

Shred or Not Shred?

Ethical Issues

To determine the ethical issues, it is important to analyze each stakeholder involved in the situation. The local savings and loan association is acting in an unethical manner by distributing the large loan to the manufacturing loan. Consequently, the manufacturing firm is not complying with regulations by accepting the loan from the loan association. In terms of the auditing firm, Roger's boss is acting in an unethical manner by attempting to cover up the large loan to retain the manufacturing client.


Decision

Despite orders to shred the papers, Roger should not shred the papers because Roger has a fiduciary duty to the auditing firm, the purpose of the auditing firm is to audit, and the purpose of an audit is to ensure compliance with laws and regulations, namely the law against offering loans to manufacturing firms.


Consequences

Assuming Robert does not shred the papers, his boss would be discontent and would most likely fire Robert for not following orders. The consequence for the auditing firm is that the auditing firm will most likely lose the manufacturing firm as a client for failing to keep the loan a complete secret. As for the manufacturing firm and loan association, the two institutions will most likely face hefty penalties for engaging in an illegal loan.

Transaction Perspectives

At the corporate level from the perspective of the manufacturing firm, there is no doubt that the preference would be for Robert to shred the papers to conceal their wrongdoing. However, the situation is trickier from the perspective of the auditing firm. Not shredding the papers would lead to a loss of a client, but shredding papers would leave the future possibility of being caught for not reporting the illegal loan and would lead to severe repercussions. At the government level, the better decision would be to not shred the papers and have the government intervene with the illegal loan as opposed to having the papers shredded and not ever finding out that the illegal loan took place. Finally, from the perspective of society, not shredding the papers would likely lead to employees being fired, which would impact several families indirectly involved with the situation, so shredding the papers would be the better decision from their point of view. 

Utilitarian Trade-Offs

From a utilitarian perspective, shredding the papers would leave almost everyone happy. Robert would remain loyal to his boss. The auditing firm would maintain performance levels and keep the manufacturing firm as a client. The manufacturing firm would keep the large loan and continue to operate as is. However, the one implied party that would not be happy would be the government because the manufacturing firm and loan association would have gotten away with illegal activity. Not shredding the papers would leave the government very pleased, but would 

leave almost everyone else unhappy because relationships are compromised and jobs are likely lost. However, the auditing firm could come out of the situation happy knowing that they built reputation by abiding by the law and acting in an ethical manner.

Hierarchy of Moral Principles

There is a definitive hierarchy of moral principles in this scenario, with the decision of not shredding the papers being higher on the hierarchy than the decision of shredding the papers. According to Kohlberg's six stages of morality and ethical judgments, shredding the papers would imply that Robert's decision falls under the pre-conventional level of obedience and punishment orientation. Robert would only be following the orders of his boss to avoid potential repercussions such as being fired. On the other hand, the better decision of not shredding the papers would imply that Robert's decision falls under both the higher conventional and post-conventional levels. Not shredding the papers would demonstrate maintaining social order by abiding by the laws and regulations, as well as Robert setting a good example for society by facing the consequences of potentially being fired to respect the law.

Conceptions of Justice

In this scenario, justice may be interpreted in two or more different ways. One way of interpretation is thinking about the auditing firm and how it has a fiduciary duty to the laws and regulations enforced by government and/or higher power. This reflects the Theory of Moral Unity in that if it is ethical to abide by the rules, then the same goes in a company setting. On the other hand, the other way of interpreting this scenario is thinking about the auditing firm and how it has a fiduciary duty to making profits and pleasing the owners. This reflects the Theory of Amoralism in that ethical standards should be ignored when conducting business. The dilemma between determining whether the established laws or a company's owners reign superior leads to multiple perspectives and differing evaluative conclusions.

Personal Biases

Along with different interpretations of justice, personal biases can influence the different decisions and conclusions that are drawn. Biases often impact the weight of importance placed on factors in a specific situation. For instance, I personally heavily abide by the law; thus, I am likely to go against an illegal loan transaction (which is why I believe Roger should not shred the papers). Another example is if an individual is a very devoted employee to his/her supervisor(s), he/she is likely to lean towards listening to the orders made by a boss and may be more inclined to recommend shredding the papers.