

Six Steps for Remediating Contemporary Ethical Problems

**© Robert J. Spitzer, S.J., Ph.D.
President, Gonzaga University**

Introduction

We as colleagues within the Jesuit Educational network have access to a longstanding tradition of ethics education which can be shaped into six practical steps to help ameliorate the current problematic situation in business ethics. “Jesuit” here refers to St. Ignatius Loyola’s two-pronged view of the ethical life:

- 1) a commitment to inviolable principles which he believed to be the foundation for character and action, and
- 2) a practicality, indeed, even a pragmatism about the implementation of these principles within the social or communal domain.

Hopefully this article will live up to his reputation for being unreservedly practical about the theoretical, and well-reasoned and well-grounded about the practical. Before explaining the six steps, it will be necessary to assess how the business world entered into its current ethical situation.

I. The Problem

How is it that Enron, WorldCom, Arthur Andersen, and so many other firms of supposed high integrity found themselves in complete ethical and commercial dissolution? Contemporary research does not attribute this to a generation beset by base ethical motivation. Though the children of the 80s were

frequently called the “me generation,” it does not seem that this group was more greedy, base, or malicious than any other generation. Well then, how did the 80s lead to our second millennial problems? I would attribute this to four implicit, but steadily increasing, cultural conditions:

- 1) the move from principle-based to utilitarian criteria,
- 2) the decline of traditional principle-based instruction,
- 3) the complexity and rapidity of decision-making and the failure to integrate ethical reflection into it, and
- 4) the misuse of “case precedents” in resolving ethical dilemmas.

A brief explanation of each of these problematics will help to set the stage for a practical solution whose roots are firmly planted in the Jesuit tradition.

I.A. The Move from Principle-Based to Utilitarian Criteria

The last 30 years has marked a decided change from principle-based to utilitarian ethical criteria. Principle-based ethics has four essential characteristics:

1) It associates ethical conduct with particular acts (e.g., on the negative side, it associates evil or unethical behavior with harming unnecessarily, lying, cheating, stealing, being unfair; and on the positive side, it associates good or nobility with honesty, fairness, altruism, and even love).

2) It considers the above associations to reflect “*inviolable* principles.” “Inviolability” generally refers to an unwillingness to engage in a particular “evil action” unless one is compelled to do so in order to avoid a greater evil or an evil of greater magnitude. In short, wherever the principle of “lesser of two

evils” does not obtain, “inviolability” means “not crossing the line.”

3) As such, principle-based ethics holds that “the end does not justify the means,” that is, that one cannot use an evil means to achieve a good or beneficial end. Though principle-based ethics allows one to use an evil means to *avoid* an even greater evil end (e.g., self-defense), it does not permit the use of an evil means to *achieve* a beneficial end. Therefore, even if an action should produce a benefit for one hundred people, it cannot justify doing an unnecessary or unfair harm to a single person in order to achieve it.

4) Principle-based ethics is generally justified through three criteriological grounds:

- a) *faith, religion, or divine warrant* (e.g., the Ten Commandments),
- b) *conscience* (an immediate intuitive sense of evil in actions – which is marked by a sense of guilt, foreboding, self-alienation, or “being out of kilter with” or “not at home in” the cosmos or the totality), and
- c) *cultural predominance* (e.g., a cultural mandate which, if violated, brings with it ostracization, accusation of heresy, or even punishment).

In brief, principle-based ethics asks the question “should we?”, relies upon a sense of inviolable principles, and does not allow the end to justify the means, though it will allow for “the lesser of two evils” to resolve ethical dilemmas.

In contrast to this, utilitarianism is essentially relativistic and consequentialistic. It generally holds to the following three tenets:

1) One should try to optimize benefit and minimize harm in any given situation. This makes utilitarianism consequentialistic and situationalistic. It is consequentialistic because it associates ethics with *benefit* and “lack of *harm*” in the *consequences* of actions rather than associating ethics with actions themselves (as would be done in principle-based ethics). It is situationalistic because it evaluates actions in every situation relative to the harms and benefits in that situation.

2) As such, utilitarianism has no inviolable principles. Each principle may be subject to a harms-benefits calculus which may allow for a remarkable degree of rationalization when situations suggest a minimum degree of harm or a maximum degree of benefit.

3) Utilitarianism also does not strictly adhere to the principle “the end does not justify the means.” In its attempt to optimize benefit and minimize harm, utilitarianism has a teleological quality (i.e., it is oriented toward optimizing the end without giving focused attention to the means). This has the peculiar quality of making ethical allowances for actions which principle-based ethicists would disallow, so long as these actions give rise to sufficient benefit.

This last quality of utilitarianism tends to take the focus off rules or proscriptions associated with unethical means. I have heard many business ethicists declare, “We have spent far too much time and energy on rules and compliance when ‘true enlightenment’ dictates that all we need to do is optimize the greatest good for the greatest number of people in every situation. Spending time on rules seems so negative. Why not focus on optimizing the positive?” Though this emphasis on maximizing benefit seems, at first, to be noble indeed, its de-emphasis of means and rules lies at the root of every major corporate ethical failure in recent history. It seems as though our consciences are so “off the hook” in our noble pursuit of optimal

benefit that we don't even have an inkling of "trouble on the horizon" minutes before major ethical implosions.

Utilitarianism has also caused a shift in the way that ethical questions are asked. Since it tends to quantify ethics (in its hope to maximize benefits and minimize harms for the greatest number of people) it does not ask the question "should we?" but rather "how much can we?" Thus, for example, instead of asking "Should we offload debt to offshore subsidiaries in an undisclosed fashion?" an executive might ask "How much debt can we offload to offshore subsidiaries before disclosure becomes a problem?" The question "should we?" opens the way for our consciences to be engaged by our inviolable principles, while the question "how much can we?" seeks a quantitative parameter for our consciences *not* to be engaged. Unfortunately, no quantity has an inherently ethical quality (as principles do). Therefore, the specific quantity which demarcates ethical from unethical behavior is merely a matter of subjective disposition which can frequently be arbitrary. Thus, one group of executives may declare "three percent of our debt can be offloaded to offshore subsidiaries before disclosure becomes a problem," while others might declare "six percent," and still others, "fifteen percent," or "twenty percent," or "thirty percent." Once one declares that the line between ethical and unethical behavior is quantitative, the road is wide open to every imaginable form of rationalization to increase that quantity to the maximum possible extent. By the time one reaches, say, thirty percent, the ethical implosion is becoming a reality, and people are asking, "Why didn't we get a handle on this before?" Evidently, public trust, the economy, and the efficacy of commerce depends on finding a resolution to this fallacious kind of ethical reflection.

I.B. The Decline of Traditional Principle-Based Instruction

It is probably apparent to most that moral training within households, churches, and schools has moved from “rules-based” to “ends-based” ethics. The origins of this trend were quite well-intentioned. During the early 1960s, psychologists and psychoanalytically-based philosophers and theologians tried to give emphasis to empathy, respect for the individual person, and care, which gave rise to a kind of teleological personalistic ethics (one that associated good actions with optimizing empathy, respect, and care within particular situations). This was an exceptionally important and good trend in human relations, workplace environment, family environment, and even ethics. However, it had one major drawback. Some of the key proponents of personalistic ethics claimed that depersonalized ethics was attributable in great part to the overemphasis on rules-based ethics. This contention might have been true in a limited number of situations, but it certainly did not warrant or substantiate the false dichotomy between personalistic ethics and rules-based ethics that soon resulted. Some psychologists even proposed that in order to be free to empathize with and care for others deeply, we had to get over our “hang-ups” about rules and the guilt associated with them. As this false dichotomy worked its way into the commonsense environments of the workplace, popular media, family, church discussion groups, high school classrooms, and even university seminars, it became commonly accepted. Many academicians even suspected that too many rules would “stunt” one’s capacity for empathy and love. Rules almost seemed to get in the way of ethics!

The above false dichotomy combined with another phenomenon to produce a virtual eclipse of rules-based ethics within the culture, namely, the absolutizing of the principle of toleration. Again, the demise of rules-based ethics seems to have arisen out of what was initially a good, helpful, and important movement within Western culture. The late 70s, 80s, and 90s

brought with them not only a vigorous desire for racial and ethnic diversity, but also a desire to respect all cultures and dispositions out of respect for individuals, and a desire to reverse historical momenta of inequity. These movements were not only well-motivated, but responsible in great part for social progress and the alleviation of past injustices.

Unfortunately, as with the proponents of personalistic ethics, the proponents of toleration created a false dichotomy between their main principle and rules-based ethics. Some proponents declared that ethical rules belonged to Western or Judeo-Christian culture, and that insistence on these rules was tantamount to cultural insensitivity (at the very least), or cultural domination (at worst). Some proponents even suggested that such principles represented religious arrogance, the sanctioning of religion, workplace intolerance, religious intolerance within schools, and so forth. The absolutization of the principle of tolerance seemed to be directly proportionate to the decline of rules-based ethics.

It must be emphasized here that the principles of toleration, cultural diversity, and pluralism are very positive. A problem occurs only when toleration is absolutized, set above all other principles, and therefore set into a false dichotomy with those other principles. Nevertheless, the problem happened, and it significantly undermined rules-based ethics in Western culture. In order to avoid the seeming negative influence of rules-based ethics, educators and church leaders advocated a movement away from it toward "values training." Values training does not necessarily advocate an elucidation of ethical, unethical, moral, or immoral behaviors, but only an elucidation of what a particular person considers to be valuable. Thus, the objectives of values training could be satisfied by simply saying, "I consider monetary security, feeling right about life, and a modicum of love to be valuable; therefore, I will have lived a good life if I have pursued and have been able to acquire some of

these ‘values.’” This represents a significantly weaker ethical position than radical utilitarianism and situationism, for it does not even advocate a minimization of harm or a maximization of social benefit.

The sad part about the above trends is that the dichotomy drawn between personalism/toleration and rules-based ethics is quite unnecessary, misleading, and harmful. One can believe in inviolable principles and the intrinsic dignity of others simultaneously. Indeed, the two are mutually complementary! One can also believe in inviolable principles and toleration for individual and cultural differences simultaneously. One need only remember that toleration cannot be absolute, for tolerance of what is destructive of others can be the worst form of intolerance of their personhood. When tolerance becomes absolute, it generally leads to inherent contradictions. If one tolerates genocide, one is blind to the inalienable rights of the non-tolerated group.

As personalism and the “absolutizing of toleration” became more accepted, the falsely dichotomized rules-based ethics became less accepted, and television shows, movies, family discussions, church sermons, and grade school / high school discussions barely mentioned right or wrong, good or evil, good character or bad character, or “thou shalt not....” We became extremely positive toward the positive, but failed to be negative toward the negative. As will be seen, the latter is just as important as the former in the prevention of public calamity and the restoration of the public trust. A resolution to our current ethical difficulties will require a redressing of the above false dichotomies.

I.C. The Complexity and Rapidity of Decision-Making and the Failure to Integrate Ethical Reflection into It

Most business professionals are acutely aware of the fact that decision-making within our highly technological and multi-layered organizations has become extraordinarily complex and rapid. Computer access, email, the internet, conference calls, integrated systems, and other technological advances, though incredibly positive in their capacity to promote communication, growth, access to resources, and the opening of new opportunities, has also increased the pressure on executives to act more quickly within evermore complex situations. In order to create sufficient time and psychic space to deal with this new pressure, contemporary leaders have incorporated two habits into their “decision-making” apparatus:

- 1) narrowing the number of factors impinging upon decisions in order to accommodate the short amount of time available for them, and
- 2) the distinction between so-called “hard factors” and “soft factors” (of which ethics is considered a soft factor which can be eliminated from the narrowed range of decision variables).

In my view, ethics became a “soft factor” because of the above trends toward personalism and toleration (away from rules-based ethics). Because of this, some leaders caricatured ethics as “warm and fuzzy,” which undermined and insulted the discipline. Perhaps worse, it made ethically oriented leaders feel soft, inferior, lesser negotiators, less loyal to the organization, and therefore (ironically), guilty. Many leaders felt that they were imposing more on their people than other leaders; that they were creating an uneven playing field for their employees; that they were creating a hostile work environment rather than a trusting one. Truly good leaders created an atmosphere of

personalism and toleration without a feeling of compliance, negativity, and guilt.

Now add the exigencies of increased competitiveness from international companies (who may not see ethics the same way as US companies), from mega-mergers and huge conglomerates, and from the continual threat of being left behind technologically, and one can understand why an atmosphere of looking for shortcuts, indeed, even cutting corners seemed to be the best way to protect one's organization and its stakeholders. Not only had rules-based ethics begun to disappear, it almost seemed unethical to apply these principles in a business atmosphere which seemed to be overcomplicated or even undermined by them. The stage was set for top leaders (including boards of directors) to ignore intentionally what almost seemed commonplace in the past, and to do everything, absolutely everything (no holds barred) to give their organization competitive advantage in an increasingly complex, international, fast-paced, mega-merging world.

I.D. The Misuse of "Case Precedents" in Resolving Ethical Dilemmas

Even though rules-based ethics disappeared from the cultural horizon, compliance with the law still had to be recognized, because lawsuits could negatively affect reputation, shareholder confidence, capacity to obtain loans, etc. Leaders who had a minimum appreciation of ethics but a sincere desire to avoid legal complications decided to use ethical precedents as a means of establishing excusability.

Recall for a moment that an ethical precedent functions very much like a legal one. When one wants to decide how to act in a particular situation, one investigates what other leaders have done before in similar situations. In the law, precedents are

frequently determinative (the way a particular case is resolved will determine the way in which subsequent ones are resolved). This determinative use of precedents grants excusability, for one cannot be expected to act in a way other than what has been sanctioned in the past.

The excusability inherent in legal precedents has a peculiar effect in ethics, namely, that it can lead to minimalistic utilitarianism. All one need do to be ethically responsible is to search through the literature of case precedents and find one or two precedents which resolve a case in a way that optimally favors one's organization. The ideal precedent would be utilitarian (a harms-benefits resolution which uses quantities favoring one's organizational "needs"). Even if one should get hauled into court, one can say, "I did make a reasonable attempt to be responsible."

Conclusion to Section I.

In the early 1980s, all four of the above trends began to converge. Utilitarian analysis was commonplace, rules-based ethics had slipped off the proverbial academic, cultural, and commercial stages, the complexity and rapidity of decision-making was compelling "responsible" decision-makers to cut corners, and ethical precedents could be used to excuse minimalistic ethical behavior. Frequently, leaders did not have a code of ethics for organizations. Even if they did, they did not make reference to it, and even if they did make reference to it, they did not integrate it into specific decision processes. They certainly did not want to listen to the complaints or concerns of employees, because that would complicate decisions and cause competitive disadvantage. In place of asking "What is the right thing to do?" or "What befits our character?" or "Should we?", leaders ask their lawyers or compliance officers whether there was a precedent for their impending activities, and if such a

precedent exists, “*How much* of this activity can we do before ethics becomes a problem?” It is not surprising, then, that many prestigious organizations with many well-intentioned leaders began to embark on a path that would lead to ethical difficulties (if not financial dissolution) a mere twenty years later. Good fiduciaries and responsible citizens stood idly by as the arbitrary, quantitative line demarcating ethical from unethical behavior moved closer and closer to the point of deception, dishonesty, unfairness, and unnecessary harm.

The aftermath of a few highly publicized ethical problems reveals that our current cultural and commercial predicament will only be partially resolved by legal steps (such as Sarbanes-Oxley). A true and long-lasting remedy can only be effected by redressing the above four ethical trends, which entails a restoration of principle-based ethics in a way that our culture and pluralistic commercial enterprises can embrace. The Jesuit tradition of ethics education holds out one such solution.

II. Six Steps for Redressing the Problem

I have tested the following six steps in a variety of organizational settings, both profit and nonprofit, large and small. They receive general acceptance and in some organizations, receive very significant and specific application. The six steps may be set out as follows:

- 1) leadership from the top,
- 2) forming ethical communities,
- 3) defining inviolable principles,
- 4) asking the right questions during the decision-making process,
- 5) a four-step method
- 6) a mechanism for responding to questions.

II.A. Step One: Leadership From the Top

In this section, I have no intention of depreciating the importance of the many management trends that push decision-making down to levels of immediate contact with customers, processes, vendors, and other stakeholders. In most respects, these trends have improved the four Deming quality areas: (1) design of product according to customer specifications, (2) elimination of waste, (3) elimination of product defects, and (4) improvement of processes. However, current research in the area of ethics seems to show that people take their cues about ethics, character, and integrity from the highest levels of leadership quite frequently. Ethical failures (or even intimations of the acceptability of questionable ethical practices) are almost immediately picked up by the next level of leaders who, in turn, interpret the cue “liberally” in their translation of it to the next level of leadership. This process of increasing “liberal” interpretations continues to increase till the lower to mid-level managers and team leaders receive the impression that ethics simply does not matter to upper level management. They firmly believe that executive leadership would *prefer* pushing the ethical line, leaving out ethical questions and reflection, and, if push comes to shove, ranking profit considerations higher than ethical ones. Naturally, an ethos (a group atmosphere arising out of a set of implicit, collectively held beliefs) of questionable ethical practice is formed.

Apparently, people *naturally* associate ethics with leadership and leadership with ethics. They naturally form group conscience (and sometimes individual conscience) and a sense of “shame and blame” on the basis of cues given by top leadership. Implicit depreciation of ethics is generally interpreted as explicit depreciation of ethics, and absence of cues is generally interpreted as “top leadership not caring,” or “top leadership subordinating ethics to concerns about optimizing profits.” Few

qualities are correlated with leadership as strongly as ethics, and therefore, leadership cannot afford to ignore it.

If leadership does ignore the ethical domain, and if a non-ethical, amoral, or anti-ethical ethos begins to develop, leadership can count on three collective effects:

- 1) Ethical questions and reflection will not be integrated into decision-making processes which have ethical consequences.
- 2) Mid-level managers will not bother top leadership about matters which disturb individual or group conscience. This can lead not only to lawsuits, lost reputation, lost market share, and increased transactional costs, but also to a loss of morale, and even a sense of discouragement.
- 3) Trust will decline within the organization with the result that the atmosphere will become overly politicized and protectionistic. Turnover among those who consider themselves to be honest (frequently the top quartile in creativity, group leadership, and spirit) will increase.

Needless to say, those associated with top-level leaders should impart the above points to them. This may appear to be a daunting task, because nobody wants to give the impression that they “are holier than thou” or “possess the moral high ground.” I sure don’t! Nevertheless, I have found two techniques which help to ease the burden of having to *perfectly* walk the talk:

- 1) When I speak about this point and the five subsequent points to executive leadership, I use humorous examples about my own idiosyncratic failings. This takes the pressure off of not only me, but the auditor

who now knows that he/she does not have to be perfect in order to give needed ethical cues. If one complements these humorous asides with the idea that one is trying to do better and wants the help of others to do this, one need not worry about these humorous asides being used as an excuse to ignore ethics.

- 2) I indicate to people that I would like to be in an ethical community with them. This community entails each of us helping all of us to see and take seriously ethical issues, to integrate ethics into our decision-making processes, and to help find solutions which will be both ethical and helpful to the organization's effectiveness, quality, and budgetary stability (or profitability).

II.B. Step Two: Forming Ethical Communities

Forming an "ethical community" does not refer to forming a series of organization-wide discussion groups that try to reinvent the wheel by unceasingly asking "what should we do?" Rather, it refers to a *call* which leadership can give in one or two presentations setting out the importance of three functions and three group commitments. The three functions were noted above:

- 1) *Perception*: We must encourage each other to look for and take seriously ethical issues which emerge in our daily circumstances or impending decisions.
- 2) *Decision-making*: We must encourage each other to ask ethical questions within our decision-making processes.
- 3) *Action*: When we encounter ethical difficulties, we must encourage one another to *take the time* to come

to a solution which will at once respect our ethical principles and promote our long-term growth, quality, and budgetary stability (or profitability).

In light of Section I, it may be apparent that the three functions (perception, decision-making, and action) are not enough. They need to be guided by inviolable principles. Otherwise, given the propensities of the culture, the three functions are likely to take a utilitarian turn and be guided solely by convenient quantitative analysis. It is therefore incumbent upon leaders to express their desire not only for the three functions, but also for a commitment to inviolable principles.

A commitment to inviolable principles does not require a commitment to deontological ethics (belief that goodness or evil attaches to particular actions). It is certainly not necessary that stakeholders be religious or have a strongly formed conscience. Leaders need only ask their people to agree on a set of actions which they believe defines the demarcation line between honesty and dishonesty. This entails three commitments on the part of the group (whether that be a workgroup, a cross-functional team, a section of a division, a division, or the whole organization).

- 1) *Defining unacceptable actions.* Group agreement that there are certain actions whose commission will be viewed as ethically unacceptable unless the non-commission of such acts would lead invariably to a greater evil (e.g., risking pollution in the atmosphere to prevent a steam buildup which might threaten the lives of everyone in a plant). The definition of these actions will be discussed below in Step 3.
- 2) *Asking “should we?”* Group agreement to ask the question “should we?” (instead of “how much can we?”) before engaging in any process leading to the commission of these unacceptable actions.

- 3) *The end does not justify the means.* Group agreement disallowing “the end justifying the means” (i.e., disallowing using an evil means to produce a good end). The group is permitted to use an evil means to prevent a greater evil (as in the example of the steam plant), but the group will disallow using an evil means merely to produce a benefit (which is not integral to the prevention of a greater evil), such as polluting the atmosphere in order to increase earnings per share by two cents.

If leadership can see its way clear to insisting on the three functions and three commitments, the organization is ready to define or specify inviolable principles (unacceptable actions) when the “lesser of two evils” does not obtain.

II.C. Step Three: Defining Inviolable Principles

After leaders have asked stakeholders to engage in the three functions and the three commitments, they should give guidance about such actions. Though proscriptions (“thou shalt not...”) are clearer than prescriptions (“thou shalt...”), they also directly manifest inviolability (“lines in the sand”) more directly than prescriptions. Alternatively, prescriptions appeal to people’s idealism, nobility, and sense of “making the world a better place,” which seem to be far better self-motivators than proscriptions (“I’m not supposed to do X”). In order to get the best of both worlds, I would propose that leadership elucidate the following three general prescriptions which break out into six general proscriptions. These prescriptions and proscriptions are generally accepted by the vast majority of diverse religious and geographic groups.

Prescription 1: Respect the rights and dignity of others.

Two Corollary Proscriptions:

Proscription 1: Do not harm unnecessarily. If harm is unavoidable, minimize it.

Proscription 2: Do not belittle, insult, or implicitly or explicitly impugn the dignity of another.

Proscription 2: Be honest.

Three Corollary Proscriptions:

Proscription 3: Don't lie.

Proscription 4: Don't cheat.

Proscription 5: Don't steal.

Proscription 3: Be fair.

Corollary Proscription:

Proscription 6: Don't be unfair.

The last point on fairness deserves further explanation because it is difficult to define in various situations involving different stakeholder groups. Yet, when a sense of fairness is violated, it causes deep defensiveness, resentment, and even aggressive and passive-aggressive behavior. I have found that two questions help me and others to better define "fairness" within given situations:

- 1) What does the other stakeholder group mean by "unfair?"
- 2) If I don't know, whom should I ask?

With respect to the first question, most people believe that it is easier to define "unfair" than "fair." "Fair" seems to have a fuzziness which can go on forever. It tends to blend real needs with "non-necessary wants." Whereas "unfair" seems to designate a specific point or line which, when crossed, will produce defensiveness and resentment.

It is important to ask not so much what *I* mean by “unfair” (I always seem to think that everything is fair for the other person), but what the *other person* (or stakeholder group) means by “unfair.” When will *they* feel that their rights are being violated? When will *they* feel that they are being disrespected? When will they feel like they are “being taken advantage of” instead of being valued?

Sometimes these questions are very easy to answer. They are given explicit definition, manifest in people’s body language, and the mere mention of them produces considerable collective emotion. Sometimes, however, “unfairness” is quite difficult to perceive, and if one is not really sure, I believe it is better to ask someone (who does not have an axe to grind or an agenda to push) in the *other* stakeholder group. If that other stakeholder can understand my situation as CEO, or at least can suspend his/her agenda for ten minutes while trying to answer my questions about “unfairness,” he/she deserves to be at least a quasi-confidante. Such quasi-confidantes are worth their weight in gold and can frequently obviate not only ethical problems, but also problems with stakeholder fairness and trust.

Leadership will probably want to give greater specificity, precision, and clarity to the above prescriptions and proscriptions in order to engage stakeholders and help them use these principles. After leaders have given “their take” on the above general principles to their people, they will probably want to solicit feedback to ascertain whether there are perceived omissions, lack of clarity, need for further specification and precision, or negative responses (such as, “Who can implement this code in the real world?”). The more responsive leadership is to this *initial* feedback, the more likely it is that the code of ethics will be accepted, co-owned, and co-utilized.

II.D. Step Four: Asking the Right Questions During the Decision-Making Process

Since principles are stated in the imperative, they are generally very difficult to implement within a decision-making process. My experience in working with organizations indicates that questions are far easier to integrate into decisions than principles. They also engage the interest of individuals and groups far better than principles. Therefore, I would recommend that leadership take the above-mentioned principles (Step 3), and convert them into questions. For example, instead of simply asserting, “Respect the rights and dignity of others,” leadership could *ask*, “Are we respecting the rights and dignity of individuals and groups in the decision we are about to make?” The same can be done for proscriptive principles. For example, instead of asserting, “Do not do unnecessary harm to others,” leadership could ask, “Are we doing unnecessary harm to others by the decision that we are about to make?” This could be followed up with other questions, such as, “If so, how can we collectively and creatively work out a way to avoid this harm?”

The formulation of about five to ten poignant questions (both prescriptive and proscriptive) can be put on a laminated index-sized card to be used by all stakeholders when engaging in decision-making processes which are likely to have ethical consequences. If leaders use the card, engage the questions within *their* decision-making processes, and refer to *their* use of these questions when they are speaking with their people, then others within the organization are likely to imitate them at least in part. I have provided a list in the Appendix of 12 questions which reflect the general prescriptive and proscriptive principles given in Step 3 above. The illustrations in the Appendix can be photo-reduced and placed on a laminated card for organization-wide use during decision-making processes.

II.E. Step Five: A Four-Step Method for Resolving Dilemmas and the Proper Use of Precedents

Up to this point (steps 1-4), I have been addressing the topic of creating a principle-based ethos within an organization. I must now turn to another aspect of ethics which is almost as important, namely, the resolution of problems and dilemmas which involve multiple principles, multiple individuals, and perhaps multiple stakeholder groups. It is one thing to be *committed* to principles. It is another to have the *wisdom* to sort out a myriad of principles affecting different individuals and groups in different ways. When such complex problems arise, it is incumbent upon leadership not to leave such problems to subordinates to “figure out for themselves.” Leaders must use their collective wisdom through their collective pervasive vantage points to help stakeholder groups sort out the complex array of data.

I noted above that misuse of precedents was frequently responsible for rationalization of “convenient solutions.” If one finds a precedent that substantiates a questionable but convenient direction or action, that precedent could be the impetus for rather than the hindrance to unethical activity. I would recommend the following four points to help top leadership avoid these misuses of precedents:

- 1) Examine the full range of precedents.
- 2) Subject that range to the “smell test.”
- 3) Subject that full range to the ethical questions formulated in Step 4.
- 4) When truly perplexed, retain a consultant with similar principles.

With respect to searching the *full range of precedents*, it may do well to have either an attorney, a compliance officer, a consultant, or a mid-level leader (with an interest in ethics)

conduct an internet search of the online journals and case studies (both complementary and subscription) with a view toward making a brief summary of the range of solutions to cases resembling the one confronting our organization. It is critically important to note differences between our own case and the one recounted in the literature. This summary should be made available to all leadership concerned with the case in question.

With respect to the “*smell test*,” the members of the executive or management team should subject case solutions to the following two questions:

- 1) How would we feel if this solution to our case were to appear in the *Wall Street Journal* tomorrow?
- 2) How would relevant stakeholder groups feel if this solution to our case were to be made public? How would stakeholder group A (say, employees) feel? How would stakeholder group B (say, customers) feel? This question should be asked of all stakeholder groups who could be affected by this decision, or who would have an interest in our reputation as determined by this decision.

If particular solutions to our case pass the “smell test,” we will now want to further *subject these solutions to the ethical questions generated in Step 4*. We will want to make adaptations to case solutions which correspond to the principles embedded in our questions. Thus, we might ask, “Does this solution respect the rights and dignity of the people affected by it?” Or, “Are we doing any unnecessary harm to others by using this solution?” If so, we must find ways of modifying the solution to avoid ignoring or undermining our principles. Once the adaptations are made, we will have arrived at a principle-based solution to our ethical problem. We will not have to fear using precedents to rationalize unethical activity, but we will have used precedents

properly to avoid reinventing the wheel, to generate new ideas, and to understand the full range of possible solutions to our problem.

At the end of the day, however, we may not have arrived at a solution with which the majority on the executive team are comfortable. If this is the case, I would recommend retaining a consultant who has principles similar to our own and who would be willing to help us move through the process elucidated above.

II.G. Step Six: A Mechanism for Responding to Questions

Up to this point, I have addressed two areas of ethical concern for leadership: (1) creating a principle-based ethos within an organization, and (2) a method for resolving complex ethical problems and dilemmas. One major area remains, namely, how to achieve awareness of ethical problems arising within quasi-autonomous workgroups, teams, or divisions within organizations. I would recommend two ways of keeping the input and communication channels open:

- 1) setting up an ethics committee which can respond to particular ethical inquiries and concerns, and
- 2) setting up an anonymous mechanism for asking questions

With respect to the first recommendation, an ethics committee (to field questions coming from various areas) should probably include an attorney (for legal concerns), a certified public accountant (for accounting and financial ethics), an HR person (for human relations matters), at least one line manager (for manufacturing concerns), and one sales manager (for sales and marketing concerns). If possible, leadership should strive to have a member from either the board of directors or the executive leadership team on the ethics committee.

With respect to the second point, I would recommend that the committee develop an email address for matters of ethical inquiry. If there is concern among employees about their return email address being known, the committee may also want to set up a regular mailbox for hardcopy inquiries. The committee may want to meet four times per year to respond to these ethical inquiries. They should probably inform employees that responses will be made on a quarterly basis, and that not all inquiries will be given a response due to the exigencies of time, space, and the nature of the inquiry. Responses to some anonymous inquiries may be made through a publicly accessible electronic bulletin board, hardcopy bulletin board, or newsletter.

Though this procedure will require time, energy, and thoughtful deliberation on the part of committee members, it will afford three advantages to leadership:

- 1) it will alert leadership to potential problems and lawsuits *before* matters or momenta have to be undone,
- 2) it will relieve employees of the burden of “being alone” with an ethical concern, and
- 3) it will signal employees that leadership really does care about ethics, which, in its turn, will improve the ethos of integrity and trust throughout the organization.

Much of the time, managers or accountants in particular areas have a very good sense of the right thing to do. If employees feel comfortable asking these managers or accountants about particular concerns, they should be encouraged to do so. If the managers or accountants in a particular area are uncertain about a particular response, or if employees are not comfortable with talking to managers or accountants in their area, then employees should be encouraged to make use of the ethics committee (either by email or hardcopy

mail). I would recommend that committee members be compensated for their work (especially if they have to complete their tasks after hours or on weekends). I believe this is not only the ethical thing to do, but also markedly improves the quality of the end products.

Conclusion

Hopefully, this small article on applied ethics will help organizations not only to see the problems arising out of the last 30 years, but also to find incisive, workable solutions to those problems. The intangible dividends of increased trust and integrity, with their corollary dividends of decreased lawsuits, transactional costs, opportunity costs, and turnover among top employees, along with increased goodwill, quality, and market share will be well worth the time, effort, and resources spent on this necessary endeavor.

APPENDIX

The two illustrations on the following two pages can be photo-reduced and placed on laminated cards for easy reminders to employees about (1) questions reflecting prescriptive/proscriptive principles, and (2) the six steps in this article. I rephrased the six steps into five commitments for easier use.

THE XYZ ORGANIZATION
12 Principle-Based Questions

General Questions

- 1) How would we feel if this action were to be reported tomorrow in the *Wall Street Journal*?
- 2) How would our stakeholders feel if this action were to be made public?

Respect the Rights and Dignity of Others

- 3) Does our decision respect the rights and dignity of others?
- 4) Does our decision cause unnecessary harm to others? Does it minimize unavoidable harm?
- 5) Does our decision belittle or show disrespect to others?

Be Honest

- 6) Does our decision manifest collective honesty, integrity, and character?
- 7) Does our decision manifest cheating (not abiding by the rules or “expectations of fair play”)?
- 8) Will elements of our decision be viewed as misleading, exaggerated, or dishonest?
- 9) Does our decision lead us to take or appropriate what is not our own (material property, intellectual property, leased property)?

Be Fair

- 10) Will our decision be viewed as fair to all affected stakeholders?
- 11) What do our various stakeholders mean by “unfair?”
- 12) If I don’t know what other stakeholders mean by “unfair,” which member of those stakeholder groups do I ask?

THE XYZ ORGANIZATION
Five Commitments for Implementing
Principle-Based Ethics

- 1) Our organization and its leaders are committed to ethics. Help us to live this out as a community.
- 2) Let us commit ourselves to inviolable principles, to the question “should we?” (instead of “how much can we?”), and the principle “the end does not justify the means.”
- 3) Let us commit ourselves to asking the ethical questions on the reverse side of this card when making decisions with ethical consequences.
- 4) Let us commit ourselves to the following four-step method when confronted by a dilemma:
 - a) What is the full range of precedents?
 - b) Which precedents pass the “smell test” (i.e., our decision being made public in the *WSJ* or to affected stakeholder groups)?
 - c) Which precedents pass muster with the ethical questions on the reverse side of this card?
 - d) If we cannot accomplish the above, what consultant should we retain?
- 5) Let us commit ourselves to soliciting ethical questions and feedback from our stakeholders, and to responding to these questions through an ethics committee, or through some other means.