ETHICS READING
From
Business: Its Legal, Ethical, and Global Environment
By Marianne M. Jennings (2012)

What Is Ethics?

When we read that House Ways & Means Committee Chair and Congressman Charlie Rangel accepted a trip from companies seeking legislative favors, we label Mr. Rangel's conduct "unethical," as did the House Ethics Committee. When we read that Zachery Kouwe, a former reporter with the *New York Times*, lifted large segments of his articles from other reporters' work at the *Wall Street Journal* and Reuters, the articles describing his resignation use the term *unethical*. When we read that a Standard & Poor's analyst wrote in an e-mail to colleagues, "Let's hope we are all wealthy and retired by the time this house of cards falters," we feel that we have been duped.[2]

"It's Just Not Right!"

We read about these types of situations in the newspaper each day. From politics to journalism to business, references to ethics run through the stories. But we also face ethical dilemmas ourselves. Two students purchase tickets at a theater to see *Avatar*, and when they emerge from the theater they realize they are in an open area with access to other theaters. If they wanted to, they could slip into *The Blind Side* or *Up in the Air* and see another movie without paying for another ticket. "Who's to know?" they might think. "Hollywood makes too much money anyway." "It doesn't really hurt anyone." These thoughts are similar to those that may have run through the minds of the congressman, the reporter, and the analyst who did not reveal the real risk factors. Although we may believe we are different from business executives and others involved in scandals, we all face ethical dilemmas each day. Do I tell the clerk that he gave me too much change? Do I tell the lender on my loan application that my salary was just cut 25 percent? Do I go back to pay for the laundry detergent that slipped through on the bottom of my cart? Do I do what my boss says when he tells me to increase the number of people who attended an event that we catered so that we make more money? Do I tell a potential buyer of my car about the hairline crack in the engine block? Do I tell my clients that I am selling off the investments I am trying to get them to buy?

The fact pattern changes slightly. The parties' names and the subject matter vary, but the ethical issues are the same. Some conduct is more harmful, such as those situations in which a criminal statute is violated. Still, regardless of the law, we look at the conduct of Mr. Rangel, Mr. Kouwe, the analysts and their ratings, the students in the theater, the catering company employee, and the seller of the car, and we conclude, "It's just not right!" We probably agree that they all behaved unethically. We may not be able to zero in on what bothers us about their conduct, but we know an ethics violation, or an ethical breach, when we see one.

Normative Standards: How We Behave to Keep Order

But what do we mean when we say that someone has acted unethically? Ethical standards are not the standards of the law. In fact, they are a higher standard. Sometimes referred to as *normative standards* in philosophy, ethical standards are the generally accepted rules of conduct that govern society. Ethical rules are both standards and expectations for behavior, and we have developed them for nearly all aspects of life. For example, no statute in any state makes it a crime for someone to cut in line in order to save the waiting time involved by going to the end of the line. But we all view those who "take cuts in line" with disdain. We sneer at those cars that sneak along the side of the road to get around a line of traffic as we sit and wait our turn. We resent those who tromp up to the cash register in front of us, ignoring the fact that we were there first and that our time is valuable too.

On Line-Cutting and Ethics

If you have ever resented a line-cutter, you understand ethics and have applied ethical standards in life. Waiting your turn in line is a societal expectation. "Waiting your turn" is not an ordinance, a statute, or even a federal regulation. "Waiting your turn" is an age-old principle developed because it was fair to proceed with first in time, first to be served. "Waiting your turn" exists because large groups wait for the same road, theater tickets, or fast food at noon in a busy downtown area. We recognize that lines ensure order and that waiting your turn is the just way to allocate the limited space and time allotted for the traffic, the tickets, or the food. "Waiting your turn" is an expected but unwritten behavior that plays a critical role in an orderly society.

So it is with ethics. Ethics consists of those unwritten rules we have developed for our interactions with each other. These unwritten rules govern us when we share resources or honor contracts. "Waiting your turn" is a higher standard than the laws passed to maintain order. Those laws apply when individuals use physical force or threats to push to the front of the line. Assault, battery, and threats are forms of criminal conduct for which the offenders can be prosecuted. But the law does not apply to the stealthy line-cutter who simply sneaks to the front, perhaps using a friend and a conversation as a decoy. No laws are broken, but the notions of fairness and justice are offended by one individual putting him- or herself above others and taking advantage of others' time and position.

Because line-cutters violate the basic procedures and unwritten rules for line formation and order, they commit an ethical breach. We don't put line-cutters in jail, but we do refer to them as unethical. Other examples of unethical behavior also carry no legal penalty. A married person who commits adultery does not commit a crime but does create a breach of trust with his or her spouse. We do not put adulterers in jail, but we do label their conduct with adjectives such as *unfaithful*, and even use a lay term to describe adultery: *cheating*.

Speaking of cheating, looking at someone else's paper during an exam is not a criminal violation. If you cheat on a test, your professor may sanction you and your college may impose penalties, but the county attorney will not prosecute you for cheating. Your conduct is unethical because you did not earn your standing and grade under the same set of rules applied to the other students. Just like the line-cutter, your conduct is not fair to those who spent their time studying. Your cheating is unjust because you are getting ahead using someone else's work.

These examples of cutting in line, committing adultery, and cheating on exams bring certain common adjectives to our minds: "That's not *fair*!" "That was *dishonest*!" "That was *unjust*!" You have just defined ethics for yourself. Ethics is more than common, or normative, standards of behavior. Ethics is honesty, fairness, and justice. The principles of ethics, when honored, ensure that the playing field is level, and that when we win we do so by using our own work and ideas. Being ethical means being honest and fair in our interactions with each other, whether personally or in business.

What Is Business Ethics?

Many have referred to "business ethics" as an oxymoron. The little jibe suggests that it is impossible to be in business and be ethical. Some see the pursuit of profit as being at odds with ethics. However, the term *business ethics* is actually a complex one with many layers of meaning. The first layer consists of basic values (covered in the following section) such as being honest, keeping promises, and not taking things that do not belong to you. Another layer consists of notions of fairness (also covered in the next section) such as how we treat others, including customers and employees who report to us. Still a third layer consists of issues related to how a business interacts with the community, the environment, and its neighbors.

The three layers of business ethics bring back into the purely quantitative models of business the elements of a fair playing field. Business ethics involve the study of fairness and moral standards amidst the pressure of earning a profit and providing returns to shareholders and others who have invested in the business.

A business faces the special problem of having to develop ethical standards for a group of people who work together toward the common goal of profit for the firm. Individuals in the group have personal ethical standards, but too often employees find that the ethical standards imposed by managers at the top of a company result in possible harm to those at the bottom or to others outside the firm. An employee may feel compelled to resolve the conflict between loyalty to an employer and the performance of an illegal or unethical act ordered by that employer by simply following the employer's direction. In other words, in developing standards of business ethics, an employee has personal economic interests in continuing employment that may compromise personal ethical standards. Businesses face the additional challenges of developing business standards that are consistent with individual standards and helping employees understand that their personal standards of honesty and fairness need not be different at work. To accomplish this meshing, business managers should understand the various sources of ethical standards.

What Are the Categories of Ethical Dilemmas?

Regardless of the root or source of a company or individual's ethical standards, certain categories of conduct involve ethical issues. The following 12 categories were developed and listed in *Exchange*, the magazine of the Brigham Young University School of Business.

Taking Things That Don't Belong to You

Everything from the unauthorized use of the Pitney-Bowes postage meter at your office for mailing personal letters to exaggerations on travel expenses to the downloading of music from the Internet without authorization belongs in this category of ethical violations. Using someone else's property without permission or taking property under false pretenses still means taking something that does not belong to you. A CFO (chief financial officer) of a large electric utility reported that, after taking a cab from LaGuardia International Airport to his midtown Manhattan hotel, he asked for a receipt. The cab driver handed him a full book of blank receipts and drove away. Apparently, the problem of accurately reporting travel expenses involves more than just employees.

Saying Things You Know Are Not True

A salesperson who tells a potential customer that a product carries a "money-back guarantee" when the salesperson knows that only an exchange is possible has said something that is not true, committed an ethical breach and possibly a violation of the law, and misled the customer. If a car dealer assures a customer that a car has not been in an accident and it has, an ethical breach has occurred. If a homeowner tells a buyer that a home has all-copper plumbing in order to ensure a sale, and the home has plastic plumbing in some parts, that false statement is an ethical breach too.

Giving or Allowing False Impressions

An urban legend that has circulated among marketing departments around the country is the story of an infomercial that offered two CDs with the hits of the 1980s on them. The infomercial emphasized over and over again, "All songs by original artists." Even the CDs carried the line, "All songs by original artists." When purchasers read the label with a closer eye and listened to the CDs, they discovered that all the songs were performed by one group, a group called "The Original Artists." While technically true, the advertising left a false impression with customers who assumed they would be buying songs as performed by the recording artists who made the songs popular.

Ethical Issues

The temptation is remarkable. The run is long. The body screams, "No more!" So, it happened again in the New York City Marathon for 2008. Cheating on this form of a physical final examination became international news when, in 1979, Boston Marathon runner and winner Rosie Ruiz combined her running with a hitch on the train to earn first place. She repeated the ploy in the 1980 Boston Marathon, when her creative approach was discovered.

The New York Road Runners Club, the sponsors and managers of the New York City Marathon, disclosed multiple subway riders in their 2008 race on the eve of the 2009 Marathon with the hope of discouraging the 42,000 runners to go the distance, the real distance. For 2008, there were 71 runners disqualified from the race, 46 of them for taking the subway in order to go the distance. The club discovers these free-riders when it investigates what it believes to be odd times for runners who have not been able or should not be able to achieve their recorded times. In at least two situations, the runners who took the subway also took first place in their age categories and deprived the real winners of their Tiffany trophies as well as the thrill of quaffing the elixir of victory on the day of the marathon. The real winners in these age categories from 2008 were not notified of their victories until July 2009 because of the time the investigations take.

A spokesperson from the Road Runners Club said that the greatest temptation in the race comes when the runners enter Manhattan via the Queensboro Bridge. That entry to the city is close to Central Park and the finish line, but the race first takes a turn there for another 10 miles into Harlem and the Bronx. Most cheaters simply skip those boroughs and head right into Central Park and the finish line.

Are there any laws that govern this situation with the runners? Discuss the ethical issues of the runners. Is anyone really hurt if runners cheat?

Buying Influence or Engaging in Conflict of Interest

A company awards a construction contract to a firm owned by the father of the state attorney general while the state attorney general's office is investigating that company. A county official who has the responsibility for selecting the contractor who will build the county's new baseball stadium travels around the country at the contractor's expense to view existing stadium sites. The county official should see as many sites and samples of work as there are bidders on the new stadium, but when the contractors pay, there is an ethical issue. A physician researcher whose work concludes that a company's product is meritorious needs to disclose the consulting fees he receives from that company.

All of these examples illustrate conflicts of interest. Those involved in situations such as these often protest, "But I would never allow that to influence me." That they have to insist they are not or would not be influenced is evidence of the conflict. Whether the conflict can or will influence those it touches is not the issue, for neither party can prove conclusively that a *quid pro quo* was not intended. The possibility exists, and it creates suspicion.

Hiding or Divulging Information

Taking your firm's product development or trade secrets to a new place of employment constitutes an ethical violation: divulging proprietary information. Failing to disclose the results of medical studies that indicate that your firm's new drug has significant side effects is an ethical violation: hiding information that the product could be harmful to purchasers.

Taking Unfair Advantage

New credit card regulations went into effect in 2010 because so many businesses took unfair advantage of customers on payment due dates, late fees, and increases in interest rates. Not all of the charges were spelled out clearly in the credit card terms prior to the regulatory changes. These new credit disclosure requirements and other truth-in-lending provisions all resulted because businesses misled consumers who could not easily follow the jargon of long and complex agreements.

Committing Acts of Personal Decadence

While many argue about the ethical notion of an employee's right to privacy, it has become increasingly clear that personal conduct outside the job can influence performance and company reputation. A company driver must abstain from substance abuse because of safety issues. Even the traditional company summer picnic has come under scrutiny as the behavior of employees at and following these events has brought harm to others in the form of alcohol-related accidents.

Perpetrating Interpersonal Abuse

A manager sexually harasses an employee. Another manager is verbally abusive to an employee. Still another manager subjects employees to humiliating correction in the presence of customers. In some cases, laws protect employees. But at the heart of this category is unfair treatment.

Permitting Organizational Abuse

Many U.S. firms with operations overseas, such as Walmart, Levi Strauss, Apple, and Nike, have faced issues of organizational abuse. The unfair treatment of workers in international operations appears in the form of child labor, demeaning wages, and excessive working hours. Even though a business cannot change the culture of another country, it can perpetuate—or alleviate—abuse through its operations there.

Violating Rules

Many rules, particularly those in large organizations that tend toward bureaucracy from a need to maintain internal controls or follow lines of authority, seem burdensome to employees trying to serve customers and other employees. Stanford University experienced difficulties in this area of ethics when it allocated as overhead for federal grants miscellaneous university expenses. Questions arose about the propriety of the allocations of costs to the federal government for non-research activities. The rules for the administration of federal grant monies used for overhead were not followed. The results not only constituted an ethical violation but also caused damage to Stanford's reputation and necessitated the hiring of a new president for the university because of the loss of trust among government regulators as well as donors and alumni.

Condoning Unethical Actions

In this breach of ethics, the wrong results from the failure to report the wrong. What if you witnessed a fellow employee embezzling company funds by forging his signature on a check that was supposed to be voided? Would you report that violation? A winking tolerance of others' unethical behavior is in itself unethical. Suppose that as a product designer, you were aware of a fundamental flaw in your company's new product—a product predicted to catapult your firm to record earnings. Would you pursue the problem to the point of halting the distribution of the product? Would you disclose what you know to the public if you could not get your company to act? Toyota experienced the cost of employees not passing along information about customer accidents and complaints when it recalled 8.5 million vehicles, answered class-action suits, and repaired relationships with government regulators over its alleged failure to disclose important data and issues about its cars' safety. One former employee of Lehman Brothers, whose sales efforts and structuring of securities investments "helped lead to the demise of the bank he loved and to an economic unraveling worldwide confessed, 'I have blood on my hands.'"[3] His remorse comes from his failure to speak up and raise his concerns about the ethical issues he saw even as he was rewarded for his work.

Balancing Ethical Dilemmas

In some situations, the answers are neither right nor wrong; rather, the situations present dilemmas to be resolved. For example, Google has struggled for two years with its decision to do business in the People's Republic of China because of known human rights violations and censorship by the government there. Its eventual decision was to remain in China despite the government's censorship of its search engine there. Other companies debated whether to do business in South

Africa when that country's government followed a policy of apartheid. In some respects, the presence of these companies would help by advancing human rights and, certainly, by improving the standard of living or communications for at least some international operations workers. On the other hand, their presence could help such governments sustain themselves by enabling them to point to economic successes despite human rights violations.

Resolution of Business Ethical Dilemmas

So far, you know what business ethics is and you have a list of the areas that cover most ethical dilemmas. But if you were faced with an ethical dilemma, how would you resolve it? The resolution of ethical dilemmas in business is often difficult, even in firms with codes of ethics and cultures committed to compliance with ethical models for decision making. Managers need guidelines for making ethical choices. Several prominent scholars in the field of business ethics have developed models for use as guides in difficult situations. This section covers those models.

Blanchard and Peale

The late Dr. Norman Vincent Peale and management expert Kenneth Blanchard offer three questions that managers should ponder in resolving ethical dilemmas: "Is it legal?" "Is it balanced?" "How does it make me feel?" If the answer to the first question, "Is it legal?" is no, for business ethics purposes, your ethical analysis is done. While there is room for conscientious objection to many laws on a moral basis, a manager is not given the authority to break the law, and agencies such as the IRS and SEC are not known for helping companies ease their consciences through refusals to pay taxes or file required securities disclosures and reports. The Hewlett-Packard board hired private investigators to determine the source of leaks about its board meetings, activities, and decisions. The investigators hired (actually a subcontractor of a contractor) used a technique known as "pretexting" in the trade. They posed as others in order to obtain access to phone records of directors and reporters to determine who was calling whom, an activity prohibited by a California statute.[4] Eventually, the investigators as well as some within the company, including HP's ethics officer, were charged with violations. These managers failed to stop when the answer to the question of legality was "no."

Answering the second question, "Is it balanced?" requires a manager to step back and view a problem from other perspectives—those of other parties, owners, shareholders, or the community. For example, an M&M/Mars cacao buyer was able to secure a low price on cacao for his company because of pending government takeovers and political disruption. M&M/Mars officers decided to pay more for the cacao than the negotiated figure. Their reason was that someday their company would not have the upper hand, and then they would want to be treated fairly when the price became the seller's choice.

Answering "How does it make me feel?" requires a manager to do a self-examination of the comfort level of a decision. Some decisions, though they may be legal and may appear balanced, can still make a manager uncomfortable. For example, many managers feel uncomfortable about the "management" of earnings when inventory and shipments are controlled to maximize bonuses or to produce a particularly good result for a quarter. Although they have done nothing illegal, managers who engage in such practices often suffer such physical effects as insomnia and appetite problems. Known as the element of conscience, this test for ethics requires businesspeople to find the source of their discomfort in a particular dilemma or proposed decision.

The Front-Page-of-the-Newspaper Test

One simple ethical model requires only that a decision maker envision how a reporter would describe a decision on the front page of a local or national newspaper. When Salomon Brothers illegally cornered the U.S. government's bond market, the *BusinessWeek* headline read, "How Bad Will It Get?" Nearly two years later, a follow-up story on Salomon's crisis strategy was headlined "The Bomb Shelter That Salomon Built." During the aftermath of the bond market scandal, the interim chairman of Salomon, Warren Buffett, told employees, "Contemplating any business act, an employee should ask himself whether he would be willing to see it immediately described by an informed and critical reporter on the front page of his local paper, there to be read by his spouse, children, and friends. At Salomon we simply want no part of any activities that pass legal tests but that we, as citizens, would find offensive."[5]

There are other examples such as that involving the airline Gulfstream Air, which had provided the training for the pilots who were then involved in two fatal commercial crashes. The FAA discovered that Gulfstream had falsified the records for the hours the pilots had trained and flown. The headline read, "Airline Is Fined $1.3M for Fake Data."[6] The harsh headline brings a different perspective to the conduct. When Wall Street firms were reporting multibillion-dollar losses due to their highly leveraged portfolios of risky instruments, the headline on the cover of *Fortune* magazine read, "What Were They Smoking?" (November 26, 2007).

Laura Nash and Perspective

Business ethicist Laura Nash has developed a series of questions that business managers should ask themselves as they evaluate their ethical dilemmas. One of the questions is, "How would I view the issue if I stood on the other side of the fence?" For example, in 1993, federal guidelines required meat to be cooked to 140 degrees Fahrenheit. At that time, however, the state of Washington proposed imposing a higher temperature requirement of 155 degrees. Burger King cooked its hamburgers to 160 degrees and Wendy's, Hardee's, and Taco Bell cooked their meat to 165 degrees.

Health and food industry experts supported a minimum cooking temperature of 155 degrees to be certain *E. coli* bacteria are eliminated. Jack-in-the-Box followed the legal minimum of 140 degrees. Would you want that information as a consumer? Given the trend toward higher temperatures and the pending regulation, would you want your meat cooked to a higher temperature? Although the cooking temperature was legal, an ethical issue arises in continuing to follow only the law when health experts are concerned about the adequacy of the law. Jack-in-the-Box did, in fact, experience an *E. coli* outbreak: one child died and 300 other customers became ill.[7]

Other questions in the Nash model include, "Am I able to discuss my decision with my family, friends, and those closest to me?" "What am I trying to accomplish with my decision?" "Will I feel as comfortable about my decision over time as I do today?" The Nash model forces managers to seek additional perspectives as decisions are evaluated and implemented. For example, when William Aramony served as the CEO of United Way, he enjoyed such perks as an annual salary of close to $400,000, flights on the Concorde, and limousine service. Even though these benefits were about the same as those of other CEOs managing comparable assets, it would still be difficult to justify such benefits to a donor who earns $22,000 a year and has pledged 5 percent of it to United Way.

The *Wall Street Journal* Model

The *Wall Street Journal* model for resolution of ethical dilemmas consists of compliance, contribution, and consequences. Like the Blanchard–Peale model, any proposed conduct must first be in compliance with the law. The next step requires an evaluation of a decision's contributions to the shareholders, the employees, the community, and the customers. For example, furniture manufacturer Herman Miller, in a decision that was prescient in relation to the sustainability initiatives of 2010, decided both to invest in equipment that would exceed the requirements for compliance with the 1990 Clean Air Act and to refrain from using rain forest woods in producing its signature Eames chair. The decision was costly to the shareholders at first, but ultimately they, the community, and customers enjoyed the benefits.

Finally, managers are asked to envision the consequences of a decision, such as whether headlines that are unfavorable to the firm may result. The initial consequence of Miller's decisions was a reduction in profits because of the costs of the changes. However, the long-term consequences were the respect of environmental regulators, a responsive public committed to rain forest preservation, and Miller's longstanding recognition as one of America's top 20 corporate citizens.

Other Models

Of course, much simpler models for making ethical business decisions are available. One stems from Immanuel Kant's categorical imperative, loosely similar to the Golden Rule: "Do unto others as you would have them do unto you." Treating others or others' money as we would want to be treated is a powerful evaluation technique in ethical dilemmas. See Exhibit 2.5 and p. 66 for more discussion.

Why We Fail to Reach Good Decisions in Ethical Dilemmas

Very often, we look at the harmful and wrong conduct of corporate executives and wonder, "Where were their minds, and what were they thinking when they decided to engage in such bad behavior?" Often those involved did not walk through the steps in resolving ethical dilemmas discussed earlier. But they probably also slipped into rationalizations rather than analysis. The following sections provide a list and summary of each of the frequent statements of rationalization that we use to avoid facing ethical dilemmas (see Exhibit 2.1).

EXHIBIT 2.1 The Language of Rationalization

"Everybody else does it."
"If we don't do it, someone else will."
"That's the way it has always been done."
"We'll wait until the lawyers tell us it's wrong."
"It doesn't really hurt anyone."
"The system is unfair."
"If you think this is bad—you should have seen . . . "
"I was just following orders."
"It's a gray area."

"Everybody Else Does It"

When 15-year-old Jonathan Lebed was caught using many different screen names to post notices about the value of stocks he had purchased so that he could pump up their value and then sell them, he had made more than $800,000 by taking advantage of others who believed the false notices posted. His father said that he was proud of his son because his son was doing what all the other analysts and investment firms on Wall Street were doing. "Everybody else does it" is a rationalization, but it is not an analysis of the ethical issues involved in conduct.

"If We Don't Do It, Someone Else Will"

The rationalization of competition is one that finds us reasoning that if someone is going to do it and make money, it might as well be us. For Halloween 1994, O. J. Simpson masks and plastic knives and Nicole Brown Simpson masks and costumes complete with slashes and bloodstains were offered for sale. When Nicole Simpson's family objected to this violation of the basic standard of decency, a costume-shop owner commented that if he didn't sell the items, someone down the street would. Although nothing about the marketing of the costumes was illegal, ethical issues abound surrounding earning a profit from an event as heinous as the brutal murder of a young mother.

"That's the Way It Has Always Been Done"

Corporate or business history and business practices are not always sound. The fact that for years nothing has changed in a firm may indicate the need for change and an atmosphere that invites possible ethical violations. For example, until the changes in the law with the passage of Sarbanes-Oxley (SOX), firms that audited companies also provided consulting services for those companies. The consulting services were often worth as much or more to the audit firms than the audit work. To keep the consulting contracts, the audit firms often "went along" with management decisions on financial statement disclosures. SOX changed the way things had always been done, and now audit firms cannot also provide consulting services for their audit clients. A conflict of interest existed, but everybody was doing it, and corporations and audit firms had always had multiple service relationships. Again, unquestioning adherence to a pattern of practice or behavior often indicates an underlying ethical dilemma. For more discussion of auditor independence and SOX, see Chapters 20 and 21.

"We'll Wait until the Lawyers Tell Us It's Wrong"

Lawyers are trained to provide only the parameters of the law. In many situations, they offer an opinion that is correct in that it does not violate the law. Whether the conduct they have judged as legal is also ethical is a different question. Allowing law and lawyers to control a firm's destiny ignores the opportunity to make wise and ethical choices. For example, lawyers disagreed over whether the downloading of music over the Internet was a violation of copyright law. However, whether the downloading was legal does not answer the question of whether gaining access to and using someone else's intellectual property without permission or compensation was ethical.

"It Doesn't Really Hurt Anyone"

When we are the sole rubbernecker on the freeway, traffic remains unaffected. But if everyone rubbernecks, we have a traffic jam. If all of us made poor ethical choices, we would cause significant harm. A man interviewed after he was arrested for defrauding insurance companies through staged auto accidents remarked, "It didn't really hurt anyone. Insurance companies can afford it." The second part of his statement is accurate. The insurance companies can afford it—but not without cost to someone else. Such fraud harms all of us because we must pay higher premiums to allow insurers to absorb the costs of investigating and paying for fraudulent claims.

"The System Is Unfair"

Often touted by students as a justification for cheating on exams, this rationalization eases our consciences by telling us we are cheating only to make up for deficiencies in the system; yet just one person cheating can send ripples through an entire system. The credibility of grades and the institution come into question as students obtain grades through means beyond the system's standards. In countries in which corruption is a way of life and government employees award contracts and rights to do business on the basis of payments rather than on the merits of a given company or its proposal, the bribery only results in greater unfairness within and greater costs to those countries. Many economists have noted that a country's businesses and economy will not progress without some fundamental assurance of trust that comes through a belief that there is a level playing field where the quality of products and services matter.

"I Was Just Following Orders"

In many criminal trials and disputes over responsibility and liability, managers disclaim their responsibility by stating, "I was just following orders." Sometimes, individuals cannot follow the directions of supervisors because they have been asked to do something illegal or immoral. Judges who preside over the criminal trials of war criminals often remind defendants that an order is not necessarily legal or moral. Values require us to question or depart from orders when others will be harmed or wronged. When the allegations of prisoner abuse in Iraq emerged, along with photos, one of the first defenses raised by lawyers for the soldiers being court-martialed for their role in the abuses was, "I was just following orders." Sometimes following orders is not the ethical thing to do.

"You Think This Is Bad, You Should Have Seen . . . "

This rationalization finds employees looking back at earlier times and reminding others that the company's safety policies or accounting practices used to be much worse. At one company, when some employees objected to backdating contracts to slip the earnings into the quarter, some employees reassured them by saying, "At least we're not using the 35-day month we used to use to meet targets."

"It's a Gray Area"

The gray area is a comfort level for us when we are in the midst of an ethical dilemma. Once we enter the gray area, we have a fine line that crosses into illegality and also an opportunity to explore an issue beyond bare legal requirements. An attorney for former HP general counsel Ann Baskins says that Ms. Baskins now realizes that she should have focused on questioning whether the pretexting was ethical, not just on whether it was legal. "She regrets that she did not do so."[8] Kevin Hunsaker, a deputy general counsel and chief ethics officer, asked internal HP security employees about the legality of the pretexting operations, and one responded, "I think it's on the edge, but above board." Hunsaker responded with what have become the infamous words in the investigation, "I shouldn't have asked." On the edge and in a gray area often lands us in legal difficulty and controversy. Even though many of the charges were dismissed or reduced, five individuals, including Mr. Hunsaker, were charged with criminal misconduct in the HP pretexting case and the company paid a $14 million fine to settle the charges.