CHAPTER 13:
ENHANCING ETHICAL BEHAVIOR

The major purpose of this chapter is to enhance ethical behavior by translating general knowledge about ethics into behaviors and skills. By engaging in these behaviors and applying the skills, the student will function at a high ethical level.

CHAPTER OUTLINE AND LECTURE NOTES

Ethics refers to what is good and bad, right and wrong, just and unjust, and what people should do. A person’s ethical code has a big impact on his or her interpersonal relationships.

I. WHY BE CONCERNED ABOUT BUSINESS ETHICS?

A major reason for studying ethics is that most people are motivated by self-interest and the desire to do something right. Ethical behavior is important because a good reputation can enhance business and attract investors. Unethical behavior is costly, such as employee theft. Another problem is that many unethical acts are illegal which can lead to financial loss and imprisonment. High ethics can also increase the quality of work life. Examples of clauses from ethical codes include:

- Demonstrate courtesy, respect, honesty, and fairness.
- Do not use abusive language.
- Do not bring firearms or knives to work.
- Do not offer bribes.
- Maintain confidentiality of records.
- Do not harass subordinates, superiors, coworkers, customers, or suppliers.

Abiding by ethical codes such as the above will improve the quality of work life.

II. COMMON ETHICAL PROBLEMS

To become more skilled at behaving ethically, it is important to familiarize yourself with common ethical problems. Whether or not a given situation presents an ethical problem for a person depends to some extent on its moral intensity, or how deeply others might be affected.

A. A Survey of the Extent of Ethical Problems

Feeling pressured into making a profit can lead to ethical misconduct. A survey of 2,390 workers revealed illuminating facts such as:

- 76% of workers say they have witnessed unethical or illegal behavior by
coworkers in the past year.

- 61% suspected that higher-ups caught doing something unethical or illegal would be disciplined less severely than would lower-ranking workers.

Workers today might be more observant of ethical problems, and more willing to note them on a survey.

B. Frequent Ethical Dilemmas
Mishandling an ethical issue can damage a career. Many ethical dilemmas in business are predictable, such as those contained in the following list:

1. The temptation to illegally copy software. (Exhibit 13-1 is good for discussion.)
2. Treating people unfairly.
3. Job discrimination. (Job discrimination is an unfavorable action brought against a person because of a characteristic unrelated to job performance. Many laws prohibit discrimination, including the Americans with Disabilities Act (ADA) of 1991. The ADA defines disability as a physical or mental condition that substantially limits an individual’s major life activities.)
4. Sexual harassment.
5. Conflict of interest. (A conflict of interest occurs when your judgment or objectivity is compromised.)
7. Presentation of Employment History
8. Use of corporate resources.
9. Possible ethical violations with computers and information technology.

C. Choosing Between Two Rights: Dealing with Defining Moments
A challenging twist to ethical decision making is to sort through your values when you have to choose between two rights, or two morally sound choices. A defining moment is choosing between two or more ideals in which we deeply believe. A defining moment is a form of role conflict. The conflict can be worked through by discovering "Who am I?"

III. GUIDELINES FOR BEHAVING ETHICALLY
Following guidelines for ethical behavior is the heart of being ethical. An obvious example is "Follow the Golden Rule."

A. Developing the Right Character Traits
A character trait is an enduring characteristic of a person related to moral and ethical behavior that shows up consistently. For example, the character trait of honesty leads to behaving honestly in most situations. The Character Counts
Coalition has developed a list of ten key traits as foundations of character development. Possessing these traits facilitates ethical behavior in business.

1. Be honest.
2. Demonstrate integrity.
4. Be loyal.
5. Be responsible.
6. Pursue excellence.
7. Be kind and caring.
8. Treat all people with respect.
10. Be a good citizen.

Having high standing on all ten of these traits and behaviors would result in superior ethics.

B. Using Corporate Ethics Programs
Many organizations have various programs and procedures for promoting ethical behavior. The presence of these programs is designed to create an atmosphere in which unethical behavior is discouraged, and reporting on unethical behavior is encouraged. Ethics hot lines are the best-established programs to facilitate an individual avoiding unethical behavior. A counselor responds to questions, often to interpret a policy, and sometimes to intervene. Another widely used corporate program is training in ethics.

C. An Eight-Step Guide to Ethical Decision Making
A powerful strategy for behaving ethically is to follow a guide for ethical decision making. Ethical screening refers to running a contemplated decision or action through an ethics test. The guide presented here is current and incorporates the basic ideas in other ethical tests.

1. **Gather the facts.** Ask yourself such questions as "Are there any legal issues involved here?"
2. **Define the ethical issues.** Because the ethical issues are often more complicated than they appeared at first glance, it helps to talk over the ethical issues with another person. The ethical issues might involve character traits or common ethical problems.
3. **Identify the affected parties.** When faced with a complex ethical decision it is important to identify all the affected parties.
4. **Identify the consequences.** It is important to identify the consequences with the highest probability of occurring and those with the most negative outcomes. Many people can be harmed by an unethical decision. Both
long- and short-term consequences should be specified. The symbolic consequences are important in that every act and decision sends a message.

5. *Identify the obligations.* For example, the manufacturer of automotive brakes has an obligation to produce and sell only brakes that meet high safety standards.

6. *Consider your character and integrity.* Consider how relevant people would judge your character and integrity. How would you feel if your actions were publicly disclosed in the local newspaper or over e-mail?

7. *Think creatively about potential actions.* People should stretch their imagination to invent several options rather than thinking of only two choices—to do or not to do something.

8. *Check your intuition.* People should ask how the contemplated decision feels, tastes, and smells. Would you be proud of yourself or would you hate yourself if you made the decision?

D. Developing Closer Relationships with Work Associates

People who have close ties to each other are likely to behave more ethically toward each other on the job. If a weak relationship exists between the two people, each party is more likely to engage in an unethical relationship.

**ANSWERS TO DISCUSSION AND REVIEW QUESTIONS**

1. How can behaving ethically improve a person’s interpersonal relationships on the job?

   An ethical person has a better chance of being liked and trusted than one who is unethical. As a result, interpersonal relationships improve. Being ethical also improves the quality of work life for others.

2. What would most likely be some of the specific behaviors of a manager who scored a 20 on the ethical reasoning inventory?

   Twenty is the lowest possible score, suggesting that the person is morally bankrupt. A big problem in working for such an unethical person is that he or she could not be trusted. For example, the manager might give a worker a low performance evaluation to justify withholding a salary increase.

3. The major business scandals in recent years have involved financial manipulations such as executive profiting from selling company stock while encouraging employees to buy the stock. In what ways do these financial scandals affect people?
In most financial scandals, when one small group gains, other groups suffer. For example, when a few executives sell large amounts of company stock and the employees hold on to their shares the stock is likely to plunge in value, leaving the employees with a loss. The financial scandals also result in companies going bankrupt, leaving employees with depleted pensions. Another problem is that the repeated scandals of recent years have created investor distrust in the stock market, leading to declining stock prices. As a result, the net worth of thousands of innocent people suffers. Another problem is that the more money top executives allocate to themselves, the less money available for employee compensation and stockholder dividends.

4. Give an example from your own experience or the media in which a business executive did something of significance that is morally right.

Finding morally right acts may require research because good deeds receive less publicity than bad deeds. A good deed performed by an IBM executive was to spearhead the preparation of help kits for latch key children. The kit contained emergency numbers, and even first-aid supplies.

5. Provide an example of an action in business that might be unethical but not illegal.

Many unethical acts are not illegal including accepting lavish gifts from suppliers and firing a competent worker to make room for an unqualified friend. And how about MCI WorldCom lending its CEO, Bernie Ebbers, $350 million so he wouldn’t have to sell his stock to pay other expenses? The CEO was fired amidst financial scandal, so repayment is uncertain.

6. Virtually all accountants have studied ethics as part of their education, yet many business scandals involve accountants. What’s their problem?

The problem with the small proportion of accountants who are unethical is that the emotions of greed and avarice block out, or pre-empt, cognitive knowledge about ethics.

7. What "commandment" about computer use would you like to add to the list in Exhibit 13-2?

Given that so many students are computer buffs, they should have some good ideas. How about "Do not tie up the telephone for hours at a time because you are online."

8. Is it unethical for a company owner to buy products for the company from a
relative even if the products are not the best buy in terms of price and quality?

Buying inferior products as a way of practicing favoritism violates the ethical decision-making test described in this chapter. One problem is that such behavior erodes profits, thus cheating stockholders (if a public company) from dividends. Workers are also cheated from more money being available for salary and benefits.

9. What decision of ethical consequences have you made in the last year that you would not mind having publicly disclosed?

To answer this question well, the student would need to find a decision that had ethical consequences. One example would be a decision about granting a price discount to a customer who was a friend and who was facing financial difficulty.

10. Why is using intuition an effective guide to ethical decision-making?

Intuition can be an effective guide to ethical decision making because intuition helps point us toward our values, and much of ethics relates to values.

ANSWERS TO CASE QUESTIONS

Fast-Dealing Fastow of Enron

This case illustrates how ethically challenged a major business executive can be even though he could earn a good living based on his intelligence, education, and contacts.

1. Which specific behaviors of Fastow would you consider to be unethical?

The following behaviors of Fastow might be considered unethical: (a) he helped formulate the off-balance sheet partnerships that hid some of the financial liabilities of Enron, (b) he used veiled threats to sell some of his deals to banks and institutional investors (he hinted that they might lose Enron s business if they did not comply with his deals), (c) the huge earnings from his deals suggested that the deals involved some questionable manipulations, (d) his emotional explosiveness and vindictiveness, (e) he belittled peers, and (f) he used performance appraisals to get even with people he did not like.

2. Does the fact that Fastow has not yet been convicted with a crime influence your evaluation of his ethics? Explain your reasoning.

Unethical acts are not necessarily illegal, so Fastow could still be highly unethical
without having committed a crime.

3. In what ways was Fastow an office politician?

Fastow was an avid office politician. He went out of his way to please his boss, and he would charm bankers as needed.

4. How would you rate Fastow’s emotional intelligence?

Fastow rates low on emotional intelligence because he often expressed rage in the office, and he was vindictive toward people who disagreed with him. His cognitive intelligence appears quite high based on the complex financial deals he created.

COMMENTS ABOUT QUIZZES AND EXERCISES

The Ethical Reasoning Inventory

Taking a self-test about ethics should be an unusual experience for most students, and will help sensitize them to ethical issues. As usual, a discussion of the implications of several of the test items could prove fruitful.

The Ethics Game

Students should enjoy participating in the type of ethics building exercise used in many companies. Group discussions, as required in this exercise, are particularly useful in shaping attitudes about ethics.

Dealing with Defining Moments

Given that defining moments are a form of role conflict, students may need to use their conflict resolution skills to find an answer to these problems.

Scenario 1: Perhaps the worker asking for the increase can be advised about ways to earn additional income on his own. In this way he might achieve his financial goals without receiving an unjust salary increase.

Scenario 2: e-commerce workers are in high demand, so perhaps Mildred can be outplaced. She can be helped to find a position in another firm that can better fit her lifestyle in terms of working hours. It would seem unfair to lay off another member of the group who was working the full 60 hours per week.

Ethical Decision Making
The three scenarios should prove to be a good opportunity to practice the eight-step method of ethical screening. Scenario 2 about the job applicants with a prison record elicits polar opinions.
EXAMINATION QUESTIONS

Multiple Choice

(b) 1. A key point in understanding ethical behavior is that most people are motivated by self-interest
   a. alone.
   b. and a desire to do something morally right.
   c. and a desire to do something morally wrong.
   d. except when helping others is part of the job.

(d) 2. Which one of the following is a likely positive consequence of ethical behavior on the part of company management?
   a. exemption from federal laws about ethical behavior
   b. offering stock at lower prices to the public
   c. exemption from affirmative action regulations
   d. the ability to attract quality job applicants

(b) 3. A company code of ethics usually specifies
   a. the punishments associated with unethical behavior.
   b. what constitutes ethical versus unethical behavior.
   c. the rewards employees can anticipate from behaving ethically.
   d. which legal acts relate to employee ethics.

(d) 4. A survey of the extent of ethical problems revealed that
   a. most employees believed that top management was held to a high moral standard.
   b. most ethical problems were not thought to be serious enough to damage public trust if revealed.
   c. about 5% of employees said they witnessed unethical or illegal behavior.
   d. about 76% of employees said they witnessed unethical or illegal behavior.

(d) 5. Which one of the following actions is the most likely to be regarded as unethical work behavior?
   a. buying token gifts for customers
   b. buying token gifts for suppliers
   c. sharing records with a restricted number of people
   d. sharing records with a large number of people

(c) 6. With respect to ethics, moral intensity refers to how
   a. strongly one feels about an issue.
   b. far a person deviates from an ethical code.
c. deeply others might be affected by one’s actions.
d. well a person’s moral code is developed.

(a) 7. How would you best describe the practice of unauthorized copying of software?
   a. illegal and unethical
   b. legal but unethical
   c. immoral but not unethical
   d. legal and illegal

(b) 8. The real issue in fairness refers to giving people equal rewards
   a. whether or not one likes them.
   b. for accomplishing the same amount of work.
   c. no matter what their racial or ethnic group.
   d. when they have equal years of experience.

(d) 9. In a fair workplace, the most important factor for evaluating people is
   a. whether they are liked by the right people.
   b. demographic factors like sex, race, or age.
   c. agreement on employee-employer expectations.
   d. qualifications and job performance.

(c) 10. Sexual harassment is considered to be an ethical issue because
   a. the federal government outlaws sexual harassment.
   b. it is usually only practiced against young women.
   c. all acts of sexual harassment flunk an ethics test.
   d. it involves both managers and workers.

(b) 11. The technical meaning of conflict of interest is that
   a. one person manipulates another.
   b. a person’s conflict or objectivity is compromised.
   c. any decision a person makes is unethical.
   d. two parties in an unethical dispute cannot agree on a compromise solution.

(a) 12. Presentation of false or misleading information in an employment history is
   a. a widespread ethical temptation.
   b. rarely found among candidates for business positions.
   c. tolerated by prospective employers because it is so widely practiced.
   d. rarely found among candidates for high-level positions.

(d) 13. It is considered ethical to divulge confidential information when
   a. the person providing the information is unethical.
   b. you know that a coworker is looking for a job.
(b) 14. A businessperson would be faced with a defining moment in terms of ethics when he or she
a. had a chance to cheat on the expense account.
b. had to choose between two or more morally sound choices.
c. received recognition for outstanding ethical behavior.
d. had to report on the unethical behavior of a coworker.

(c) 15. "Follow the Golden Rule" is an example of a(n)
   a. ethical test.
   b. legal guideline.
   c. ethical guideline.
   d. outmoded rule in a competitive work environment.

(b) 16. A character trait is an aspect of people
   a. that varies from situation to situation.
   b. related to moral and ethical behavior.
   c. that prevents acceptable ethical behavior.
   d. that is usually developed on the job.

(d) 17. Which one of the following behaviors is the least in line with the ten key traits as foundations for character development (as defined by the Character Counts Coalition)?
   a. Be responsible and think before you act.
   b. Treat all people with respect.
   c. Keep your word and honor your commitments.
   d. Be honest when it best serves your needs.

(b) 18. An example of a well-developed corporate ethics program is the
   a. bounty program for turning in ethical violators.
   b. ethics hot line.
   c. round table discussion with executives.
   d. suggestion box.

(a) 19. Ethical screening refers to
   a. running a contemplated decision or action through an ethics test.
   b. evaluating job applicants based on their ethics.
   c. making sure that all company employees have ethics training.
   d. avoiding contact with unethical people wherever possible.

(c) 20. Step one in the eight-step guide to ethical decision making is to
a. define the ethical issues.
b. identify the affected parties.
c. gather the facts.
d. identify the consequences.

(d) 21. The symbolic consequences of a decision involving ethical issues refers to the
   a. importance attached to the decision.
   b. timeliness of the decision.
   c. fit between the decision and company philosophy.
   d. message communicated by the decision.

(b) 22. Obligations in the guide to ethical decision making refer generally to
   a. the financial consequences of the decision.
   b. consequences of the decision that will affect other people.
   c. the favors the decision maker owes people.
   d. how well the decision fits the company code of conduct.

(c) 23. According to the guide to ethical decision making, when trying to decide
   on a way to resolve an ethical dilemma
   a. weigh each alternative according to its financial consequences.
   b. make an intuitive decision within five minutes.
   c. imagine several possible options.
   d. decide to either do or not do something.

(a) 24. To use intuition when faced with an ethical dilemma, a person should ask
   a. "How does the contemplated decision feel, taste, and smell?"
   b. "Will my boss be on my case if I choose this particular alternative?"
   c. "How do I carefully weigh each alternative?"
   d. "How many people should I involve in helping me choose the best alternative?"

(a) 25. An explanation offered for unethical behavior dealing with personal relationships suggests that people are more likely to behave unethically toward each other when they
   a. have weak ties to each other.
   b. have strong ties to each other.
   c. know that the other person can be easily fooled.
   d. know that the other person is unethical.
True/False

(F) 1. Ethics refers to how closely one’s behavior conforms to laws and regulations.

(T) 2. The opinion presented in the human relations text is that although most people are motivated out of self-interest, they also want to do something morally right.

(T) 3. One problem noted with highly unethical behavior is that it has several negative financial consequences.

(T) 4. An example of a statement from a company ethical code is "Maintain confidentiality of records."

(F) 5. An example of an ethical dilemma of high moral intensity would be whether or not to make a personal long-distance call on a company telephone.

(F) 6. A survey of about 2,400 working adults revealed that only six percent of them said they had witnessed an unethical and/or illegal act during the past year.

(F) 7. Making unauthorized copies of software is an example of a practice that is unethical but not illegal.

(T) 8. A completely fair working environment would be one in which qualifications and performance would be the only factor that counted in making human resource decisions.

(F) 9. Human resource legislation has attempted to ensure that decisions about people are made on the basis of demographic factors such as sex, race, age, or physical status.

(T) 10. Sexual harassment is an example of behavior that is both illegal and unethical.

(T) 11. Leslie is Chris’ boss and lends Chris $1,000. Chris is having difficulty paying back the loan, so Leslie recommends Chris for an extra large salary increase to help Chris pay back the loan. Leslie is involved in a conflict of interest.

(F) 12. A conflict of interest occurs when faced with an ethical dilemma if a person has to choose between two alternatives that are both unethical.

(T) 13. An ethical guideline for dealing with confidential information is not to pass it along unless the welfare of others is at stake.
14. Lying about, or distorting, one's employment history is so widespread that employers are quite tolerant of such behavior.

15. A rule of thumb for the ethical use of corporate resources is that an employee has the right to use any resource as long as it is not an object or money.

16. The field of computers and information technology has developed ethical issues of its own in addition to the problem of pirating software.

17. With respect to ethics, a manager faces a defining moment when he or she must fire an employee for committing an illegal act such as stealing money from the company.

18. A character trait is a characteristic about a person that changes to fit the requirements of a given ethical dilemma such as whether or not to take a phony income tax deduction.

19. With the right character traits, a person is likely to be ethical in a wide range of situations.

20. Examples of character traits include honesty, keeping promises, and treating people with respect.

21. Being a good citizen, such as protecting the environment, is part of having good ethics.

22. The purpose of an ethical hot line is to enable workers to inform the police directly if a coworker is spotted committing an illegal act.

23. Ethical screening is used mostly when a contemplated decision is clearly ethical or unethical.

24. A key part of an ethical screening test is to estimate how much money you are likely to lose by behaving ethically.

25. The symbolic consequences of a decision refer to the message sent by a particular decision, such as the lesson communicated when a company fires people in November mainly to avoid paying them a year-end bonus.

26. A recent perspective on workplace ethics is that people who have close ties to each other are less likely to behave unethically toward each other.