better path.
▸ He will be only one of several hundred employees. Surely, they will find ways to cope with him and minimize trouble.

Denial of injury also took the form of appealing to moral obligations to the employee. The main thrust of this argument was that the leader owed it to the employee to help him along the way to a job where he would do better.

▸ A change of environment will do him good.
▸ He may flourish in their organization.
▸ Why should I stand in his way and destroy his future?
▸ Our perception of him as difficult to work with is subjective and biased.
▸ Let us not be judgmental and put a negative label on a fellow human being.

Rather than cause injury, then, the act of deception in the reference situation would create opportunities for a better future for the employee.

The appeals to the wellbeing of the employee exemplify how moral neutralization techniques can build on considerations that, under some circumstances, may provide the basis for legitimate justifications (Heath 2008; p. 602). It may indeed be the case that a person who people perceive to be socially difficult in one organization will flourish in a new working environment, and deserves a chance to do so. In moral neutralization, the decision-maker stretches this argument to the level of incredulity. It can be more likely that the employee will cause similar difficulties in a new job, and the business leader who tells himself otherwise in order to make it possible to lie, is engaged in neutralization through denial of injury.

Denial of victim

Participants in the dilemma training also followed the pattern of this neutralization technique. The underlying assumption seemed to be that more or less everybody in business behaves in this way. As noted above,

moral transgression can be justified by appeal to restoring moral order. The other party should not be seen as a victim, since they have behaved badly themselves (Hollinger and Clarke, 1983, p. 142). One scholarly participant in our training sessions made the Machiavellian claim that a business leader needs to consider the world as it really is, not as it ought to be. He saw lying in the reference situation as the choice of the realistic and pragmatic leader, rather than the idealistic and principled one, who chose to think in terms of what the business world ought to be like. Some of the claims under this heading were:

▸ They would have done the same to us. They probably already have.
▸ They know the rules of the game.
▸ Why should we take the moral high ground? Nobody else will.
▸ Let us not be naïve and think that we can survive on honesty.

The common feature of these claims is that the organization making the inquiry about the employee is far too robust to be a proper victim. They are likely to treat the information they get from a reference interview with some suspicion anyway, the leaders argued. If they fail to do so, and end up making an unsound recruitment, it is their own fault. Denial of victim was a technique frequently used by the leaders who attempted to neutralize the option of lying in the reference situation.

Condemnation of the condemners.

In the face of criticism for their choice, some participants responded by turning the table on the critics, questioning their motivation for being opposed to pragmatic approach to the reference situation.

▸ They don't understand the dynamics of capitalism
▸ I can smell socialism here.
▸ People are making a career out of moralizing about business.
▸ They have no idea about what it is like to run a profitable company.
▸ If they had been in our shoes, they would have done the same.

Of the five neutralization techniques, this one was the least frequent one in use by the participants. One explanation for this can be that there were no actual condemners or critics present. Some participants introduced the idea of what others would have said if told about the act of withholding information, but the moral reasoning seldom took this turn.

Appeal to higher loyalties

The participants appealed to two kinds of moral obligations, one to the individual who was seeking a new job, and one to one's own unit or organization. They expressed moral concern for the employee who would never get out of his current stalemate if nobody provided some assistance on the way and for their unit where the quality of the social interaction and cooperation was under threat. The former claims were similar to some of the ones placed under the Denial of injury category above:

▸ He deserves another chance.
▸ It would be unfair to destroy his opportunities to start up a new career elsewhere.
▸ Let us show some concern for his family and the people who rely on his income.
▸ He has worked himself into a corner, and needs assistance to get out of it.

The latter claims pointed to the moral obligation that comes with the position of being a business leader:

▸ I am primarily loyal to the company and my unit.
▸ Normally, I would not lie, but I make exceptions in situations where I can relieve my unit of a considerable burden.
▸ This company is where I got my career breakthrough. I must give something back.
▸ I have an obligation to make sure things run smoothly here.

Appeals to higher loyalty, then, took the form both of expressing a moral obligation towards the employee, and a moral obligation towards one's organization. In both cases, the claims have the appearance of genuine moral justifications, but are weak in credibility, since they sanction the use of dishonesty to transport a problem from one's own organization onto another organization.

The dilemma training sessions confirmed that moral neutralization techniques belong to the moral reasoning repertoire of business leaders. Participants who decided to keep parts of their opinions about the employee to themselves all engaged in neutralization in their internal considerations about what to do in the reference situation. They were able to talk themselves into believing that is was morally acceptable to lie or keep quiet about the employee's social skills.

The main conclusion I draw from the study of the moral reasoning of business leaders when confronted with the reference dilemma is that the concept of moral neutralization is very relevant for understanding how people in organizations can overcome moral dissonance and end up acting against their initial moral convictions. Ariely (2012) has a name for what happens when the original moral misgivings concerning a particular option disappears: The what-the-hell-effect. Once the moral resistance has gone, the road lies open for new routines and practices. The following quote from Tyler Hamilton's book about being a cyclist in Lance Armstrong's team illustrates the mentality we can find on the other side of the fence:

> You could have hooked us up to the best lie detectors on the planet and asked us if we were cheating, and we'd have passed. Not because we were delusional, but because we didn't think of it as cheating. It felt fair to break the rules. (Hamilton and Coyle, 2012)

It is hard to say whether Hamilton and the others ever experienced significant moral dissonance before engaging in doping, but here at least any traces of moral misgivings about competing under the influence of performance-enhancing drugs have disappeared. Hamilton and the others felt that is was fair to break the rules.

Those who are responsible for and concerned about ethics in organizations should take heed of how (1) moral dissonance can disappear through processes of (2) moral neutralization, which can pave the way for a (3) normalization of questionable behaviour. People can be familiar with the Navigation Wheel and the whole array of ethical theories, principles, and concepts and still be vulnerable to developments of this kind. Excellent analytical skills does not offer protection against becoming involved in neutralization processes. Maybe there are individuals of firm and stable character who are better equipped to resist invitations to use moral neutralization techniques than others are. Within an organization the main countermeasures against the (1) to (3) development is to encourage people to speak up and confront colleagues who appear to be engaged in moral neutralization. This is all about what kinds of justifications and excuses you can get away with at work.

To be the one offering resistance to a leader or a colleague's neutralization attempts takes courage, and can be intensely unpleasant. In many instances, people will interpret it as an unwanted disruption of a process that is in good flow. Why spoil the path towards higher profits and better

margins for the organization? When a person has been brave enough to voice his or her moral concerns in such a context, all eyes will be on that person for some time. Colleagues will be eager to see what happens next in that person's career. Was it a wise move, or one that the person receives punishment for, in the form of remaining on the same step on the career ladder, or having to take steps down? The answer exposes the kind of communication climate there is in the organization for stopping moral neutralization in its track.

12
The Invisible Gorilla

Abstract: *Concentration on a particular task can take away our ability to attend to important nuances of a situation. Aspects that are supremely notable and present to outsiders can be invisible to the hard working and deeply concentrated insiders. This chapter argues that moral blindness in organizations can occur when people develop routine ways of looking at things and gradually fail to see moral aspects of their own conduct. Workplace incentives have a significant impact on how employees see reality in their organizations, and can make moral dimensions of the activity become blurred and invisible. Generous bonuses can speed up moral neutralization and make initial misgivings about goals and methods at work disappear from view. Even people with excellent abilities in ethical analysis and with the most dependable and stable character traits are vulnerable in this respect. A crucial element in ethics in organizations should therefore be to establish communication climates that encourage people to speak up when they observe what appears to be morally dubious conduct in their own working environment.*

On a day when I was working on this book, I got a phone call from a woman who wanted me to contribute with a presentation on an ethics day in her organization. Her idea was to make leaders and employees in the organization familiar with the Navigation Wheel and other ethical tools and principles. I was willing to contribute, but had to check my calendar first. It turned out that I had an appointment for that particular day, to hold an ethics talk in another organization, so regrettably I had to say no to the invitation. When the woman heard this news, she hesitated for a brief moment, before she said: "What if we pay you a bit extra to come to us?" To my astonishment, she offered to pay me for breaking the promise of giving an ethics talk in one organization, in order to come and give an ethics talk in her workplace instead. I responded by asking her to think through that offer one more time, and consider whether she meant it seriously. It did not take her long to realize how inappropriate her suggestion was, particularly in the light of the topic of the seminar day. She had just been so eager to get the program for the day in place, with me as one of the contributors. For a moment, she had been blind to the moral aspect of the situation, and suggested something that she realized on second thought was out of the question.

Moral blindness is something that can strike any decision-maker in an organization. We have complex tasks and are supposed to deal with them quickly in order to be ready for further challenges at work. In the heat of the moment, we can become blind to important aspect of the situation. The perception psychologists Christopher Chabris and Daniel Simons have made a short film to illustrate how our attention in a given situation is selective and vulnerable to manipulation (Chabris and Simons, 2010). The film shows six people, three of them in white clothes and three of them in black clothes, walking around in circles while they are passing basketballs to each other. Each team has one basketball, and the team members pass it amongst each other while they are constantly on the move. The assignment to the film's audience is to count the number of times the team wearing white manages to pass the basketball to each other. Those who really concentrate on the task come up with the correct answer, which is 15. A facilitator then asks if they noticed anything else during the film, and some say that they saw a black figure walking across the screen. To check this observation, the film runs one more time, and on this occasion, everybody can see the big gorilla figure walking slowly into the frame, stopping in the middle of it, banging its chest, and then moving slowly out of the picture. The gorilla takes up a lot of space, and

the people who are blind to it on the first showing find it difficult to believe that it can be the same film.

I have used the gorilla film in many settings in organizations, to illustrate the limitations of our ability to attend to nuances and details of a situation. I have shown the film to audiences where nobody sees any trace of a black figure first time around, and have been accused of showing two different film clips. Normally, I have at least one witness who glimpsed the gorilla the first time, and can vouch for the fact that it is the same film. When I add a competitive edge, and tell the audience that another group was particularly successful in getting the number of passes right, people focus even more intently on the counting, and fewer people see anything resembling a gorilla.

The invisible gorilla can function as a symbol of significant aspects of our own working environment that we can become blind to in our effort to perform complex tasks with a tight time schedule. Some of these aspects can be morally significant. We can be morally blind due to the complexity of the situation and the demands that are put on us, and also as a result of economic and other incentives. Bird (1996, p. 85) defines moral blindness in the following way: "People are morally blind when they fail to see or recognize moral concerns and expectations that bear upon their activities and involvements." This is a different form of blindness than the one mentioned in the introduction to this book, where somebody deliberately adopts the position of wilful blindness, turning a blind eye to the case at hand, not wanting to know details. Gorilla blindness occurs involuntarily, as a result of our limited perception capacities. Conflict of interest issues can typically become invisible to us, as high personal ambitions can make self-interest overshadow client interest. Airely's physician appears to have become morally blind in this manner, in his efforts to convince a third patient to take the treatment he wanted to discuss in an academic paper. Financial advisors in many countries appeared to lose sight of client interest prior to the financial crisis, making it possible for them to recommend and sell questionable products, without experiencing moral dissonance. Moral blindness can occur in any organization, including institutions where people research and teach on the topic of ethics in organizations.

One of the paths to moral blindness goes through the process of moral neutralization, where the decision-maker convinces him- or herself to leave behind initial moral misgivings about a particular option. Once a person or an environment has crossed that hurdle, it seems difficult to

return to the state where the option in question seemed morally dubious. The moral aspects we could see from the old perspective is now invisible, like the gorilla in Simons and Chabris' film. Hamilton and Coyle (2012) has described how individuals in a tight and loyal collective like the cycling team of Lance Armstrong, can strengthen each other's firm beliefs that their cheating behaviour is beyond reasonable reproach.

Organizations that are serious about ethics depend on a communication climate where the normal response when an employee has moral doubts about a course of action, is for him or her to speak up and address the issue. When deciding to voice a moral concern, the employee should ideally not experience fear over what comes next in terms of possible negative sanctions from colleagues and leadership. Moral muteness (Bird, 1996; Bird and Waters, 1989) can be a feature in organizations where people are afraid to speak their minds on moral matters: "Many people hold moral convictions yet fail to verbalize them. They remain silent out of deference to the judgements of others, out of fear that their comments will be ignored, or out of uncertainty that what they might have to say is really not that important" (Bird 1996, p. 1). Individuals in organization can have the impression that they are alone in having moral misgivings about how their workplace operates. They can be unaware that colleagues in the same unit actually share their moral concerns, since they never raise the issue and address the topic collectively.

It is in this context that the category of relational moral luck, briefly introduced in chapter four, makes good sense. A decision-maker can be fortunate or unfortunate with the people who are in the social surroundings at the crucial moment when he or she is about to respond to a moral dilemma – whether it be a real or false one. That particular social environment can be one where people naturally challenge and support each other critically in such situations, or one where nobody lifts an eyelid when a colleague enters into morally questionable territory. It is not merely due to luck whether you are in one or the other of these kinds of surroundings, as we do make decisions about the kind of organization we want to work in and belong to. However, the communication climate of the workplace might be something that we only gradually become aware of, and coincidences and luck can definitely play a part in deciding if we end up with colleagues who care enough to intervene, or not.

Two phenomena identified in social psychology highlight how crucial it can be to establish a constructive communication climate in organizations. They are relevant for judgement and decision-making in the

workplace beyond ethics. *Confirmation bias* is the tendency we have to notice and seek information that confirms our beliefs, and to be inattentive to information that provides us with reasons to change our beliefs. The phenomenon is well documented in research (Nickerson, 1998), and produces formidable challenges in many professions. Police investigators can make up their minds about which person has committed a crime, and only pursue and notice information that confirms that conclusion. Teachers can have preconceptions about the intelligence and abilities of their pupils, and fail to see upward and downward spirals in their developments. Researchers can be so satisfied with their hypotheses and explanations of phenomena that they become blind to glaring counter-evidence and reasons to revise them. In these and other professions, knowledge about confirmation bias is part of the professional training. This is nevertheless a pervasive decision-making trap, and one that emphasizes the need to have communication climates where colleagues look out for each other and intervene when someone at work stubbornly holds on to one belief or viewpoint rather than revises it in the light of new and relevant information.

The other psychological phenomenon that can slow down a process of identifying and addressing morally relevant aspects of behaviour in an organization is *the bystander effect*. Research on human behaviour in real situations and in experiments show that the greater the number of bystanders to an event where somebody needs help, the less likely is it that any one of them will actually help (Darley and Latané, 1968; Hudson and Bruckman, 2004). One cause for this effect seems to be that we consider responsibility to help in a situation to be one unit that we share evenly with the other people at the scene. If we are one hundred bystanders to a critical situation, we seem unconsciously to split responsibility into one hundred tiny pieces, leaving each of us with one hundredth of a responsibility to intervene and help. That is a very small piece of responsibility. If we instead are fifty bystanders, the responsibility is double that of in the previous situation, but one fiftieth of a responsibility is still very little. This way of thinking is what Derek Parfit labels mistakes in moral mathematics. We do have individual responsibilities to help, no matter how many others are present. It is unreasonable to consider responsibility to be one cake we share evenly into thin slices. Each has his or her own cake of responsibility.

Another cause for the bystander effect is that each of us tend to interpret the inactivity of the others as a sign that nothing serious is going on,

and that there is no reason to engage. From my perspective, it looks like the man is hurt and needs help, but nobody else in the crowd appears to think so. My initial judgment of the situation appears to be wrong, since everybody else is passive. I might be too sensitive in my interpretation, overdramatizing the situation in my head. It looks like a gorilla, but nobody else shows any sign of seeing it, so perhaps it is an illusion. The strength of this tendency to doubt one's own evaluations tends to be proportionate to the number of bystanders.

The bystander effect is relevant for ethics in organizations in that the number of people who perceive that there is something morally wrong with the setup of a particular project, with the relationships with the suppliers, or with the new products or sales methods, affects the likelihood that anybody will take initiatives to be critical of them. Even here, it is probable that the higher the number of bystanders, the lower the likelihood of an intervention. It may be that knowledge about the bystander effect can weaken it, as suggested by Mele and Sheperd (2013). It is thus worthwhile to make leaders and employees in organizations aware of it, for reasons that go beyond ethics. It is also possible to counter the effect by delegating responsibility to particular individuals. If you need help and are surrounded by bystanders, you should point to one person and ask for help, rather than shout for help in the general direction of everyone. Addressing one person directly with a call for help has the positive double effect of both (1) disrupting the mistake in moral mathematics of splitting responsibility up in tiny pieces, and of (2) accentuating that the situation really is as serious as it looks.

Maria Gentile has developed the concept of Giving Voice to Values (GVV) as a method for individuals at work to stand up for their moral beliefs and values, even when they are under pressure from colleagues, leaders, customers, and other stakeholders not to do so (Gentile, 2010). GVV has generated considerable research interest (Cote, Goodstein, and Latham, 2011; Chappell, Edwards, and Webb, 2013; Edwards and Kirkham, 2014) and also inspired practitioners in organizations. It encourages people to overcome moral muteness and speak their minds when they observe decision-making and conduct that goes against their moral values. It also provides concrete action plans and scripts for people who want to become better at giving voice to their values at work. In many ways, GVV seems designed to address the needs I have identified in this book, to intervene when colleagues engage in moral neutralization and gradually become blind to moral aspects of their own behaviour.

There is much to commend and admire in Gentile's approach, but I have one reservation. The subtitle of the GVV book is "How to speak your mind when you know what's right" and the tone of actually knowing what is right is prevalent in the discussion. Gentile offers practical advice to individuals who clearly see how things stand, and what it will mean to stand up for one's values in the situation, and need to go from conviction to enactment. Research on the bystander effect and similar phenomena indicate that people are often in situations where they do not know what is right, but have doubts about how to interpret what is enfolding in front of them. They somehow need to give voice to that doubt, and not remain passive. The starting position of being a person who knows full well what is right and true does not invite dialogue or attention to how other people see the situation. It is not the position of listening to other perspectives and being open to revise one's beliefs. The label for my alternative approach, then, would be giving voice to doubt rather than value, since I believe uncertainty and doubt to be a more constructive starting point for conversations about right and wrong than one where we have made up our minds in advance. One frame of reference can be that of Socratic dialogue, where the aim is to engage in inquiry and questioning in order to reach consensus on an issue. The philosophers Nelson (1949) and Heckman (1981) have suggested a design inspired by the idea of Socratic dialogue, where search for truth in answer to a particular question is undertaken in common. Brinkmann (2015) proposes a similar approach as a catalyst in conversations about right and wrong in organizations. In essence, the Socratic design invites respect for the myriad of perspectives that deserve a hearing when we try to reach a common understanding a particular situation (Brinkmann et al., forthcoming).

My aim with this book has been to suggest ways to rethink ethics in organizations. I have argued from research streams in moral philosophy and in moral psychology, as well as from my own experiences as an ethics facilitator in organizations. Decision-makers in organizations, both leaders and employees, face moral dilemmas where they need to give appropriate weight to legal, ethical, moral, reputational, economic, and value based aspects of the situation. They cannot rely solely on moral intuition or gut feeling – Kahneman's system 1 thinking – but also need to be able to analyse the situation carefully – Kahneman's system 2 thinking. The combination of good analytical skills and stable character can make an individual well equipped to meet moral dilemmas, but

we also know from studies in social psychology and criminology that more or less anybody can become entangled in moral wrongdoing, given the right circumstances. In organizations, we depend upon colleagues to intervene and stop us when ambition and other factors tempt us to take moral shortcuts. It can be enough that they raise doubts about the path we are contemplating, since that gives us reasons to rethink and reschedule. Ethics in organizations can build on a rich array of research and knowledge, from well beyond the traditional sources of moral philosophy. Doing so can make the workplaces less vulnerable to the unpredictable and erratic activities of invisible gorillas.

OPEN

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Index