

4

CHAPTER

ETHICAL DECISION MAKING IN BUSINESS

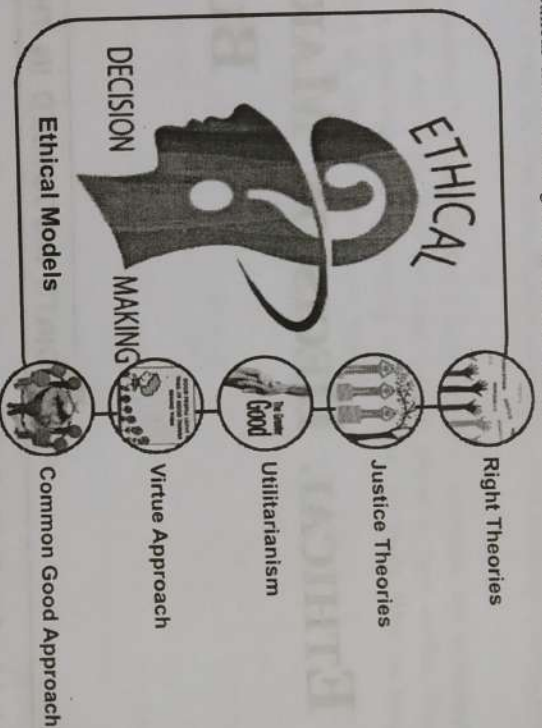
POINTS DISCUSSED IN THIS CHAPTER

- 4.1. Ethical Models that Guide Decision making - Which Approach to Use
- 4.2. Ethical Decision Making with Cross-holder Conflicts and Competition
- 4.3. Kohlberg's Model of Cognitive Moral Development
- 4.4. Influences on Ethical Decision Making
- 4.5. Personal Values and Ethical Decision Making

Note: Topic "Applying Moral Philosophy to Ethical Decision Making" is covered and discussed under chapter 5.

4.1 ETHICAL MODELS THAT GUIDE DECISION MAKING - WHICH APPROACH TO USE

Various theories are developed by the philosophers and ethics expert in last three decades. Each theory has developed considering certain social factors, professional standards and moral standards. However, these theories could not provide perfect model of ethical decision making. Certainly, these theories guide or help us in making decision. Experts have identified models of professional standards based on ethical theories. Following theories are mainly used in ethical models that guide decision making:



Right Theories

- ◆ All people have basic rights e.g. freedom of speech, natural justice, freedom of movement, freedom of association, right to live dignified life.
- ◆ Other rights are:
 - The right to life
 - The right to liberty
 - The right to freely practice a religion of choice
 - The right to travel within the country
 - The right to work
 - The right to marry
 - The right to free education
 - The right to not be tortured
 - The right to be treated as equal to others
 - The right to be considered to be innocent until proven guilty
 - The right to personal privacy
 - The right to own property
- ◆ Rights are claims against others (whether individuals or social entities) to be treated in certain ways.

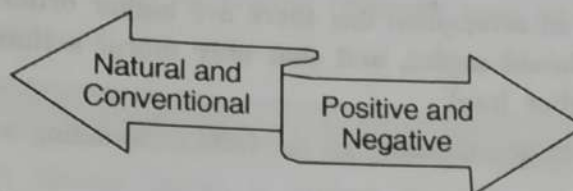


- ◆ Rights generate correlative duties on the part of others.

Example Box 4.1 :

If I have right to have property. Then, correlative duty is to pay property tax.

- ◆ The theory of rights state that **norms of ethics should be based on these rights.**
- ◆ **John Locke** was one of the primary supporters of right based ethics system as it takes the perspective of what the ideal world looks like and creates a rights system based upon those ideas.
- ◆ There are **two basic divisions of rights:**



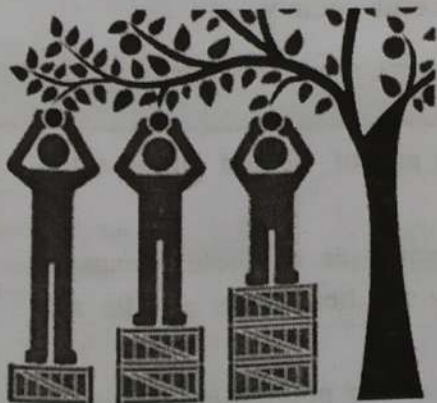
Natural and Conventional

- Natural rights pertain to us by **virtue of our humanity**; as such they apply to all persons.
- Natural rights are commonly called **moral rights**.
- Natural rights are commonly regarded as **universal rights**. They are supposed to apply to all humans.
- Conventional rights are created by humans, generally within the **context of social and political organisations**.

Negative and Positive

- Negative rights impose duties of non-interference on others.
- Thus my right to life as a negative right is a right not be killed.
- Positive rights impose **duties of assistance on others**.
- **For example**, welfare rights impose on the state the duty to assist those who cannot provide for themselves.
- ◆ **The opposite of rights based ethics are utilitarian ethics.** Utilitarian ethics are based on the maximisation of "good outcomes" and minimisations of "bad outcomes."

Fairness or Justice Approach



- ◆ The justice or fairness approach to ethics has its roots in the teachings of the ancient Greek philosopher Aristotle, who said that **"equals should be treated equally and unequals should be treated unequally."**
- ◆ **The basic moral question in this approach is:** How fair is an action? Does it treat everyone in the same way, or does it show favoritism and discrimination?
- ◆ This approach demands that decision makers should be guided by **fairness, equity as well as impartiality.**

- ◆ Each person is to have **equal liberty**.
- ◆ Social and economic inequalities are to be so arranged that these are to everyone's advantage and are attached to position and offices that are open to all. (Refer point no. 5.2 of chapter 5 for detail theory)

Utilitarianism

- ◆ This theory states that plan and actions should be evaluated by their consequences.
- ◆ The plans or actions should produce greatest good for the greatest number of people.
- ◆ This is **end oriented approach**. (Refer point no. 5.2 of chapter 5 for detail theory)

It is the greatest good to the greatest number of people which is the measure of right and wrong

Virtue Approach

- ◆ The virtue approach describes an assumption that **there are higher orders of goodness to which man should aspire, and that only moral actions will help us achieve that higher level.**
- ◆ Ethical problem solving involves accumulating all the facts surrounding an issue and considering-
- ◆ what the possible solutions to the problem are, and what benefits and harms result from each and whom they affect;
 - what rights each of the parties to the problems has;
 - what solutions to the problem treat all parties equally;
 - what course of action promotes the common good; and
 - what actions develop moral virtues



(Refer point no. 5.2 of chapter 5 for detail theory)

Common Good Approach



- ◆ The Common Good Approach **regards all individuals as part of a larger community.**
- ◆ As such, we share certain common conditions and institutions upon which our welfare depends. For society to thrive, we need to safeguard the sustainability of our community for the good of all, including our weakest and most vulnerable members.
- ◆ Some things that nurture a healthy, functioning community are: stable family life; good schools; affordable nourishment and health care; effective public

safety; a just legal system; fair trade and commerce; a safe, well-managed ecosystem; an accessible technological environment; a well-maintained infrastructure; and a peaceful society.

Example Box 4.2 :

- ❑ Public library, public transportation, free public education up to age of 12 and public safety are good examples of common good.
- ❑ Giving access to affordable healthcare is beneficial for the society as a whole because it allows for people who receive low incomes to be able to pay for healthcare and be able to bring more attention to their health.
- ❑ Giving free public education until grade 12 increases the literacy of our population as a whole and it also creates a pathway for them to continue their education into college as well. If putting their children through school.

The utilitarian principle weighs the net balance of goodness and harm produced by a certain action on a

group of individuals, while this approach tests whether an action benefits or erodes a specific element of the common good.

- It weighs the effect on the fabric of the community. It encourages us to recognise how the freedoms and support we enjoy as individuals in pursuit of our own happiness are made possible by the sustained welfare of our community life.
- It invites us to ask what kind of society we are and want to become, and what actions we need to take to achieve that end.

Which Approach to Use?

- At the outset, we can say that all ethical approaches (theories) have strengths and shortcomings.
- There is no confirmed "best approach" and individuals will have preferences and make their own choices.

Example Box 4.3 :



War against terror is ethical decision as per utilitarian approach because it tries to curb death and injury to innocent people (Greatest balance of good over evil). But according to common good approach it is not ethical decision as it is not ethical action which result in to everyone's advantage.

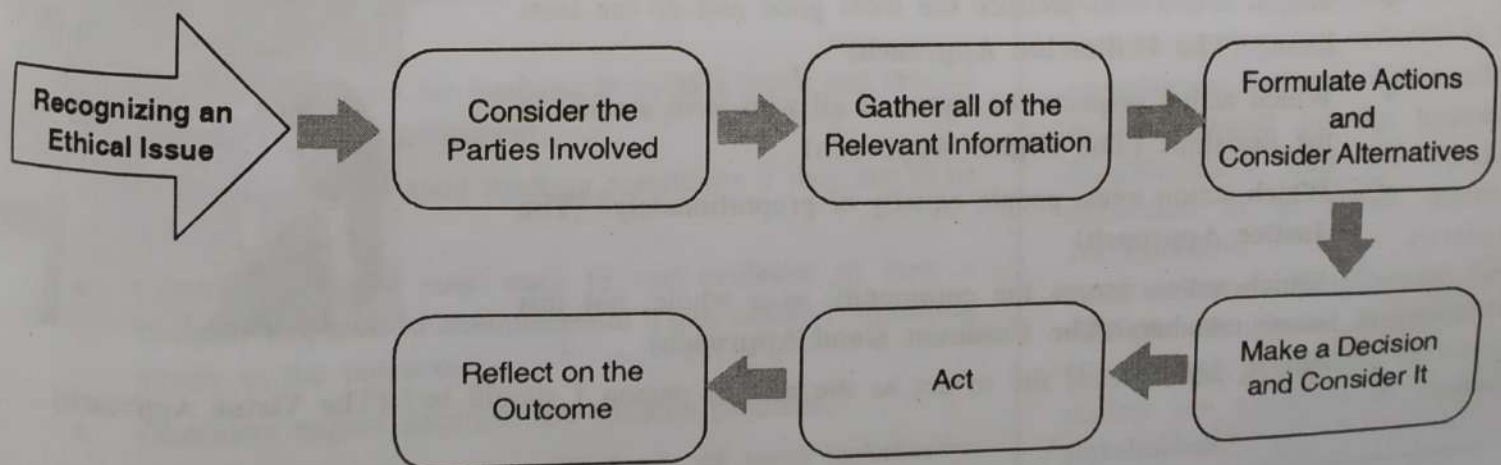
Example Box 4.4



Truth is God and you believe to be truthful all time (Your virtue). Now, if thief comes to you and asks for whereabouts of particular rich person, should you tell him truth? What is to be done if the thief knows that you know the whereabouts of that rich person?

Now, answer would be different when we apply different theories of ethics. According to virtue theory you should tell truth. But according to common good approach or justice approach, you are not supposed to tell the name.

- Moreover, we may not agree on the content of some of these specific approaches. We may not agree to the same set of human and civil rights. We may not agree on what constitutes the common good. We may not agree on what is a good and what is a harmful action.
- Therefore, all approaches (theories) can be considered together to provide assistance to make a specific choice.
- When using the approach to make ethical decision about specific issue, it will be useful to follow the process below:



Recognizing an Ethical Issue



- One of the most important things to do at the beginning of ethical deliberation is to locate, to the extent possible, the specifically ethical aspects of the issue at hand.
- Sometimes what appears to be an ethical dispute is really a dispute about facts or concepts.
- **For example**, some Utilitarians might argue that the death penalty is ethical because it prevents the occurrence of crime and thus produces the greatest amount of good with the least harm.
- Other Utilitarians, however, might argue that the death penalty does not prevent the occurrence of crime, and thus produces more harm than good. The argument here is over which facts argue for the morality of a particular action, not simply over the morality of particular principles.
- All Utilitarians would abide by the principle of producing the most good with the least harm.

Consider the Parties Involved

- Another important aspect to reflect upon are the various individuals and groups who may be affected by your decision.
- Consider who might be **harmed** or who might **benefit**.



Gather all of the Relevant Information



- Before taking action, it is a good idea to make sure that you have gathered all of the pertinent information, and that all potential sources of information have been consulted.

Formulate Actions and Consider Alternatives

- Evaluate your decision-making options by asking the following questions:
 - ✓ Which action will produce the most good and do the least harm? (**The Utilitarian Approach**)
 - ✓ Which action respects the rights of all who have a stake in the decision? (**The Rights Approach**)
 - ✓ Which action treats people equally or proportionately? (**The Justice Approach**)
 - ✓ Which action serves the community as a whole, not just some members? (**The Common Good Approach**)
 - ✓ Which action leads me to act as the sort of person I should be? (**The Virtue Approach**)



Make a Decision and Consider It



- After examining all of the potential actions, which best addresses the situation? How do I feel about my choice?

Act

- Many ethical situations are uncomfortable because we can never have all of the information. Even so, we must often take action.



Reflect on the Outcome



- What were the results of my decision? What were the intended and unintended consequences? Would I change anything now that I have seen the consequences?

4.2. ETHICAL DECISION MAKING WITH CROSS HOLDER CONFLICTS AND COMPETITION

- Ethical decision making in business will be more complicated when it involves conflicting interest of various stakeholders.
- When this kind of situation takes place, it is important for a business to balance the interest of its various stakeholders.
- Different stakeholder groups have different priorities, for example:
 - Shareholders expect the business to make a profit and receive a return on their investment.
 - Employees require good working conditions if they are to be retained.
 - Potential investors may want to see evidence of how a company responds to environmental issues before committing money to the business.
 - Customers expect accurate and reliable products.
- Stakeholder conflict arises when the needs of some stakeholder groups compromise the expectations of others.

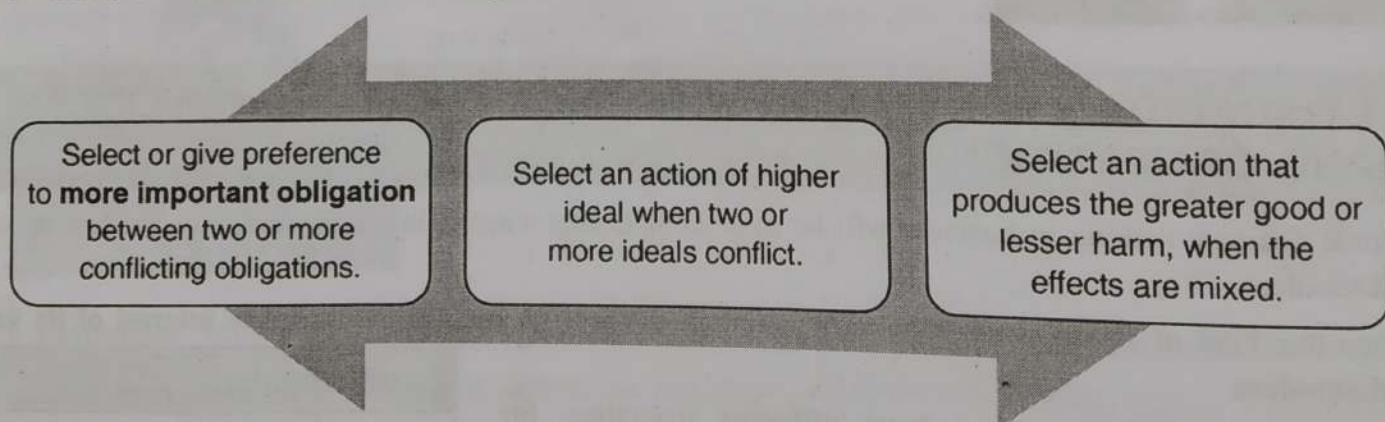
Stakeholder

A stakeholder is a person who has an interest (direct or indirect) in an organisation and can either affect or be affected by the business. Stakeholders can be further classified in to either internal stakeholders or external stakeholders. Employees are example of internal stakeholders. Government, suppliers, customer, society are examples of external stakeholders.

- ◆ A business has to make choices which some stakeholders might not like.
- ◆ **Organisation has objective of maximise profits and enhance shareholder value.** Since labor costs are a critical input cost for most companies, a company may seek to keep these costs under tight control. This might have the effect of making another important group of stakeholders, its employees, unhappy. The most efficient companies successfully manage the self-interests and expectations of their stakeholders. This situation **indicate conflict of interests of employees vs. investors.**
- ◆ To manufacture more units, company runs factory beyond permissible limit of carbon emission. This will help company to manufacture goods in large quantity and thereby increase profit. But on the other hand, if allowed, carbon emissions will adversely affect place where company is located. In simple term, it will create pollution and it is not good for health of person residing in same city. Certainly, decision will help to maximise profit for investors and shareholders of company but it is not in favor of society.

Potential Conflict between stakeholders		
Business Decision	Likely to be Supported By	Possibly Opposed By
Cut jobs to reduce costs	Shareholders and Banks	Employees Local Community
Add extra shifts to increase factory capacity	Management Customers and Suppliers	Local Community
Introduce new machinery to replace manual work	Customers Shareholders	Employees
Increase selling price significantly to improve profit margins	Shareholders Management	Customers

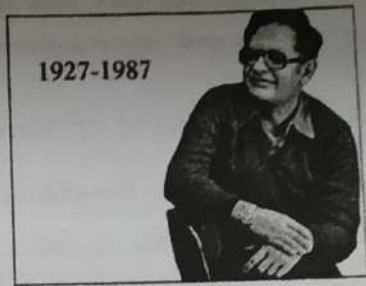
- ◆ There is no clear cut guideline available to deal with this kind of situation. However, **Barry in the year 1986, suggested following three points to deal with situation which involve various group of stakeholders for effective ethical decision making:**



- ◆ Above guideline should be used in combination with various ethical and moral principles, code of conduct applicable, applicable laws and various approaches (Right, Justice, Virtue etc.) as discussed in above point.
- ◆ Decision maker or businessman shall use his experience, moral judgement and customary practice followed in the industry at the time of dealing with cross holder conflict and competition.

4.3. KOHLBERG'S MODEL OF COGNITIVE MORAL DEVELOPMENT

- ◆ Lawrence Kohlberg (1958) agreed with Piaget's (1932) theory of moral development in principle but wanted to develop his ideas further.
- ◆ He used Piaget's storytelling technique to tell people stories involving moral dilemmas.
- ◆ In each case, he presented a choice to be considered, for example, between the rights of some authority and the needs of some deserving individual who is being unfairly treated.
- ◆ According to Kohlberg's Theory of Moral Development, there are **6 stages of moral development**, known as Kohlberg's stages of moral development.
- ◆ One of Kohlberg's best known experiments is known as the **Heinz Dilemma**. In this experiment, Kohlberg presented a story about a man named Heinz :



Heinz's wife was dying from a particular type of cancer. Doctors said a new drug might save her. The drug had been discovered by a local chemist, and the Heinz tried desperately to buy some, but the chemist was charging ten times the money it cost to make the drug, and this was much more than the Heinz could afford.

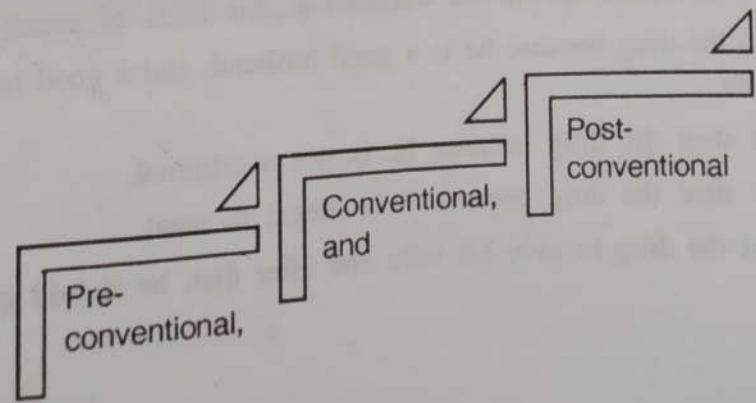
Heinz could only raise half the money, even after help from family and friends. He explained to the chemist that his wife was dying and asked if he could have the drug cheaper or pay the rest of the money later.

The chemist refused, saying that he had discovered the drug and was going to make money from it. The husband was desperate to save his wife, so

later that night he broke into the chemist's and stole the drug. Kohlberg asked a series of questions such as:

Should Heinz have stolen the drug?	Would it change anything if Heinz did not love his wife?	What if the person dying was a stranger, would it make any difference?	Should the police arrest the chemist for murder if the woman died?
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- ◆ By studying the answers from children of different ages to these questions, Kohlberg hoped to **discover how moral reasoning changed as people grew older**.
- ◆ The sample comprised **72 Chicago boys aged 10-16 years**, 58 of whom were followed up at three-yearly intervals for **20 years (Kohlberg, 1984)**.
- ◆ Each boy was given a **2-hour interview based on the ten dilemmas**.
- ◆ What Kohlberg was mainly interested in was not whether the boys judged the action right or wrong, but the reasons given for the decision.
- ◆ He found that these reasons tended to change as the children got older.
- ◆ Kohlberg identified **three distinct levels of moral reasoning**:



- ◆ Each level has **two sub-stages**.
- ◆ People can only pass through these levels in the order listed.
- ◆ Each new stage replaces the reasoning typical of the earlier stage. Not everyone achieves all the stages.

Kohlberg's Stages of Moral Development

Level 1 - Pre-conventional Morality

- The pre-conventional stage is associated with the first two Kohlberg's stages of moral development: **Obedience and Self-interest**.
- At the pre-conventional level (most nine-year-olds and younger, some over nine), we do not have a personal code of morality.
- At this level, children are **only interested in securing their own benefits**. This is their idea of morality.
- They begin by avoiding punishment, and quickly learn that they may secure other benefits by pleasing others. No other ethical concepts are available to children this young.
- When being asked what Heinz should do, children at this level of moral development may answer:
 - ✓ He should not steal the drug because it is bad to steal.
 - ✓ He should steal the drug because the chemist is charging too much.
 - ✓ He should steal the drug because he will feel good that he saves his wife.
 - ✓ He should not steal the drug because he will end up in prison.

Stage 1. Obedience and Punishment Orientation

The child/individual is good in order to avoid being punished. If a person is punished, they must have done wrong.

Stage 2. Individualism and Exchange

At this stage, children recognise that there is not just one right view that is handed down by the authorities. Different individuals have different viewpoints.

Level 2 - Conventional Morality

- According to Kohlberg's Theory of Moral Development, the conventional level is associated with **conformity and Law and Order**.
- This is the stage at which children **learn about rules and authority**.
- They learn that there are certain "conventions" that govern how they should and should not behave, and learn to obey them.
- **At this stage, no distinction is drawn between moral principles and legal principles.**
- What is right is what is handed down by authority, and disobeying the rules is always by definition "bad."
- When being asked what Heinz should do, children at this level of moral development may answer:
 - ✓ He should steal the drug because he is a good husband, and a good husband would do anything to save his wife.
 - ✓ He should not steal the drug because he is not a criminal.
 - ✓ He should not steal the drug because it is illegal to steal.
 - ✓ He should steal the drug to save his wife and after that, he should go to prison for the crime.

- Kohlberg believed that some people stay at this stage of moral reasoning for their whole lives, deriving moral principles from social or religious authority figures and never thinking about morality for themselves.

Stage 3. Good Interpersonal Relationships

The child/individual is good in order to be seen as being a good person by others. Therefore, answers relate to the approval of others.

Stage 4. Maintaining the Social Order

The child/individual becomes aware of the wider rules of society, so judgments concern obeying the rules in order to uphold the law and to avoid guilt.

Level 3 - Post-conventional Morality

- The post-conventional level is associated with these Kohlberg's stages of moral development: **Social contract orientation and Universal human ethics.**
- At this level, children have learned that there is a difference between what is right and what is wrong from a moral perspective, and what is right and what is wrong according to rules. Although they often overlap, there are still times when breaking a rule is the right thing to do.
- When being asked what Heinz should do, children at this level of moral development may answer:
 - ✓ He should steal the drug because everyone has a right to live, regardless of the law.
 - ✓ He should not steal the drug because the chemist deserves to get paid for his effort to develop the drug.
 - ✓ He should steal the drug because saving life is more important than anything else.
 - ✓ He should not steal the drug because others also have to pay for the drug. It is only fair that he pays for it as well.

Stage 5. Social Contract and Individual Rights

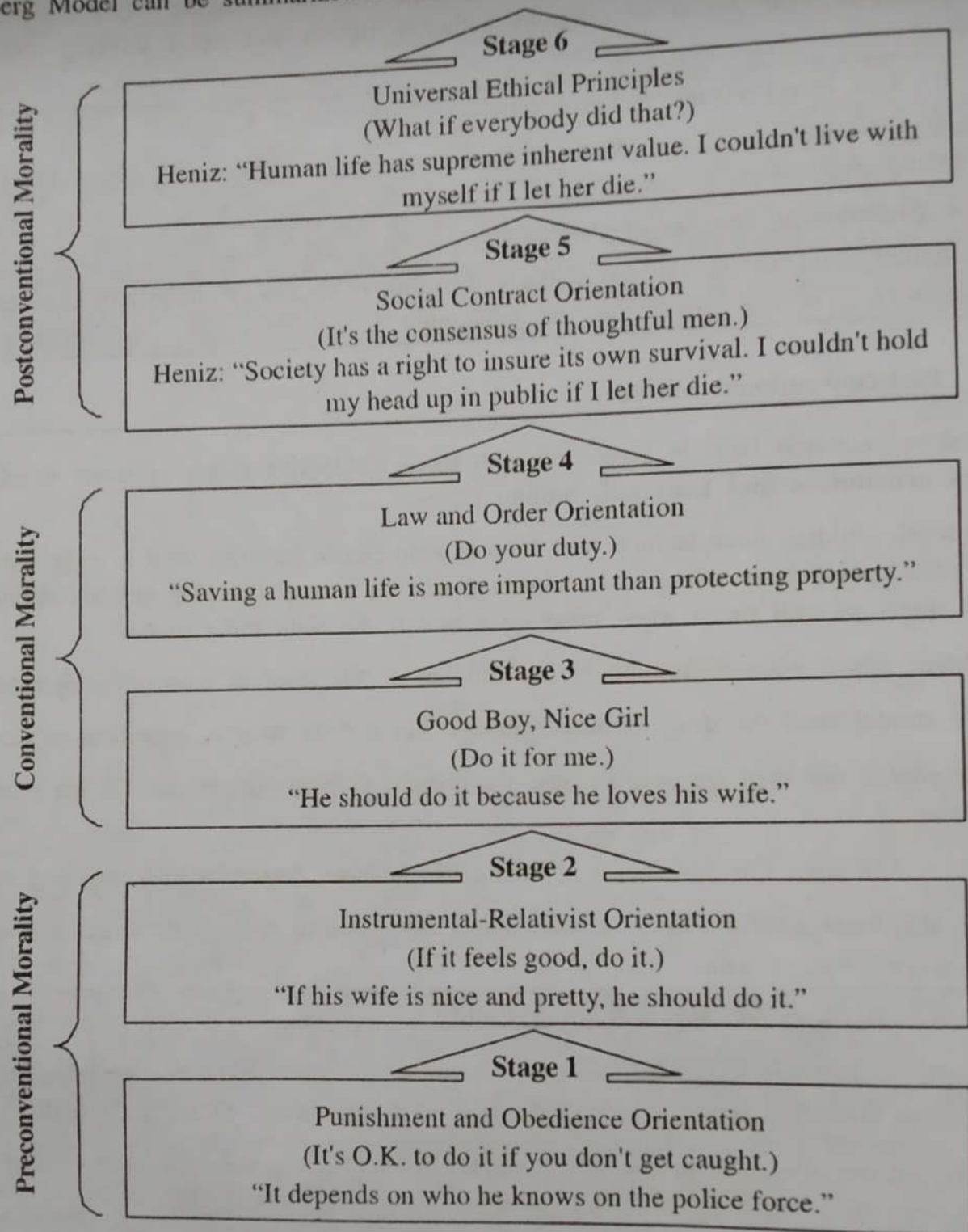
The child/individual becomes aware that while rules/laws might exist for the good of the greatest number, there are times when they will work against the interest of particular individuals.

The issues are not always clear-cut. For example, in Heinz's dilemma, the protection of life is more important than breaking the law against stealing.

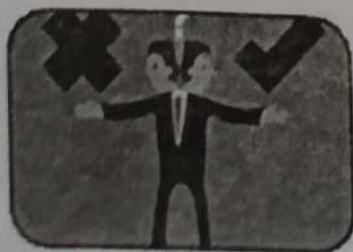
Stage 6. Universal Principles

People at this stage have developed their own set of moral guidelines which may or may not fit the law. The principles applies to everyone. E.g., human rights, justice, and equality. The person will be prepared to act to defend these principles even if it means going against the rest of society in the process and having to pay the consequences of disapproval and or imprisonment. Kohlberg doubted few people reached this stage.

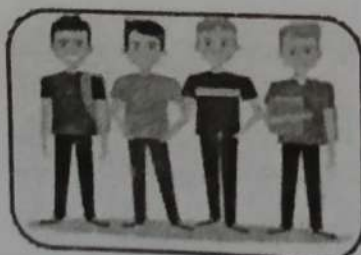
The Kohlberg Model can be summarized in following graphic :



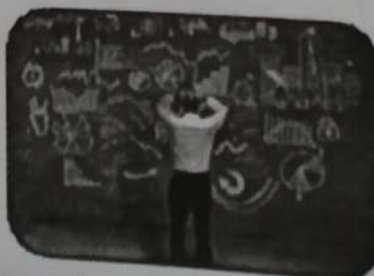
Limitation of Theory



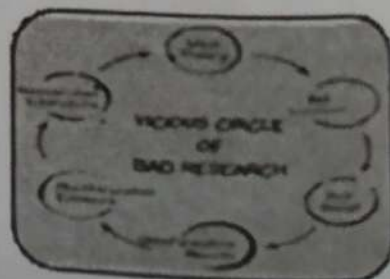
The dilemmas are artificial



The sample is biased



The dilemmas are hypothetical (Not real)



Poor research design

The Dilemmas are Artificial

- ◆ Most of the dilemmas are **unfamiliar to most people** (Rosen, 1980).
- ◆ For example, it is all very well in the Heinz dilemma asking subjects whether Heinz should steal the drug to save his wife.
- ◆ However, Kohlberg's subjects were **aged between 9 and 16**. They have never been married, and never been placed in a situation remotely like the one in the story. How should they know whether Heinz should steal the drug?



The Sample is Biased



- ◆ According to **Gilligan (1977)**, because Kohlberg's theory was based on an all-male sample, the stages reflect a **male definition of morality**.
- ◆ Men's morality is based on abstract principles of **law and justice**, while women's is based on principles of **compassion and care**.
- ◆ Further, the gender bias issue raised by Gilligan is a reminder of the significant gender debate still present in psychology, which when ignored, can have a large impact on the results obtained through psychological research.

The Dilemmas are Hypothetical (Not real)

- ◆ In a real situation, what course of action a person takes will have real consequences – and sometimes very unpleasant ones for themselves?
- ◆ Would subjects reason in the same way if they were placed in a real situation? We just don't know.
- ◆ The fact that Kohlberg's theory is heavily dependent on an individual's response to an artificial dilemma brings a question to the validity of the results obtained through this research.
- ◆ People may respond very differently to real life situations that they find themselves in than they do with an artificial dilemma presented to them in the comfort of a research environment.



Poor Research Design



- ◆ The way in which Kohlberg carried out his research when constructing this theory may not have been the best way to test whether all children follow the same sequence of stage progression.
- ◆ His research was **cross-sectional**, meaning that he interviewed children of different ages to see what level of moral development they were at.
- ◆ A better way to see if all children follow the same order through the stages would have been to carry out longitudinal research on the same children.

4.4. INFLUENCES ON ETHICAL DECISION MAKING

Business ethics comprises principles and standards that guide individual and work group behavior in the world of business. Stakeholders determine these conventions, and they may change over time. The most basic of these standards have been codified as laws and regulations. Business ethics goes beyond legal issues.

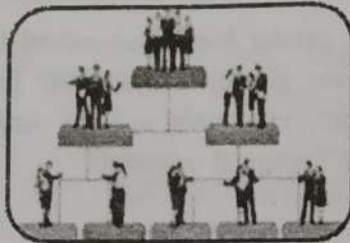
Because individuals and groups within a company may not have embraced the same set of values, ethical conflict may occur. Questionable decisions and actions may result in disputes that must be resolved through some type of negotiation or even litigation. Codifying ethical standards into meaningful policies that spell out what is and is not acceptable gives businesspeople an opportunity to reduce the possibility of behavior that could create legal problems. Business decisions involve complex and detailed discussions in which correctness may not be clear-cut. It is important that a shared vision of acceptable behavior develop from an organisational perspective to create consistent and reliable relationships with all concerned stakeholders.

Understanding the ethical decision-making process can help individuals and businesses design strategies to prevent misconduct.

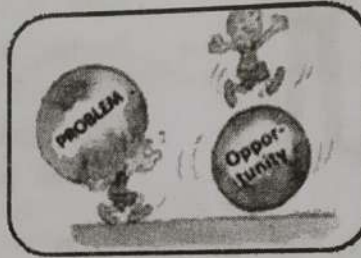
Four of the important components of ethical decision making are:



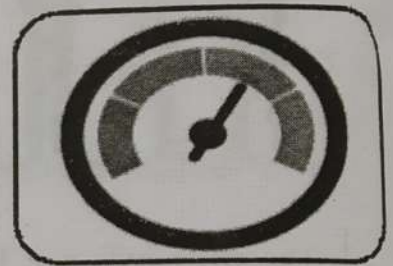
1. Individual factors



2. Organizational relationships



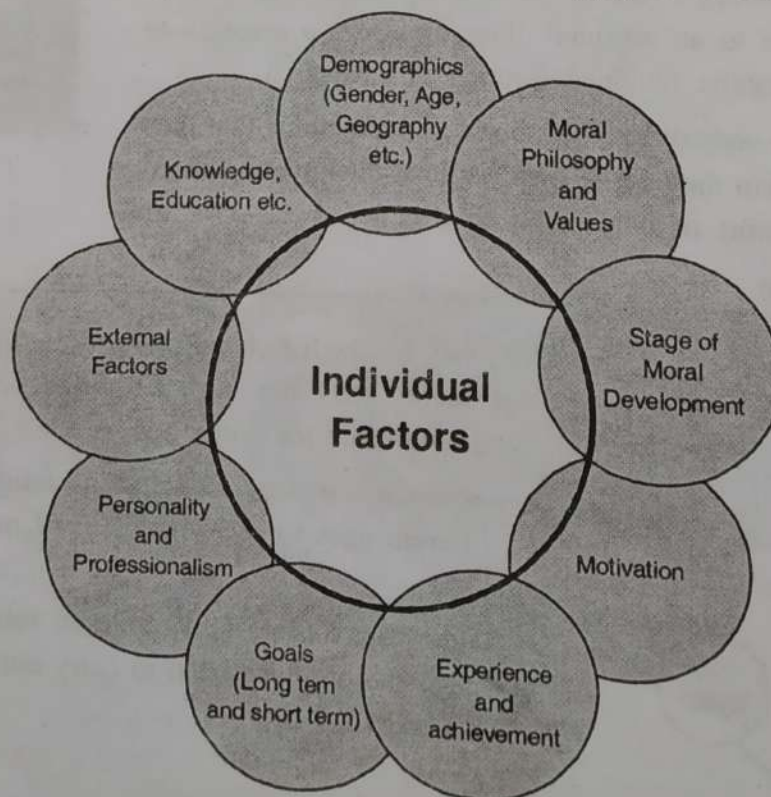
3. Opportunity



4. Issue Intensity

Individual Factors

- ◆ Significant individual factors that affect the ethical decision-making process include personal moral philosophy, stage of moral development, motivation, and other personal factors such as gender, age, and experience.
- ◆ Moral philosophies are the principles or rules that individuals apply in deciding what is right or wrong.

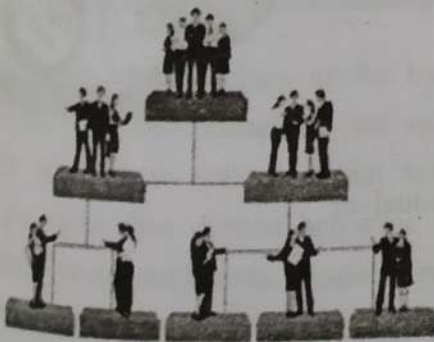


- ♦ Most moral philosophies can be classified as consequentialism, ethical formalism, or justice.
- ♦ **Consequentialist philosophies** consider a decision to be right or acceptable if it accomplishes a desired result such as pleasure, knowledge, career growth, the realisation of self-interest, or utility.
- ♦ **Consequentialism** may be further classified as **egoism** and **utilitarianism**.
- ♦ **Ethical formalism** focuses on the rights of individuals and on the intentions associated with a particular behavior rather than on its consequences.
- ♦ **Justice theory** relates to evaluations of fairness, or the disposition to deal with perceived injustices of others.
- ♦ Kohlberg proposed that people progress through six stages in their cognitive moral development.
- ♦ McClelland identified three different social needs that may motivate an individual in an ethical decision-making situation: power, affiliation and achievement.

NEED FOR POWER	NEED FOR AFFILIATION	NEED FOR ACHIEVEMENT
<ul style="list-style-type: none"> • Great concern to exercise influence and control. • Forceful, outspoken, hard headed and demanding. 	<ul style="list-style-type: none"> • Derive pleasure from being loved and avoid the pain of rejection. • Enjoy sense of intimacy and understanding. 	<ul style="list-style-type: none"> • Intense desired for success and fear of failure. • Take difficult goals and take a realistic approach to risk.

- ♦ In addition to above factors, unique characters of the individual making the decision (i.e., age, gender, experience, socialisation etc.) also has influence on ethical decision making. Person with good amount of experience usually does not involve into unethical decision whereas it is very common that young and fresh graduate due to lack of experience and age factor involve into unethical decisions.
- ♦ To the certain extent **gender** also play role in decision making process. It has been found that female or woman managers are more ethical than male managers.
- ♦ Person's **long term or short term vision and attitude** to adhere values and abiding by law also influence ethical decision making. Generally, person having short term vision with greedy nature do not hesitate to involve into wrong and unethical behaviour.
- ♦ **Level of education and professionalism** are two individual elements which influence ethical decision. Person who is professional is required to follow and comply his profession's code of conduct. Therefore, he will be extra cautious and avoid unethical decision making. The decision making skill will be different based on person's education level and whether he is educated or illiterate.

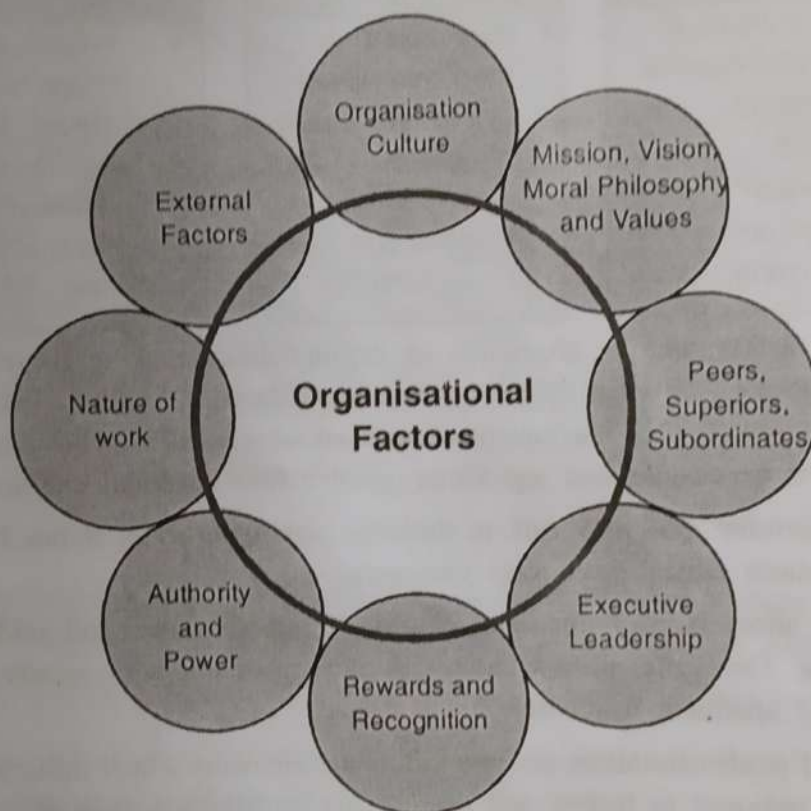
Organisational Factors



- ♦ The culture of the organisation, as well as superiors, peers, and subordinates, can have a significant impact on the ethical decision-making process.
- ♦ Organisational, or corporate culture can be defined as a set of values, beliefs, goals, norms, and rituals shared by members or employees of an organisation. Whereas a firm's overall culture establishes ideals that guide a wide range of behaviors for members of the organisation, its ethical climate focuses specifically on issues of right and wrong.

♦ Strong work place ethics create ethical culture and pressuring employees to follow it. Whereas weak work place ethics culture lead to unethical act.

- ◆ Other significant organisational factors include superiors, peers, and subordinates in the organisation who influence the ethical decision-making process.
- ◆ Interaction between corporate culture and executive leadership helps to determine the ethical value system of the firm, but obedience to authority can also explain why many people resolve workplace issues by following the directives of a superior.
- ◆ More a person is exposed to unethical activity by others in the organisation, the more likely it is that he will behave unethically. Superiors and coworkers can create organisational pressure, which plays a key role in creating ethical issues.
- ◆ **Reward systems** in organisation also influence ethical decision making. People tend to do what they are rewarded for, e.g. maximizing sales. When ethical behavior is not rewarded, it will not be conducted.
- ◆ **Authority** also influence ethical decision making. People do what they are told to do, or what they think they are being told to do. Hence, organisation where authority is not delegated, leave less scope to engage into unethical act.



Opportunity

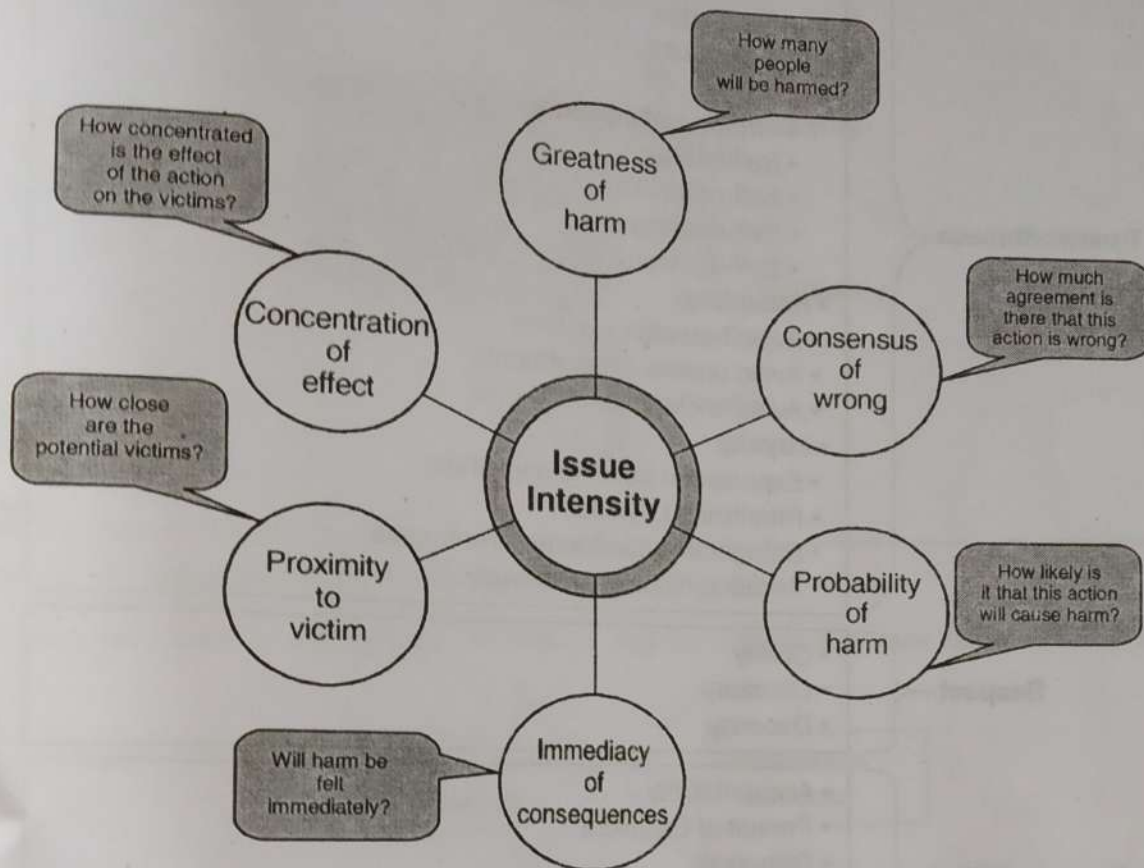
- ◆ Opportunity is a set of conditions that limit barriers or provide rewards.
- ◆ If an individual takes advantage of an opportunity to act unethically and escapes punishment or gains a reward, that person may repeat such acts when circumstances favor them.



Issue Intensity

- ◆ Finally, the intensity of an issue can affect ethical decisions.
- ◆ Ethical intensity is the degree of importance of an issue for an individual or group.
- ◆ There are **six characteristics** that determine issue intensity:
 - Greatness of harm
 - Consensus of wrong
 - Probability of harm

- Immediacy of consequences
- Proximity to victim
- Concentration of effect



Example Box 4.5 :



If a few customers were overcharged a small amount by mistake, it may not be worth correcting the mistake. If thousands were overcharged, then the ethical intensity is much higher. If the overcharged customers are friends or neighbors (proximity), it becomes more important to address the issue.

4.5 PERSONAL VALUES AND ETHICAL DECISION MAKING

Using core ethical values as the basis for ethical thinking can help to detect situations where we focus so hard on upholding one value that we sacrifice another — e.g. we are loyal to friends and so do not always tell the truth about their actions. What informally regulates the inner workings of the business community is a set of principles that dictate behavior. **The six pillars of character from the book "Making Ethical Decisions" include trustworthiness, respect, responsibility, fairness, caring, and citizenship.** They are discussed in detail hereunder:

Trustworthiness

- **Honesty**
 - *In communication*
 - Truthfulness
 - Sincerity/non-deception
 - Frankness
 - *In conduct*
- **Integrity**
 - *4 enemies of integrity*
 - Self-interest
 - Self-protection
 - Self-deception
 - Self-righteousness
- **Reliability**
 - Avoid bad-faith excuses
 - Avoid unwise commitments
 - Avoid unclear commitments
- **Loyalty**
 - Expectation from Relationships
 - Prioritizing Loyalties
 - Safeguarding confidential information
 - Avoiding Conflict of Interest

Respect

- Civility
- Courtesy
- Decency

Responsibility

- Accountability
- Pursuit of Excellent
- Diligence
- Perseverance
- Continuous Improvement
- Self-Restraint

Fairness

- Process
- Impartiality
- Equity

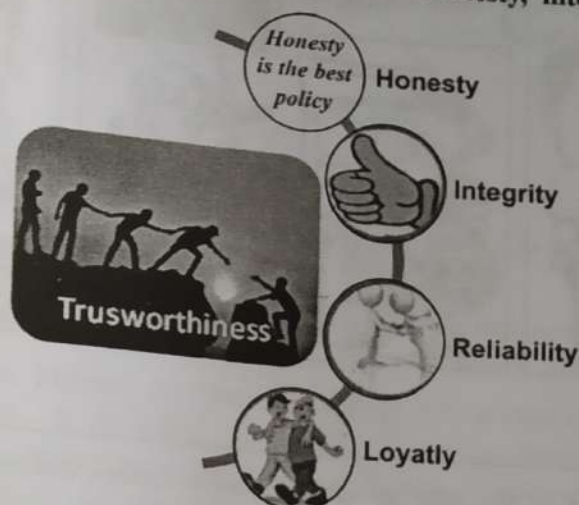
Caring

- Care for others
- Care for self

Citizenship

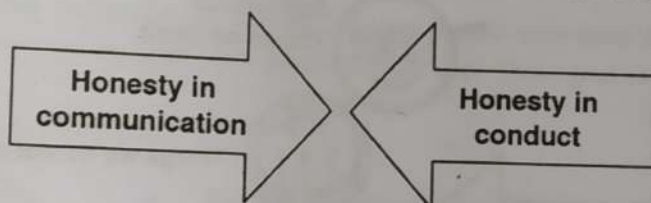
- Fair dealing
- Be a part of Community

- Trustworthiness concerns a variety of behavioral qualities - honesty, integrity, reliability and loyalty.



Honesty

- There is no more fundamental ethical value than honesty.
- We associate honesty with people of honour, and we admire and trust those who are honest.



Honesty in communication is about intent to convey the truth as best we know it and to avoid communicating in a way likely to mislead or deceive. There are three dimensions:



- ✓ **Truthfulness** — truthfulness means not intentionally misrepresenting a fact (lying). Intent is the crucial distinction between truthfulness and truth itself. Being wrong is not the same thing as being a liar, although honest mistakes can still damage trust.
- ✓ **Sincerity/non-deception** — a sincere person does not act, say half-truths, or stay silent with the intention of creating beliefs or leaving impressions that are untrue or misleading.

- ✓ **Frankness** — in relationships involving trust, honesty may also require us to volunteer information that another person needs to know.

- **Honesty in conduct** prohibits stealing, cheating, fraud, and trickery. Cheating is not only dishonest but takes advantage of those who are not cheating. It's a violation of trust and fairness.

- Not all lies are unethical, even though all lies are dishonest.
- Occasionally dishonesty is ethically justifiable, such as when the police lie in undercover operations or when one lies to criminals or terrorists to save lives. But occasions for ethically sanctioned lying are rare – e.g. saving a life.

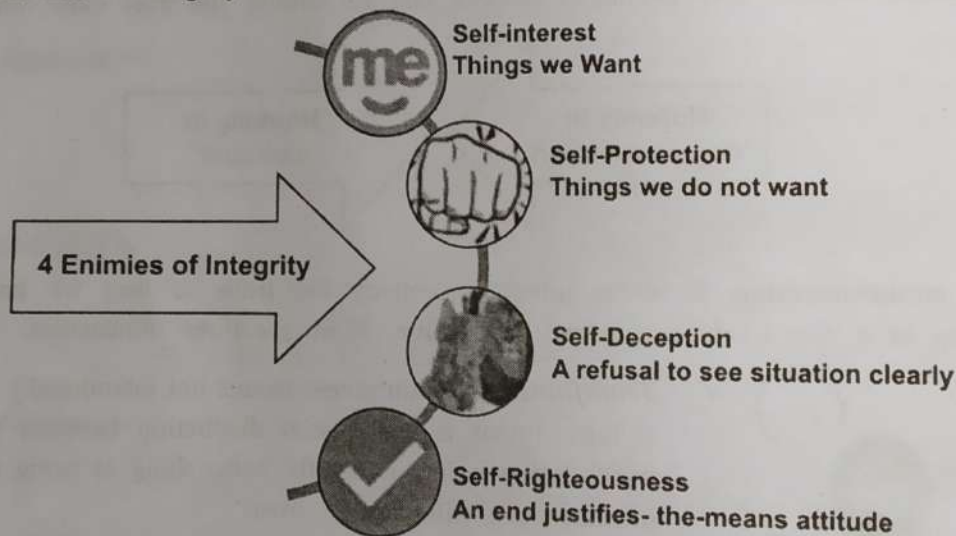
"It is difficult, but not impossible, to conduct strictly honest business."
- Mahatma Gandhi





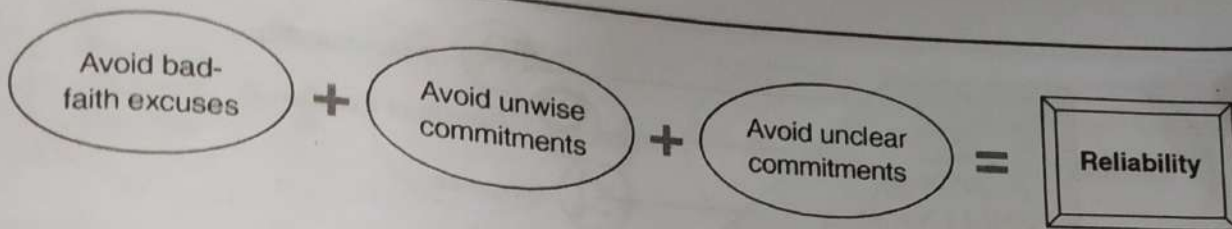
Integrity

- There are no differences in the way an ethical person makes decisions from situation to situation-no difference in the way they act at work and at home, in public and alone.
- The person of integrity takes time for self-reflection so that the events, crises and the necessities of the day do not determine the course of their moral life. They stay in control.
- The **four enemies** of integrity are:



Reliability

- When we make promises or commitments to people our ethical duties go beyond legal obligations.
- The ethical dimension of promise-keeping imposes the responsibility of making all **reasonable efforts to fulfill our commitments**. It is also important to:
 - ✓ **Avoid bad-faith excuses** - Honourable people donot rationalize noncompliance or create justifications for escaping commitments.
 - ✓ **Avoid unwise commitments** - Before making a promise consider carefully whether you are willing and likely to keep it. Think about unknown or future events that could make it difficult, undesirable or impossible to keep your commitment. Sometimes, all we can do is promise to do our best.
 - ✓ **Avoid unclear commitments** - Since others will expect you to live up to what they think you have promised to do, be sure that, when you make a promise, the other person understands what you are committing to do.

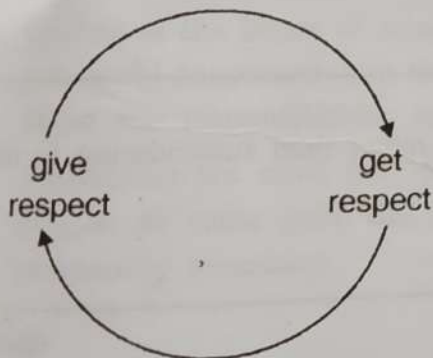


Loyalty

- Loyalty is about promoting and protecting the interests of certain people, organisations or affiliations.
- Some relationships - husband-wife, employer-employee, citizen-country — create an expectation of loyalty.
- **Prioritizing Loyalties.** Because so many individuals and groups make loyalty claims on us, it is often impossible to honor them all simultaneously. Consequently, we must rank our loyalty to obligations in some rational fashion. In our personal lives, for example, it is perfectly reasonable and ethical to look out for the interests of our children, parents and spouses even if we have to subordinate our obligations to other children, neighbors, or co-workers in doing so.
- **Safeguarding Confidential Information.** Loyalty requires us to keep secrets or information learned in confidence.
- **Avoiding Conflicting Interests.** Employees and public servants have an additional responsibility to make all professional decisions on merit not personal interests. Their goal is to maintain the trust of the public.



Respect



- ◆ Respect is about honouring the essential worth and dignity of all people, including oneself.
- ◆ We are morally obligated to treat everyone with respect, regardless of who they are and what they have done.
- ◆ We have a responsibility to be the best we can be in all situations, even when dealing with unpleasant people. Respect focuses on: Civility, Courtesy and Decency - A respectful person is a good listener.

► The respectful person treats others with consideration, conforming to accepted notions of taste and propriety, and does not resort to intimidation, coercion or violence except in extraordinary and limited situations to teach discipline, maintain order or achieve social justice.

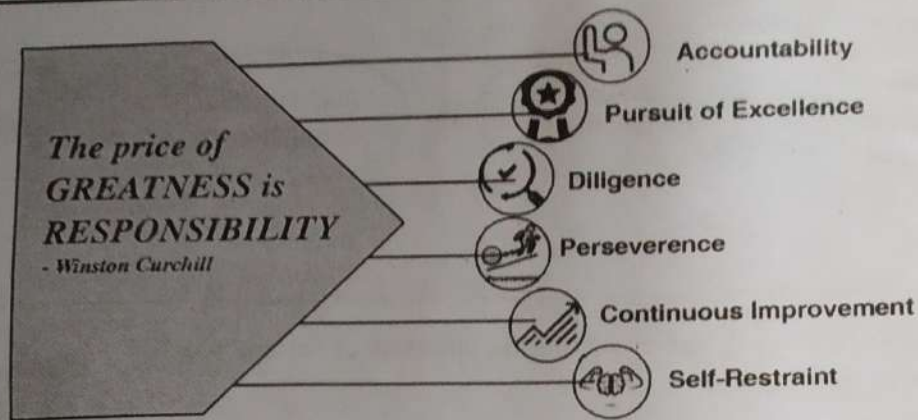
Tolerance - An ethical person accepts individual differences and beliefs and judges others only on their character.

Responsibility

Life is full of choices.

Being responsible means being in charge of our choices and therefore our lives.

It means being accountable for what we do and who we are. It also means recognising that what we do, and what we don't do, matters.



Accountability



- An accountable person is not a victim and does not shift blame or claim credit for the work of others.

Pursuit of Excellence



- The pursuit of excellence has an ethical dimension when others rely upon our knowledge, ability or willingness to perform tasks safely and effectively.

Diligence



- Responsible people are reliable, careful, prepared and informed.

Perseverance



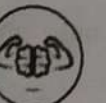
- Responsible people finish what they start, overcoming rather than surrendering to obstacles and excuses.

Continuous Improvement



- Responsible people look for ways to do their work better.

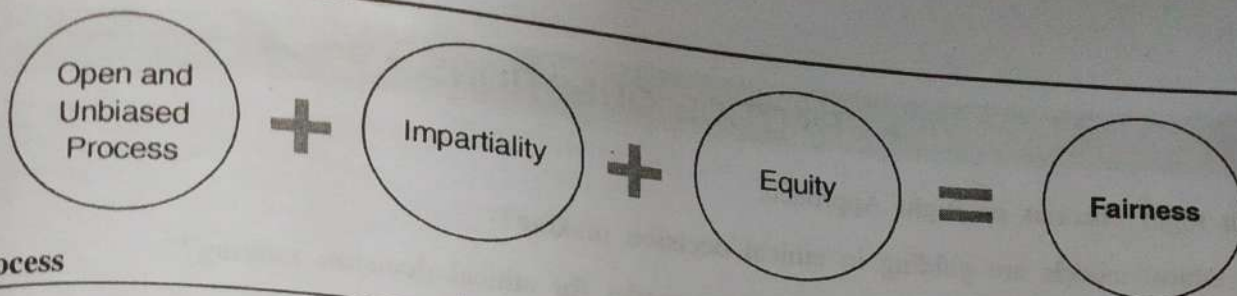
Self-Restraint



- Responsible people exercise self-control, restraining passions and appetites (such as lust, hatred, gluttony, greed and fear).
- They delay gratification if necessary and never feel it's necessary to "win at any cost."

Fairness

- ◆ Fairness is a tricky concept.
- ◆ Disagreeing parties tend to maintain that there is only one fair position - their own. But while some situations and decisions are clearly unfair, fairness usually refers to a range of morally justifiable outcomes rather than discovery of one fair answer.



Process

- A fair person uses open and unbiased processes for gathering and evaluating information necessary to make decisions.
- Fair people do not wait for the truth to come to them; they seek out relevant information and conflicting perspectives before making important decisions.

Impartiality

- Decisions should be unbiased without favouritism or prejudice.

Equity

- It is important not to take advantage of the weakness, disadvantage or ignorance of others.
- Fairness requires that an individual, company, or society correct mistakes, promptly and voluntarily.

"It takes a lot of experience to learn to how to care about people."

- Barry Schwartz

Caring

- **Caring is the heart of ethics.** It is scarcely possible to be truly ethical and not genuinely concerned with the welfare others. That is because ethics is ultimately about our responsibilities toward other people.
- Sometimes we must hurt those we care for and some decisions, while quite ethical, do cause pain. But one should consciously cause no more harm than is reasonably necessary.

"It takes a lot of experience to learn to how to care about people."
- Barry Schwartz

Citizenship



- The concept of citizenship includes how we ought to behave as part of a community.
- **The good citizen knows the laws and obeys them** - but they also volunteer and stay informed on the issues of the day.
- Citizens do more than their "fair" share to make society work, now and for future generations.

Citizenship can have many expressions, such as conserving resources, recycling, using public transportation and cleaning up litter.

• PRACTICE QUESTIONS •

1. Explain Right Theories or Right Approach.
2. Which ethical models are guiding in ethical decision making?
3. Which ethical model can be considered as best model for ethical decision making?
4. What kinds of rights are described under Right Theories?
5. What consideration shall be given at the time of ethical decision making involving cross holder conflict?
6. Write short note: Kohlberg's Model on Cognitive Moral Development.
7. Explain Heinz dilemma. Who developed it?
8. Write short note: Pre-conventional morality.
9. Write short note: Conventional morality.
10. Write short note: Post conventional morality.
11. Explain the limitation of Kohlberg's Model on Cognitive Moral Development.
12. Which factors influences ethical decision making?
13. Write short note: Issue intensity.
14. How personal value affect ethical decision making?
15. Mr. Patel came to know about serious malpractice done by his Department Manager. He is willing to report this unethical wrongdoing by a boss who is engaged in some form of corporate fraud to the Managing Director of company. But he has apprehension that if he reports it to the Managing Director, he may be kicked out from job by his Department Manager and lose his job. Jobless position makes it difficult for him to meet obligations to maintain his family. However, by not reporting the wrongdoing, he put other stakeholders in jeopardy. What Mr. Patel should do?

