WHAT’S IN IT FOR ME?

Early on in their working life, business school graduates are likely to encounter a significant, job-related ethical conflict. Most likely, graduates will be ill-prepared to deal with the situation because they make the mistake of assuming that difficult ethical business decisions are the province of high-level executives. New to the workplace and keen to advance their career, recent business graduates often do not possess the skills necessary to make appropriate decisions regarding ethical dilemmas in a business setting.

The Capsim Business Simulation Ethics Plug-in provides opportunities to help students learn to recognize ethical dilemmas. Because these dilemmas are not always clear-cut cases of right and wrong, the Ethics Plug-in features analytical tools that assess not only how certain decisions or behavior can impact various stakeholders, but also the subsequent ethical, legal and financial effects on the simulated company.

The Ethics Plug-in presents one or more scenarios that provide an opportunity to practice ethical reasoning. The more measured students’ responses to ethical problems are, the less vulnerable they will be to the stresses of undue or untoward pressure in the corporate arena. Students will also learn to be more prepared in shaping their company’s ability to be good corporate citizens on the world stage. Understanding how to use ethical decision-making tools is as essential to a business school education as the disciplines of marketing, finance and operations.

Let’s examine this on a practical level. In the news we see the following types of stories: British Petroleum struggling to stop the Gulf of Mexico oil leak, News Corp. executives grappling with the phone hacking scandal and American International Group under-collateralizing its credit default swaps product with devastating effect on the world economy. These stories reflect these and more sensational business stories stemmed from unethical business behavior that eventually affected thousands, even millions of people.

Occasionally, stories of a corporation’s commitment to ethical conduct also make the news. Unfortunately these stories usually run when they feature a negative angle. For example, Johnson & Johnson issued a national recall of Tylenol when a consumer tampered with their product to cover up a murder, and Google withdrew from the Chinese market when their servers became a target of espionage and email hacking. CEOs, boards of directors and other senior-level executives continually confront ethical dilemmas in the workplace. What does not make the news, are scenarios such as the following: a mid-level advertising executive pressures a new hire on their account team to “fudge” a routine financial report on media and ad production provided to their client, a brand manager of skin care products with a large packaged-goods company. Against his or her better judgment, the new hire complies; numbers are massaged to misrepresent the agency’s spending of client funds. The brand manager detects the error and internally notifies the entire corporate chain of command. A crisis in confidence ensues between the packaged-goods company and their advertising agency.

When this situation is reviewed at the agency’s senior level, whose job and, potentially, continued advertising career will be on the line in an effort to appease the client and save the business relationship? The mid-level account supervisor who has plausible deniability, or the freshly-minted business grad? From the agency’s perspective, which of these employees is more expendable: the account supervisor with years of experience in the skin care market, or the most recent addition to the account team?

It is imperative that business graduates entering the work force are prepared to effectively address these types of ethical dilemmas.
WHY SHOULD WE CARE?

Career advancement is important, but it is far from the main reason to develop a deliberative, ethical consciousness. We make ethical decisions every day, often without thinking about them: whether to hold the door open for a senior citizen when we’re in a rush, how to respond to a boorish remark, whether to slide through a stop sign when we don’t notice any traffic, whether to cheat (just a little) on our expense reports or taxes or how we deal with a co-workers or classmates that doesn’t contribute their share of the work.

Sometimes we react, without conscious malice, just trying to get through our school or work day, only to find the consequences are serious and far reaching. Engineers at Thoikol did not adequately voice their safety concerns for the O-ring's performance in cold weather far enough up NASA's chain of command to reach key officials, and the 1986 Challenger space shuttle exploded on launch, killing all seven crew members.1

In similar fashion, technicians on BP’s Deepwater Horizon oil rig continued drilling, even though their blowout preventer was defective. Faulty software was causing their systems to crash, their emergency alarms were disabled and a $500,000 acoustic trigger, which could have shut down a busted well, was not installed. As a result, 11 BP employees were killed, 17 more were injured, and nearly 5 million barrels of oil leaked into the Gulf of Mexico.2

Would these individuals have done things differently if they had seen the bigger picture? Would they have found the courage to address their concerns more persistently? Presumably, yes. It seems obvious in hindsight.

Yet the seeds of an ethical crisis often go unrecognized. Decisions are not always easily reached within a framework of there being a clear right and wrong, or even between two optimal solutions or the lesser of two undesirable outcomes. A series of small, even unrelated, decisions can culminate in “the perfect storm” of cumulative effect. People who normally are morally scrupulous in their personal lives may compartmentalize unethical behavior at work as “just business.” Perhaps they put their success and the financial security of their family before their responsibility to society at large, or they feel compelled to act against their better judgment due to pressure from an authority figure or a corrupt organizational culture.

So how can we safeguard ourselves, others and our environment against such dilemmas? Is there some right path or code that will consistently secure us the high ethical ground? No. There is no “color by numbers” way to be an ethical person. This is both the beauty and thorniness of ethics. Ethical reasoning provides us a window through which we can see ourselves, our behavior and actions more objectively, and renew our ability to see clearly the consequences of who we are and what we do. The moment we give ourselves over to a prescribed set of steps, norms, or behaviors, we become complacent and our ethical awareness is diminished. We relinquish the best part of ourselves to a “business as usual” mentality.

By staying open to fresh perspectives and new information, being willing to ask pertinent questions, constructively voicing our convictions and continually and reexamining the soundness of our ethical standards, we can sustain an ethical frame of mind.

WHAT ETHICS IS

Ethical awareness, reasoning skills and principles determine the standards of behavior that guide us in our daily life. They shape our relationships at home, at work, within our chosen profession, our community and society at large. Ethical considerations are at the heart of how we structure our social organizations. Our schools, businesses, community and non-profit groups, places of worship, governments as well as the laws we enact and the systems we provide such as health care, energy, transportation and taxation all function on the delicate balance of ethics.
Ethical practice relies on rational thought to inform us as to how we “ought to act” in such matters as fulfilling our obligations and duties, being compassionate and fair, respecting the rights of others and contributing to the greater good of society. Ethics is a practical wisdom we gain from experience in daily life.

**WHAT ETHICS IS NOT**

It is also important to understand what ethics is not, as there is a natural tendency to overlay our wants, needs and beliefs over an ethical issue, only to obfuscate the facts and undermine an ethical line of reasoning. Claire André and Manuel Velasquez review these misconceptions in their article, “What is Ethics?” in Issues in Ethics, which contribute to the discussion in the following summary:

- Ethics is not based on whether we feel something is right or wrong. Sometimes, our feelings signal to us that we are facing an ethical dilemma, and we want to “do the right thing,” but feelings also may prevent us from behaving ethically, perhaps out of fear or conflicting desires.

- Ethics is also not solely the purview of a religion or religious beliefs. Although most religions incorporate an ethical code of conduct into their belief system, religious faith is not required to be ethical and ethical principles apply to everyone, regardless of religious affiliation.

- Being ethical does not always entail abiding by the letter of the law, although most laws articulate ethical standards generally accepted by the citizenry. Martin Luther King, Jr. employed nonviolent civil disobedience in the 1950s and 60s to defy discriminatory, segregationist legislation and advance the cause of civil rights in the United States. King patterned his actions on the social protest movement Ghandi led in South Africa in the 1890s.

- Ethical behavior is not always aligned with what “everybody else does” or even what is generally regarded as socially acceptable. Just because one is at a competitive disadvantage in a class where there is a cheating ring does not justify joining in. Until recently, smoking cigarettes in public places was the norm, even though it is well documented that second-hand smoke endangers everyone’s health. Yet, smoking in public areas remains legal in 23 states.

- Ethics is not an exact science. It is not based on a set of scientific formulas that consistently yield the same results or predict, with certainty, the right approach in every moral quandary. As Aristotle so wryly observed in 350 B.C.E. in his Nicomachean Ethics, Book II, “But to what degree and how seriously a man must err to be blamed, it is not easy to define by [one] principle...such questions of degree depend on particular circumstances, and the decision lies with perception.”

- In other words, every situation is different and we need to be able to assess how we should conduct ourselves based on the merits of the relevant factors and what points us toward the best course of action.

- So if we cannot rely on our feelings or gut instincts, religious creed, the law, social norms, or scientific methodology, what exactly helps us determine how we ought to proceed—practically speaking—without majoring in philosophy?

**IDENTIFYING AN ETHICAL ISSUE OR AN ETHICAL DECISION**

“Labeling a decision an “ethical decision” may disguise the fact that almost every decision holds some ethical issue or impact. Perhaps a better approach is to develop an ability to
judge the ethical implications.” That advice was published in a memo to employees from Texas Instruments Corporation’s Ethics Director Carl Skooglund and Glenn Coleman, TI Manager of Ethics Communication and Education.²

Regardless if we are examining our own behavior, behavior being directed toward us or asked of us, or behavior we observe of another toward others, we can start asking questions about ethical implications to build an informed awareness of what the relevant facts of the situation may be. These are basic “common sense” questions, but they often go unasked and therefore are actively articulated in many discussions about ethical decision-making. They can be found in the memos from the Ethics Office at Texas Instruments as well as in the article, “A Framework for Thinking Ethically,” published by The Markkula Center for Applied Ethics.³

• What are the specific actions we observe or are being considered?

• What are the consequences or results of these actions? Try to envision not just the desired results, but the bigger picture, the potentially unforeseen impacts. For example, on the evening before the launch of the Challenger shuttle, Thiokol engineers did warn low-level NASA managers that the O-ring might fail, given the cold weather predicted for that morning. The engineers may not have envisioned what wreckage data later showed: that several crew members would survive the initial explosion but had no way to eject from the shuttle and died on impact in the ocean. If the engineers had pictured themselves on the shuttle, in place of the crew, they might have advocated their concerns more forcefully.⁴

• Who and/or what may be affected by this course of action? Remember “stakeholders” extend to those who may be completely unaware that their circumstances will be altered by this action—such as innocent bystanders, the environment and other species.

• Who gains from the action, in what ways, and for what reasons?

• Will other stakeholders suffer a loss, or be damaged or changed by it?

• Are monetary considerations influencing this action? Would the decision or action be handled differently if money was not a factor?

• What are all the known facts? Are some facts still unknown that may be necessary to make an informed decision?

• Have the facts been reviewed with those who could offer good counsel or additional insights relevant to the situation?
THE CAPSIM ETHICS PLUG-IN PROCESS

The following is a suggested template to guide your group discussion about an ethical issue that may arise in your casework during the business simulation. Your professor may also provide an alternative model from which you can shape your discussion.

Apply the problem-solving formula -- ask yourself:
• What are the facts of the case?
• What is the issue here?
• Who is affected inside of the company and outside of the company?
• What are the choices?

As a team or individually:
• Reach a consensus and make a decision.
• Follow your company’s financial and operational results over time to observe the results.

Select your preferred option and evaluate the risks and benefits to stakeholders:
• Is it legal?
• Is it fair?
• Can I defend it?
NOTES


