business
ethics

an ethical decision-making approach

Mark S. Schwartz

Business Ethics

Foundations of Business Ethics

Series editors: W. Michael Hoffman and Robert E. Frederick

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To my parents, Albert and Eileen Schwartz

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Introduction to Ethical Decision Making

As we live our lives, whether as a parent or child, spouse or partner, relative or friend, or employee or manager, we presumably try to be the best that we can be in what we are doing. We want to live up to all expectations; those of others and of ourselves. Our basic goals include making a decent living, enjoying our work careers, making our loved ones proud, and taking care of the well-being of our families in relative security and material comfort. But at the very least, we wish to stay out of trouble, not get fired, avoid being sued, not harm others, and certainly not end up in jail. Basically, we hope to fulfill our responsibilities both at work and at home, while living a good life with no major regrets.

We have many motivations to achieve these goals, including feelings of loyalty, love, responsibility, self-worth, and self-satisfaction. But along the way and on a daily basis, as we attempt to fulfill our life objectives, we inevitably face *ethical dilemmas* that need to be resolved. Sometimes we simply don't realize we are facing ethical dilemmas, and make decisions we realize only in hindsight should have been handled differently. In other cases we might realize there are potential ethical implications to our actions but we decide to ignore them, either consciously or subconsciously. Often, this is because we choose to do what will help us achieve what we *want*, rather than what we know we *ought* to do. Either way, there are going to be potential implications as a result of our actions or inaction, both for ourselves and for others, throughout our lives.

Just like everyone else, I have faced and continue to face ethical dilemmas. I still vividly remember being in junior high school and sitting in my mathematics class. Just after class ended I opened one of the textbooks that had been left on the desk. I discovered that a 20 dollar bill had been left inside the textbook. Thoughts immediately crossed my mind. Should I keep it? What would I buy with it? What about the other student who had forgotten about his or her money? Why did the other student leave a 20 dollar bill in a textbook in the

first place? Twenty dollars was a lot of money for a teenager at that time. In the end, right after class, I decided to take the money to the Principal's office. Why did I do this? Why didn't I just keep the money? No one would ever have known if I had kept it. To this day I'm still not sure why I returned it.

Later on as a first year law student, without too much disposable cash around, I discovered there was a scholarship I could apply for. I knew of another student who could also use the money, and I was also aware that she had received better grades than I had. If I told her about the scholarship, she would probably apply reducing my chances of receiving the scholarship. Should I tell the other student about the scholarship opportunity? In the end, I told her. Fortunately, we both received the scholarship. But how would I have felt if only she had received it? Or what if I hadn't told her and only I had received it? Would I have felt guilty? Would I have looked back and felt I made the right decision?

After graduating from law school, I started working for a big downtown law firm. Despite generally enjoying the practice of law, I also noticed a number of things that caused me concern. I was invited into the office of an associate lawyer who said he would teach me what I needed to know to become a partner. He showed me how I could "bump up" the time sheets for each client by adding a few minutes to each activity's entry. He said that at the end of the day, he knew he had spent "x" number of hours per day at work, and that he was simply adding in the extra time that he didn't quite document properly during the day. When I expressed a bit of surprise at this technique, he said that corporate clients wouldn't notice or care in any event. I wondered, is everyone doing this, and are the senior partners aware that this practice was taking place? Later, while I was meeting with a senior lawyer in his office, a client called. I heard the lawyer explain to the client that while he could not advise him to destroy a particular document that the client had just found, if the document continued to exist, it would have to be produced to the opposing side and the client would definitely lose his case. The lawyer then hung up. I assume that document was never seen again.

Later, I began to notice that many of the other junior lawyers at the firm were taking advantage of the "free dinner after 7:00 p.m." policy, which was intended to encourage employees to work well past 7:00 p.m. After discovering that my colleagues had no concerns, I also began to wait until exactly 7:00 p.m. to go pick up my meal from a restaurant and eat it at home. This was of course justified in my mind, since everyone seemed to believe they were working hard and deserved the "free" dinners. In any event, I did technically stay until 7:00 p.m., and if this was an issue, the firm could always modify its policy. I wondered how many other ethical issues I would face if I remained in the practice of law.

After deciding to leave the practice of law for academia, I was at a job interview for my first full-time academic position at a business school. The position included teaching both the subjects of business law and business ethics. I felt

fortunate to have been invited to the campus, and I wanted to do well during the interviews. With a wife and two young children, getting my first academic appointment was certainly a priority. While meeting with one of the senior professors, I was asked a question that I never expected. She asked: "If you could only offer one course to business students, which one would it be, business law, or business ethics?" I knew that the interviewer was a professor who taught and published in the field of business law, and would therefore presumably prefer to hear "business law" as my response. I immediately asked myself, should I give her the answer which I believed she wanted to hear, and likely improve my chances of being hired?

Without thinking too much, I gave the response I sincerely believed, "business ethics." I indicated my reason, that if students understand their proper ethical obligations, then as future managers most of their legal obligations would necessarily be accounted for. I also suggested that managers that focus only on their legal obligations might neglect their ethical obligations potentially leading to serious negative consequences for others. In the end, I did not receive an offer for the position, and I'll never know if my answer made any difference in making their decision. But I thought how ironic it was that I considered giving an insincere answer during an interview for a position teaching business ethics.

I don't tell these stories to suggest that I am necessarily an ethical or at times unethical person or a good or bad role model. In fact, there's no question that just because someone teaches business ethics or moral philosophy (or is a religious leader, president of a country, politician, prosecutor, judge, police officer, or chief executive officer) means they are necessarily the most "ethical" person.[1] But when I reflect on my life, the most salient decisions made in the past that define who I really am all seem to hinge on those incidents that involved ethical implications. But it's not just the more important decisions in our lives that stand out. In fact, every single day, we face ethical dilemmas or issues that require resolution. Sometimes we recognize these dilemmas as having ethical implications, such as impacting others, and sometimes we don't. Sometimes we only realize the ethical implications days or weeks after we have acted a certain way. And even when we do recognize that we are facing ethical dilemmas, there are many different reasons why we decide how to act a particular way on any given day.

Unethical Activity in Society

So how much unethical or immoral activity is taking place in society in general?[2] It seems that dishonesty, cheating, and breaking promises starts early, and continues throughout life for many. In terms of dishonesty, some researchers have found that on average we lie two to three times for every

10 minutes that we speak, that by age three we know how to fib, and by age six we already know how to lie.[3] One of the more famous lies includes former US President Bill Clinton, who first publicly stated: "I did not have sexual relations with that woman, Ms Lewinski…these allegations are false, and I need to go back to work for the American people."[4] Later, Clinton publically admitted: "While my answers were legally accurate, I did not volunteer information. Indeed, I did have a relationship with Ms Lewinsky that was not appropriate. In fact, it was wrong. It constituted a critical lapse in judgment, and a personal failure on my part for which I am solely and completely responsible…I misled people, including even my wife."[5]

Cycling athlete Lance Armstrong, at one point named one of *Time* magazine's "Most Influential People,"[6] vehemently denied for years taking performance enhancing drugs leading to winning the Tour de France only to later confess that he had been lying the entire time.[7] Armstrong finally publicly admitted during an interview with Oprah Winfrey the following: "In all seven of your Tour de France victories, did you ever take banned substances or blood dope?" "Yes." "For 13 years you didn't just deny it, you brazenly and defiantly denied everything you just admitted just now. So why now admit it?" "That is the best question…I don't know that I have a great answer. I will start my answer by saying that this is too late…this story was so perfect for so long…You overcome the [cancer] disease, you win the Tour de France seven times. You have a happy marriage, you have children. I mean, it's just this mythic perfect story, and it wasn't true."

Brian Williams, a prominent and highly regarded US television news anchor who received several Emmy awards, claimed he had been on a helicopter that was shot down in Iraq when it was later discovered this was not in fact true.[8] Williams later publicly stated: "I made a mistake in recalling the events of 12 years ago. I want to apologize. I said I was travelling in an aircraft that was hit by RPG fire, I was instead in a following aircraft…."[9] From these examples we see that even revered athletes, highly respected journalists, and even US Presidents are capable of publicly lying under certain circumstances, and are able to continue living with the lie for years.

In terms of cheating, one study found that over half of US high school students admitted to cheating on a test the previous year.[10] Business students in graduate university programs may be the worst offenders, with 56% admitting to cheating.[11] Close to half of the professors who catch their students cheating do not report them.[12] The rates of reported infidelity in the United States are approximately 19% for women and 23% for men.[13] Online dating services like Ashley Madison that facilitates extramarital affairs and whose slogan is "Life is short, have an affair," now has according to its website over 45 million members in dozens of countries.[14] In Britain, one study found that there were over 180,000 attempted fraudulent applications for motor insurance in one year, involving motorists who were lying about or knowingly failing to

disclose important information.[15] Approximately 17% of Americans cheat on their taxes, either by under-reporting income, not filing taxes, or underpaying taxes.[16] Virtually everyone has at one point faced the dilemma whether to engage in illegally downloading music, television shows, movies, or computer software, or to purchase what we know to be counterfeit fashion products.[17]

Unethical Activity in the Workplace

And what about unethical activity in the *workplace*? Is this of big concern? Unfortunately, the answer is yes. Every day, employees and managers face ethical issues, moral temptations, and organizational pressures, potentially leading to misconduct. Consider the following research on the extent of unethical and illegal activity taking place in the workplace. One national survey found that over 40% of US workers observed misconduct during the previous year, representing tens of millions of Americans.[18] The most significant types of misconduct observed include:[19]

- abusive behavior or behavior that creates a hostile work environment (18%);
- lying to employees (17%);
- a conflict of interest – employee's interests placed over the company's interests (12%);
- violating company policies related to Internet use (12%);
- discriminating against employees (12%);
- violations of health or safety regulations (10%);
- lying to customers, vendors, or the public (10%);
- retaliation against someone who has reported misconduct (10%);
- falsifying time reports or hours worked (10%);
- stealing or theft (9%).

In terms of theft, one study found that two-thirds of employees steal from their workplaces. The most common items stolen by employees include sticky notes, tape, scissors, toilet paper, copier paper, USB memory sticks, notepads, pens, staplers, and highlighters.[20] Another survey revealed the "most ridiculous excuses" actually used by employees in order to skip work including: "My plastic surgery needed some "tweaking" to get it just right"; "I was sitting in the bathroom and my feet and legs fell asleep. When I stood up, I fell and broke my ankle"; "I woke up in a good mood and didn't want to ruin it"; "I got stuck in the blood pressure machine at the grocery store and couldn't get out"; "I caught my uniform on fire by putting it in the microwave to dry"; and "I accidentally got on a plane."[21]

Anyone who has worked at a business organization could likely corroborate observing lying, cheating, broken promises, and other types of misconduct contrary to corporate policies or basic morality taking place at some point. Over the years I have read thousands of personal ethical dilemmas faced by MBA and undergraduate business students in their capacities as employees or managers. In many of these cases students have either witnessed unethical activity or were asked to participate in the misconduct. How can we explain the extent of the wrongdoing taking place? Why don't these employees realize that what they are doing is wrong? And if they understand it is wrong to lie, violate company policies, discriminate, retaliate, falsify, or steal, how do they rationalize or justify their actions to themselves? How will unethical activity ever be reduced if we do not understand why it occurs in the first place?

Major Corporate Ethical Scandals

Each of the examples described has consequences, but since they may not seem overly significant in terms of causing serious harm, we might choose to avoid worrying about such wrongful activity too much. Unfortunately, however, there are also examples of much more serious unethical conduct in the business world with much more significant impacts. Most are now familiar with the more highly publicized corporate scandals that have taken place over the years, resulting from the unethical decision making of a number of individuals including the most senior leaders of business firms. Several significant financial scandals have occurred all over the world including in the United States (e.g., Enron, WorldCom, Tyco International), in Japan (e.g., Toshiba[22]), in the UK and continental Europe (e.g., Barings Bank, Parmalat, Société Générale, Barclays Bank), and in Canada (e.g., Bre-X, Nortel Networks, and Hollinger International).[23] The US subprime mortgage debacle that triggered the 2008 financial crisis and recession only heightened the recognition among the public of the risks of widespread unethical activity within the financial community.[24]

Beyond the financial world, other corporate misconduct has caused significant harm to consumers. For example, significant consumer product scandals that have led to thousands of consumer deaths which could have been avoided include the Bridgestone/Firestone tire blowouts and Ford Explorer rollovers in 2001,[25] Merck's eventual recall of its pain killer Vioxx in 2004,[26] and melamine-contaminated Chinese infant formula leading to hundreds of thousands of sick babies and six deaths in 2008.[27] General Motors finally recalled its vehicles with faulty ignition switches in 2014 after more than 100 deaths.[28] In 2016, Japanese auto supplier Takata recalled tens of millions of air bag inflators that would explode during accidents. The Takata recall represents the largest auto safety recall in US history.[29]

The natural environment continues to be impacted by business decisions, including BP's 2010 massive oil spill in the Gulf of Mexico[30] and the Japanese 2011 Fukushima nuclear reactor leak due to inadequate planning for the effects of a large-scale earthquake and tsunami.[31] Volkswagen was hit in 2015 with a massive scandal involving cheating on their vehicles' emissions tests in order to sidestep pollution standards affecting millions of their vehicles.[32] In 2015, the collapse of a tailings dam owned by mining companies BHP and Vale led to Brazil's worst environmental disaster, killing 19 people and unleashing 60 million cubic meters of mud and mine waste into the river valley below.[33]

In terms of international business, bribery and corruption scandals continue to arise for companies including Siemens in Europe in 2008[34] and Petrobas in Brazil in 2015.[35] Multinational companies appear to disregard their ethical obligations in terms of the safety of the factories of their suppliers in developing countries sometimes leading to building collapses or deadly fires.[36] Annual surveys by the organization Transparency International continue to demonstrate the high levels of perceived corruption taking place within the public sector of many countries around the world.[37] In 2016, the "Panama Papers," consisting of millions of documents, were released revealing billions in assets hidden by government and business leaders through secret shell companies.[38] It seems unfortunately that a single day doesn't go by when we can't read at least one story in the news about misconduct taking place in the business world.

Given the extent of illegal and unethical business activity that continues to transpire and the resultant costs to societal stakeholders including shareholders, employees, consumers, and the natural environment,[39] the importance of *ethical decision making* by individual employees and managers in business organizations is no longer in doubt. Unethical activity continues despite the best efforts of business organizations to implement comprehensive ethics programs, including codes of ethics, compliance and ethics training, and reporting hotlines in the United States,[40] and in the UK and continental Europe.[41] Graduates of business schools continue to engage in misconduct despite the extent to which business schools around the world teach the subject of business ethics.[42] The significant negative yet potentially preventable costs to society resulting from the unethical actions of individual firm agents suggests that ethical decision making might be considered one of the most important processes to understand better, not only for business students and academics, but for the corporate community and society at large.[43]

An "Ethical Decision-Making Approach" to Business Ethics

There are a variety of ways to approach the topic of business ethics. *Business ethics* as an academic field can generally be understood as addressing

business practices and behavior in terms of moral right and wrong.[44] The key consideration typically revolves around a normative assessment of the impacts of business activity on various *stakeholders*, meaning those individuals or groups who can affect or are affected by the firm's actions.[45] If the core goal of business ethics had to be reduced to just three words, I would suggest those words would be to *avoid unnecessary harm*.[46] While many still joke that "business ethics is an oxymoron" or as a subject must be the "shortest course in the world" with the "thinnest textbook," I would contend that ethics is absolutely necessary for business. For example, without a minimum degree of trust that the other side will follow through on its promises, business activity could not take place, irrespective of any legal contract.

So how is this book different from other business ethics books? Most traditional business ethics textbooks cover a range of topics, such as moral theory, corporate social responsibility (or the purpose of business),[47] as well as the firm's ethical obligations to its primary stakeholders including customers, employees, shareholders, government, suppliers, and the natural environment.[48] Other business ethics textbooks are anthologies, which consist of a series of key readings by different authors on a variety of business ethics-related topics such as affirmative action, discrimination, sexual harassment, worker health and safety, consumer protection, marketing, whistleblowing, or international business.[49] Rather than discussing a range of business ethics issues, this book takes a different approach and focuses on one particular component of the business ethics field, that of *ethical decision making*.

The reason for taking this particular and more focused approach is as follows. While all of the various business ethics topics are important, in the end each of these issues boils down to one important process, that of ethical decision making by individuals operating within business organizations, and in this respect represents the fundamental component or the underlying foundation for the entire business ethics field. At the core of business activity, ethical or unethical decisions are made by business firm agents that ultimately have important positive or negative impacts for the decision maker, for others, or for society at large. In fact, the ethical decision-making process may be one of the most relevant decision-making processes for every human being living on this planet, and is what potentially distinguishes us from the rest of the animal kingdom. It is for these reasons that I wanted to write this book, both for myself and for others, to begin to understand the range of discussion and research that has taken place on the very important subject of ethical decision making. Ethical decision making may in fact represent one of the most powerful lenses by which virtually all human activity and behavior, whether personal in nature or business-related, can be viewed, judged, and hopefully improved.

About This Book

So what is this book all about, and how does it address the ethical situations that we might face and the current misconduct taking place? When it comes to the subject of ethical decision making in the workplace, I believe that for teachers, students, and especially employees and managers, it is important to reflect on three basic interrelated questions. The first question is *descriptive* in nature: how do people decide whether to engage in ethical or unethical behavior? By understanding the ethical decision-making process, we can become aware of the factors that either assist or impede us from becoming aware that we are facing ethical dilemmas and as a result end up acting inappropriately. The second question is *normative* in nature: irrespective of how ethical decision making descriptively takes place, what standards, principles, or tests *should* we use to determine and ultimately engage in ethical behavior? Understanding the normative decision-making process becomes particularly important when we face and need to resolve more difficult and challenging ethical dilemmas.[50] In addition to knowing why people make ethical or unethical decisions as well as how we should decide what is right and wrong, we also need to move beyond the descriptive and normative questions and ask a more *practical* or instrumental question: What can the senior leadership of business firms do to help ensure that other firm agents act ethically and avoid problems?

This book, entitled *Business Ethics: An Ethical Decision-Making Approach*, will attempt to answer these questions by explaining the ethical decision-making process in terms of how it takes place (descriptive), how appropriate behavior should be determined (normative), and how ethical behavior can be encouraged and supported (practical). The overall goal is to provide readers with a basic roadmap to understand the key challenges we all face in being aware of ethical issues taking place around us all the time, determining the right course of action, and then actually following through with appropriate behavior.

Any book about ethical decision making would necessarily be built on a series of core assumptions. For this book, the following is assumed, with each assumption being open to challenge:

- Individual human nature is such that all behavior is assumed to be driven by two fundamental motives or objectives:[51] (i) self-interest (pleasure/desires/utility/self-preservation, referred to as the "*want* self"); and/or (ii) morality (abiding by one's moral commitments, referred to as the "*should* self"[52]). While these two objectives often merge together, they can also conflict with each other. It is when they are in potential conflict that most ethical issues arise for individuals operating within a business organization.

- In the more specific organizational context, all decision making by the firm or individual agents relates to either the economic (i.e., business or individual self-interest), legal, and/or ethical domains. Moral awareness only arises when we realize the ethical implications of the dilemmas we face, as opposed to merely the business or legal implications.
- The vast majority of firm agents, including executives, managers, and employees, are "good apples" and would prefer to act ethically (the "should self") under the right circumstances and with appropriate organizational support (i.e., "good barrels").
- A minority of firm agents will, however, act unethically (the "bad apples") with the "want self" taking priority when the opportunity exists regardless of the efforts of firms to prevent such unethical activity.
- The academic research community is still at the preliminary stages of properly understanding the ethical decision-making process, despite the fact that nearly 500 empirical studies with over 1,000 findings have already been conducted by ethical decision-making researchers since the late 1970s.[53] This does not negate, however, the need to understand the current state of the research, and only enhances the importance of conducting further research.

A Few Key Definitions

But before we proceed further, a few key definitions are required. An *ethical issue* is defined as a situation in which an individual must reflect upon competing moral standards and/or stakeholder claims in determining what is the morally appropriate decision or action. One might try to distinguish ethical issues or situations involving "ethical dilemmas" from those whereby an individual is facing a "moral temptation" circumstance. *Ethical dilemmas* are defined as those more challenging situations involving "right versus right" or "wrong versus wrong" alternatives, such as deciding which employee to lay-off or whether to anonymously report the misconduct of a manager. With every alternative, there are individuals who might benefit and those who might suffer, have their rights infringed, or be treated unfairly. The goal when faced with an ethical dilemma is to select the "most right" or "least wrong" among the various possible alternatives.

Moral temptations, however, involve "right versus wrong" alternatives linked more directly to our self-interest, such as deciding whether to steal supplies from the office supply cabinet or lie and call into work sick.[54] For moral temptation issues, we generally know we shouldn't act a certain way but might nonetheless rationalize or convince ourselves that the action is acceptable under the circumstances. *Moral judgment* is defined as the determination of

the most ethically appropriate or least ethically objectionable course of action among potential alternatives. *Ethical behavior* is not defined merely as conforming to the legal or moral norms of the larger community,[55] but is behavior that can be supported by one or more moral standards.[56] These moral standards will be discussed in more detail in Chapter 4.

The Organization of the Book

To cover the broad topic of ethical decision making in organizations, the book is divided into three parts with seven chapters. As indicated above, the book consists of three interrelated parts: the *descriptive*, or how ethical decision making takes place (Part 1); the *normative*, or how ethical decision making should take place (Part 2); and the *practical*, or how ethical decision making can be improved in an organizational setting (Part 3).

Part 1 of the book provides an overview of the *descriptive theory* underlying ethical decision making. Chapter 1 addresses the question of what determines ethical behavior. Both individual and situational constructs and factors are discussed that can influence or moderate behavior including an individual's moral character along with the situational nature of the issue, the organizational factors, and the personal context. In Chapter 2 a new ethical decision-making framework is proposed which binds together the rationalist (or reason-based) approach with the non-rationalist (or intuition/emotion-based) approach, called "Integrated Ethical Decision Making." The proposed model is described beginning with initial awareness of an ethical issue leading to judgment, forming an intention to act, and finally to actual behavior. Chapter 3 describes the dominant impediments or barriers to ethical decision making including improper framing, cognitive biases, psychological tendencies, moral rationalizations, and self-interest.

Part 2 of the book provides a *normative framework* for ethical decision making. Chapter 4 provides a basis for how ethical decision making should take place which is called "Multifaceted Ethical Decision Making." The framework includes the application of several moral standards, followed by consideration of several ethical decision-making tests referred to as the "Public-Parent-Pillow (3P) Filter." Chapter 5 provides a set of conditions under which it is morally permissible or morally obligatory to report misconduct taking place in a firm, considered to be one of the most significant ethical issues an employee can face during their career.

Part 3 of the book moves into a *practical application* of the descriptive and normative theory described in Parts 1 and 2. Chapter 6 sets out the three pillars that the senior leadership of business firms should make sure exist in order to develop and sustain an ethical corporate culture which can diminish the

likelihood of unethical behavior. The pillars include infusing ethical values throughout the organization, developing comprehensive ethics programs, and ensuring ethical leadership. Chapter 7 provides an opportunity for readers to engage in a practical exercise in deciding how they would act. A set of common ethical dilemmas faced by employees in the workplace is presented with commentary on their decisions based on the theories and principles set out earlier in the book. Finally, the conclusion of the book provides a series of key takeaways with respect to improving the quality of the ethical decision-making process.

A few final qualifications are in order. First, I will often refer to previous academic research that has been conducted. But I will also suggest my own approaches to ethical decision making as well. Second, to reduce somewhat the "academic bulkiness" of the chapters, I will use extensive endnotes and several appendices for providing additional theoretical background or commentary to many of the points which may be of interest for those who would like to see additional academic discussion on the topics. While the book is highly theoretical in nature, it does not provide the specific criteria for measuring many of the theoretical constructs which can be found elsewhere in the academic literature.[57] Third, due to its heavy reliance on theory, this book is primarily intended for academics or as a supplemental text for students taking a course in business or professional ethics. The book might also be of some assistance to those business practitioners, including employees, managers, executives, CEOs, board members, and consultants, who are looking to better understand ethical decision making in the workplace but from a more academic perspective. Chapter 1 of the book will now introduce the topic of ethical decision making by reviewing the key *individual* and *situational* constructs or factors that might influence the decision to engage in misconduct.

Notes

1. One study for example found that there was no difference between ethics professors and other professors in terms of their self-reported ethical behavior. See: Schwitzgebel and Rust (2014).
2. Although "ethics" can be distinguished from "moral" (e.g., ethics is the study of morality, while morals are the practice of ethics), throughout the book, the terms "ethics" and "ethical" will be used interchangeably with the terms "morality" and "moral" for ease of reference. See: Jones (1991, p. 367) who uses a similar approach.
3. See: Ulrich Boser, "We're All Lying Liars: Why People Tell Lies, and Why White Lies Can Be OK," *US News and World Report*, May 18, 2009, http://health.usnews.com/health-news/family-health/brain-and-behavior/articles/2009

/05/18/were-all-lying-liars-why-people-tell-lies-and-why-white-lies-can-be-ok (accessed 18 September 2016).

4. See: "Clinton: I Did Not Have Sexual Relations With That Woman," *YouTube* video, August 30, 2006, https://www.youtube.com/watch?v=KiIP_KDQmXs (accessed 18 September 2016).

5. See: "Bill Clinton Admits To Having Inappropriate Relationship with Monica Lewinsky," *YouTube* video, November 18, 2010, https://www.youtube.com/watch?v=UEmjwR0Rs20 (accessed 18 September 2016). Clinton also indicated the reasons for his lie: "I was motivated by many factors, first by a motivation to protect myself, from the embarrassment of my own conduct."

6. See: Elizabeth Edwards, "The 2008 Time 100: Lance Armstrong," *Time*, May 12, 2008, http://content.time.com/time/specials/2007/article/0,28804,1733748_1733756_1735280,00.html (accessed 18 September 2016).

7. See: Telegraph Sport, "Lance Armstrong's Interview with Oprah Winfrey: The Transcript," *The Telegraph*, January 18, 2013, http://www.telegraph.co.uk/sport/othersports/cycling/lancearmstrong/9810801/Lance-Armstrongs-interview-with-Oprah-Winfrey-the-transcript.html (accessed 18 September 2016).

8. See: Emily Steel and Ravi Somaiya, "Brian Williams Suspended From NBC for 6 Months Without Pay," *The New York Times*, February 10, 2015, http://www.nytimes.com/2015/02/11/business/media/brian-williams-suspended-by-nbc-news-for-six-months.html (accessed 18 September 2016).

9. See: Emily Steel and Ravi Somaiya, "Brian Williams Suspended From NBC for 6 Months Without Pay."

10. See: Thomas Ehrlich and Ernestine Fu, "Cheating in Schools and Colleges: What To Do About It," *Forbes*, August 22, 2013, http://www.forbes.com/sites/ehrlichfu/2013/08/22/cheating-in-schools-and-colleges/ (accessed 18 September 2016).

11. See: McCabe *et al.* (2006).

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14. See: Ashley Madison website, http://www.ashleymadison.com (accessed 18 September 2016). The Ashley Madison website was hacked leading to the release of the members' identities. See: Alex Hern, "Infidelity Site Ashley Madison Hacked as Attackers Demand Total Shutdown," *The Guardian*, July 20, 2015, http://www.theguardian.com/technology/2015/jul/20/ashley-madison-hacked-cheating-site-total-shutdown (accessed 18 September 2016).

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16. See: Allison Linn, "Cheat on Taxes? Never! (Really)," *CNBC*, March 3, 2014, http://www.cnbc.com/id/101456854 (accessed 18 September 2016).

17. See: Hilton *et al.* (2004); Koklic *et al.* (2016). Fifty-seven percent of those surveyed admitted to using illegally downloaded software. See: William Jackson, "Surprise: 57 Percent Admit to Using Pirated Software," *GCN*, May 15, 2012, http://gcn.com/articles/2012/05/15/cybereye-57-percent-use-pirated-software.aspx (accessed 18 September 2016).

18. See: Ethics Resource Center (2014). Although the Ethics Resource Center is now part of the Ethics & Compliance Initiative (ECI) as of June 2015, the Ethics Resource Center will be referred to as the original author of the various studies referred to throughout the book. See: Ethics & Compliance Initiative website, https://www.ethics.org/home (accessed 18 September 2016).

19. Other types of misconduct observed include (Ethics Resource Center, 2014, pp. 41–42): violating employee wage, overtime, or benefit rules (9%); delivery of substandard goods or services (9%); abusing substances, such as drugs or alcohol, at work (9%); breaching employee privacy (8%); improper hiring practices (7%); sexual harassment (7%); breaching customer or consumer privacy (5%); violation of environmental regulations (4%); misuse of company's confidential information (4%); violating contract terms with customers or suppliers (4%); falsifying invoices, books, and/or records (4%); accepting inappropriate gifts or kickbacks from suppliers or vendors (4%); offering anything of value (e.g., cash, gifts, entertainment) to influence a potential/existing customer (4%); falsifying expense reports (4%); falsifying and/or manipulating financial reporting information (3%); improper use of competitor's proprietary information (3%); offering anything of value (e.g., cash, gifts, entertainment) to influence a public official (3%); and making improper political contributions to officials or organizations (3%).

     In Canada, similar to the United States, 42% of employees have observed some type of misconduct. The major types of workplace misconduct observed include: misuse of company property (28%) (e.g., misuse of confidential information, customer or employee privacy breach); harm to people (25%) (e.g., abusive behavior, lying to employees, discrimination, health or safety violations, sexual harassment, etc.); privacy violations (17%) (e.g., misuse of confidential information, customer or employee privacy breach); fraud (17%) (e.g., stealing, falsifying time sheets/expense reports, employee benefits violations); conflicts of interest (13%) (e.g., insider trading); environmental violations (12%) (e.g., dumping of hazardous waste, violating environmental standards); misrepresenting company results (11%) (e.g., misrepresenting financial records); and bribery and corruption (9%) (e.g., illegal political contributions, offering/accepting kickbacks or bribes) (9%) (see: Ipsos Reid, "Four in Ten (42%) Employed Canadians Have Observed Some Form of Workplace Misconduct: One in Five (17%) Cite Witnessing Privacy Violations," July 3, 2013, http://www.ipsos-na.com/news-polls/pressrelease.aspx?id=6187 (accessed 18 September 2016).

20. See: KMLE, "Top Office Supplies That Are Stolen & The Average Value of Contents in a Woman's Purse," May 16, 2012, http://kmle1079.cbslocal.com/2012/05/16/top-office-supplies-that-are-stolen/ (accessed 18 September 2016).

21. See: Susan Adams, "The Most Ridiculous Excuses for Skipping Work," *Forbes*, October 23, 2014, http://www.forbes.com/sites/susanadams/2014/10/23/the-most-ridiculous-excuses-for-skipping-work/ (accessed 18 September 2016).

22. See: BBC News, "Toshiba Chief Executive Resigns Over Scandal," July 21, 2015, http://www.bbc.com/news/business-33605638 (accessed 18 September 2016).

23. The list of scandals is quite extensive. Here is an additional list of some of the more significant financial scandals, with the year the scandal broke: Drexel Burnham Lambert (1987) – insider trading, stock parking (defunct); BCCI (1991) – money laundering (defunct); Salomon Brothers (1991) – treasury-bond auction scandal; Barings Bank (1995) – fraudulent trading of Nikkei-index contracts (defunct); Prudential Securities (1995) – fraud in selling limited partnerships; Bankers Trust (1995) – misrepresentations in derivatives trading; Daiwa Bank (1995) – concealed trading losses; Merrill Lynch and Orange County (1996) – leveraged interest-rate losses; Bre-X (1997) – massive fraud over extent of gold find (defunct); Enron (2001) – aggressive accounting (bankrupt); WorldCom (2002) – aggressive accounting (bankrupt); Parmalat (2004) – fraudulent accounting; Nortel Networks (2005) – aggressive accounting/bonuses; Hollinger International (2007) – executive self-dealing; Société Générale (2008) – trading scandal; Madoff Investment Securities (2009) – Ponzi scheme fraud (defunct); Barclays Bank (2012) – Libor rate scandal, Wells Fargo (2016) – fake bank accounts.

24. See: Vikas Bajaj and Louise Story, "Mortgage Crisis Spreads Past Subprime Loans," *The New York Times*, February 12, 2008, http://www.nytimes.com/2008/02/12/business/12credit.html (accessed 18 September 2016).

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30. See: *The Guardian* website, "BP Oil Spill," http://www.theguardian.com/environment/bp-oil-spill (accessed 18 September 2016).

31. See: The Guardian website, "Fukushima," http://www.theguardian.com/environment/fukushima (accessed 18 September 2016).

32. See: Karl Russell, Guilbert Gates, Josh Keller, and Derek Watkins, "How Volkswagen is Grappling with its Diesel Deception," *The New York Times*, March

24, 2016, http://www.nytimes.com/interactive/2015/business/international/vw-diesel-emissions-scandal-explained.html (accessed 18 September 2016).

33. See: Stephen Eisenhammer, "Brazil's Prosecutors Hit Vale, BHP With $44 Billion Civil Lawsuit For Dam Collapse," *Reuters*, May 4, 2016, http://www.reuters.com/article/us-brazil-damburst-prosecutors-idUSKCN0XU2AH (accessed 18 September 2016).

34. See: Huffington Post website, "Siemens Bribery Scandal," http://www.huffingtonpost.com/news/siemens-bribery-scandal/(accessed 18 September 2016).

35. See: Mac Margolis, "Brazil's Petrobras Scandal Shakes Up the System," *Independent*, December 23, 2015, http://www.independent.co.uk/news/business/analysis-and-features/brazils-petrobras-scandal-shakes-up-the-system-a6759756.html (accessed 18 September 2016).

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37. See: Transparency International website, "Corruption Perceptions Index," http://www.transparency.org/research/cpi/overview (accessed 18 September 2016).

38. See: The Guardian, "Panama Papers," http://www.theguardian.com/news/series/panama-papers (accessed 18 September 2016).

39. See: Ethics Resource Center (2014); US Sentencing Commission, *US Federal Sentencing Guidelines for Organizations*, http://www.ussc.gov/guidelines-manual/2014/2014-chapter-8 (accessed 18 September 2016); Association of Certified Fraud Examiners, *Report to the Nations on Occupational Fraud and Abuse: 2014 Global Fraud Study*, http://www.acfe.com/rttn/docs/2014-report-to-nations.pdf (accessed 18 September 2016).

40. See: Ethics Resource Center (2014, p. 48).

41. See: Webley (2011).

42. See: D. Rossouw and C. Stuckelberger (eds), *Global Survey of Business Ethics in Teaching, Training, and Research*, 2012, http://www.globethics.net/documents/4289936/13403236/GlobalSeries_5_GlobalSurveyBusinessEthics_text.pdf/d13e186c-198a-4e77-ac7a-9aa5584e7a8c (accessed 18 September 2016).

43. Treviño (1986, p. 601).

44. See: Velasquez (2012, p. 15). Business ethics as an academic field has a major overlap with other business and society fields including corporate social responsibility, stakeholder management, sustainability, and corporate citizenship. See: Schwartz and Carroll (2008).

45. See: Freeman (1984).

46. Of course, there will always be some degree of harm to others due to the actions of business organizations. The goal then is to diminish the extent of what can be considered to be *unnecessary* harm.

47. For a full discussion of the subject of corporate social responsibility, see: Schwartz (2011).

48. For example, see: Crane and Matten (2010); De George (2010); or Velasquez (2012).

49. For example, see: Beauchamp *et al.* (2009); Hoffman *et al.* (2014). Other business ethics books will focus more on particular subject areas, such as ethics in finance (Boatright, 2014) or ethics in accounting (Duska *et al.*, 2011).

50. Tenbrunsel and Smith-Crowe (2008, p. 549) clarify the difference between descriptive and normative: "[This] is the distinction between descriptive (or behavioral) approaches to ethics versus normative approaches: the goal of the former is to study what people do, and the goal of the latter is to construct argument regarding what people *should* do."

51. See: Etzioni (1988) for a full discussion of the theoretical and empirical basis for this assumption.

52. Bazerman and Tenbrunsel (2011, p. 66) define the "want self" as "…the side of you that's emotional, affective, impulsive, and hot-headed…the want self reflects our actual behavior, which is typically characterized by self-interest and a relative disregard for ethical considerations." In contrast, the "should self" is defined as being "…rational, cognitive, thoughtful, and cool-headed. The "should self" encompasses our ethical intentions and the belief that we should behave according to our ethical values and principles." Others have referred to the basic conflict of morality as a choice between our self-interest and the duty to be "other-regarding" (see: Maitland, 2002, p. 4). The constant daily conflict that takes place between our *want* and *should* selves also relates to Freud's *super-ego* (our moral conscience) versus our *id* (our basic instinctual drives) (see: Freud and Strachey, 1960).

53. Based on the meta-studies conducted so far including: Ford and Richardson (1994); Loe *et al.* (2000); O'Fallon and Butterfield (2005); Craft (2013); and Lehnert *et al.* (2015). The empirical research on the individual and situational factors of ethical decision making is discussed further in Chapter 1 and Appendix A.

54. See: Kidder (1995).

55. One definition of ethical behavior that has been proposed and used by other researchers is as follows: "…an ethical decision is defined as a decision that is both legal and morally acceptable to the larger community. Conversely, an unethical decision is either illegal or morally unacceptable to the larger community" (Jones, 1991, p. 367). I consider this too limited a definition of "ethical" to be utilized for the purpose of properly studying the ethical decision-making process. The author of this definition himself admits that his definition of an ethical decision is "imprecise and relativistic" and refers to the difficulties of establishing substantive definitions for ethical behavior (Jones, 1991, p. 367). Others have also suggested that this definition of what is ethical is "too relativistic" and avoids a precise normative position on right versus wrong (Reynolds, 2008; Tenbrunsel and Smith-Crowe, 2008). In addition, community norms can violate what are referred to as "hypernorms," or universal ethical principles (see: Donaldson and Dunfee, 1999).

56. While there is an extensive literature on moral theory, the *moral standards* can be grouped under three general categories: (i) conventions (e.g., including reference to industry or corporate codes of ethics); (ii) consequences (e.g., net impacts on all those affected); or (iii) duty-based values or principles (including

trustworthiness, respect, moral rights, and justice/fairness). See: Schwartz and Carroll (2003); Schwartz (2005).

57.   See: Agle *et al.* (2014) who provide the criteria and measurement tools for many of the variables and theoretical constructs discussed throughout the book.

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