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CHAPTER 3

DECIDING WHAT'S RIGHT: A PSYCHOLOGICAL APPROACH

INTRODUCTION

Chapter 2 introduced prescriptive ethical theories, developed by philosophers, that are designed to help individuals decide what they *should* do in response to ethical dilemmas. But psychology teaches us that people often don't even recognize the ethical dimensions of the situation at hand. And, when they do, they often don't think about it in expected ways. So, this chapter is designed to help you understand how people *actually* think and what people *actually* do by introducing the psychological factors—the individual differences and mental processes that influence how people think and behave. It also explains some factors that can keep well-intentioned people from making good ethical decisions and suggests some ways to overcome them. Finally, this chapter introduces relevant new neuroscience research and research on the role of emotions in ethical decision making.

ETHICAL AWARENESS AND ETHICAL JUDGMENT

If a decision maker is to engage in ethical judgment processes (like those discussed in Chapter 2) that will eventually lead to ethical action, she or he must first recognize the ethical nature of the situation at hand.

Ethical Awareness → Ethical Judgment → Ethical Action

We refer to this initial step in the ethical decision-making process as ethical awareness. With ethical awareness, a person recognizes that a situation or issue is one that raises ethical concerns and must be thought about in ethical terms. It is an important step that shouldn't be taken for granted. Sometimes people are simply unaware that they are facing an issue with ethical overtones. And, if they don't recognize and label the issue as an ethical one, ethical judgment processes (like those we studied in Chapter 2) will not be engaged. In fascinating new research, parts of the brain that are associated with recognizing the ethical nature of an issue were differentiated from those involved in other kinds of thinking. Researchers used functional magnetic

resonance imaging (fMRI) in a study showing that when Executive MBA students identified “an important point or issue” in scenarios, a different part of the brain was more active when the issue had ethical overtones compared to more neutral issues.¹ In a different study, a part of the brain associated with emotional processing was activated when participants viewed morally relevant pictures compared to more neutral ones.² So, it seems that something different happens in our brains when we begin thinking about an issue we recognize as having ethical overtones.

Consider the following ethical awareness example. Students are doing more online research for classroom assignments. The technology makes it easy to find up-to-date information, download it, and cut and paste it right into a paper that then gets submitted to a professor for a grade. Perhaps you have done this without thinking too much about it. However, in this process, students often overlook the fact that they may be plagiarizing—“stealing” someone else’s intellectual property. Intellectual property is protected by copyright and patent laws in the United States. These laws are important because there would simply be no incentive to write a book, publish a magazine, or develop a new product if anyone could simply reproduce it freely without any attention to the rights of the person or company that invested time and resources to create it. The education community has adopted academic integrity rules that guide how students can fairly use intellectual property. In keeping with those rules, students are expected to paraphrase and then carefully reference all sources of information. When you’re quoting someone else’s words, these words must be put in quotation marks, and the exact citation to the source must be provided. In the pre-Internet days, this kind of research meant physically going to the library, searching the shelves for information, copying pertinent information by hand, making careful notes about the sources, and then organizing the information into a paper that had to be typed from scratch. Plagiarism actually required conscious effort in those days. Now, information is so accessible and it’s so easy to simply cut and paste that it can be harder to recognize the ethical issues involved. But if your college has an academic integrity policy or honor code, your professor takes the time to explain the importance of academic integrity, the role of intellectual property in our society, the definition of plagiarism, and your responsibilities as a member of the higher education community, you should be more aware of the ethical issues involved. Under those circumstances, when you’re tempted to just cut and paste, you’ll be more likely to think about the ethical dimensions of your actions—the rights of the intellectual property owner, and whether your actions would be considered plagiarism by your professor and others in your academic community.

Now for a work-related example.

You’ve just started a new job in the financial services industry. One afternoon, your manager tells you that he has to leave early to attend his son’s softball game, and he asks you to be on the lookout for an important check that his boss wants signed before the end of the day. He tells you to do him a favor—simply sign his name and forward the check to his boss.

To a naive employee, this may seem like a straightforward and easily accommodated request. But if the company trained you well, you would immediately be aware of the ethical nature of the situation. Your manager has asked you to engage in forgery, a serious ethical lapse, especially in the financial services industry where the validity of signatures is essential to system functioning and trust. Recognizing the ethical nature of the situation would likely lead to some very different thinking about how to respond.

Research has found that people are more likely to be ethically aware, to recognize the ethical nature of an issue or decision, if three things happen: (1) if they believe that their peers will consider it to be ethically problematic; (2) if ethical language is used to present the situation to the decision maker; and (3) if the decision is seen as having the potential to produce serious harm to others.³

Let's take these factors one at a time. First, as we'll see later, most people look to others in their social environment for guidance in ethical dilemma situations. So, if you believe that your coworkers and others around you are likely to see a decision as ethically problematic, it probably means that the issue has been discussed, perhaps in a company-sponsored ethics training program or informally among coworkers or with your manager. Such discussions prime you to think about situations in a particular way. When a similar situation arises, it triggers memories of the previous ethics-related discussion, and you are more likely to categorize and think about the situation in ethical terms.⁴ Using the forgery example, perhaps a company training program provided instruction on the importance of signatures in the financial industry and labeled signing for someone else as forgery. Perhaps the company even presented a similar problem to trainees and you all agreed that signing someone else's name to the check would be wrong. Having participated in such a discussion, you would recognize that signing the check would be ethically problematic and you would be more likely to see your boss's request as an ethical problem.

Second, situations can be represented or "framed" in different ways—using ethical language or more neutral language. Using ethical language (positive words like *integrity*, *honesty*, *fairness*, and *propriety*, or negative words such as *lying*, *cheating*, and *stealing*) will trigger ethical thinking because these terms are attached to existing cognitive categories that have ethical content. For example, if the manager in the example above had asked you to forge the check for him, the word *forge* would be more likely to trigger legal or ethics-related concerns than if he simply asked you to sign the check (more neutral language). In response to the term *forgery*, you would more likely wonder if signing the check was ethically wrong, if anyone was being hurt, and what the consequences would be if you did or didn't do it. The term *plagiarism* would likely trigger similar thinking.

Think about the power of the word *genocide*. If you've seen the film *Hotel Rwanda*, you know about the horrible killing in 1994 of some 800,000 Tutsi men, women, and children by Hutu extremists while the rest of the world, including the United States, did nothing to help. According to President Clinton's national security advisor, the administration refused to allow use of the word *genocide* for six weeks

because “if you used the word, then you’re required to take action.”⁵ Former President Clinton has said that failing to help in Rwanda is one of his “greatest regrets.”⁶ Avoidance of the morally powerful term *genocide* likely contributed to the administration’s inaction and the public’s lack of support.

Neutral language can be used to make an unethical action seem less problematic. The use of such *euphemistic language* can easily keep individuals from thinking about the ethical implications of a decision or action. With euphemistic language, we name or label actions in ways that minimize their ethical overtones. For example, troubled assets don’t seem nearly as problematic as “toxic” assets. And the term *no-doc loans* (used to describe new high-risk loans that were made to mortgage customers who were not required to provide documentary evidence of their job security or income) raises ethical antennae much less than does the term *liars’ loans*. The latter term (actually used by some in the mortgage industry before the meltdown), acknowledges that borrowers were lying about their incomes on their loan applications. The use of euphemistic language may not be intentionally unethical, but it certainly has the effect of allowing us to feel okay about what we’re doing when perhaps we should be thinking much harder about the ethical overtones.

Here is a great business example of euphemistic language. In 2006, Hewlett-Packard’s (HP) then chairwoman of the board of directors, Patricia Dunn, was upset about boardroom leaks to the press about HP’s strategy. In an attempt to learn the leaker’s identity, the company hired investigators who were allowed to misrepresent their identities to the phone company (they lied) in order to obtain cell phone records of board members and a journalist; they referred to this behavior as “pretexting.” When the press learned about it, they (perhaps more properly) used ethically charged language to label the behavior as spying, and a high-profile scandal ensued. Dunn was replaced, along with two other board members and the executive heading the company ethics program (who knew about the investigation). The CEO testified in congressional hearings, and HP (a company that had long claimed privacy as a core value) had to scurry to try to overcome the company’s association with spying, lying, and invasion of privacy.⁷ If someone involved in approving this investigation had labeled the behavior using ethical language (lying, spying, invasion of privacy) instead of the more neutral-sounding pretexting, red flags would have more likely gone up to stop the investigators’ behavior.

Finally, and perhaps most important, an issue or situation that has the potential to produce serious harm to others is more likely to be seen as an ethical issue. If HP executives could have imagined the potential damage to board members or the journalist, or the resulting scandal and implications for the company’s reputation, they would have been more likely to raise ethical concerns. In the forgery example, if you see that forging the check could result in serious harm to customers, you would more likely see it as a serious issue than if no one would be harmed. Thomas Jones proposed that individuals are more likely to recognize the ethical nature of issues that are *morally intense*.⁸ The moral intensity of an issue is higher when the consequences for others are potentially large, these consequences are relatively immediate and likely to occur, and the potential victims are psychologically or physically close to

the decision maker. For example, a decision to allow toxic chemicals to leak into the local water supply is very likely to harm many people in one's own community. Such a decision is "morally intense," and therefore the decision maker is more likely to see it as an ethical issue. In contrast, a decision that might require laying off a few individuals in a foreign subsidiary would be less likely to trigger ethical awareness. Only a few people will be affected, the consequences will occur in the future, and these individuals are both psychologically and physically distant from the decision maker.

So managers can encourage employees to be ethically aware by providing training and by talking with employees about the types of ethical issues they're likely to face and why these issues are ethically problematic. They can also encourage employees to have these discussions themselves, to use ethical language in such interactions, and to think about the consequences of their actions and take responsibility for the consequences of the decisions they make.

On the other hand, all of us should be on the lookout for situations that are likely to reduce our chances of seeing the ethical overtones in a situation. For example, downloading music from the Internet may seem benign if one doesn't recognize that the American economy loses an estimated \$12.5 billion dollars a year from it. That includes jobs and tax revenues that are lost because of what the industry has termed "music piracy."⁹ Investment bankers who pay for mutual fund managers to go to the Super Bowl and lavishly entertain clients are not likely to think that they are engaged in "bribery" or that their behavior is anything more than what "every one else does." Never mind that the average investor is likely disadvantaged by the wining and dining. If we think about issues in ethical terms, the ethical judgment processes we discuss next are more likely to be triggered.

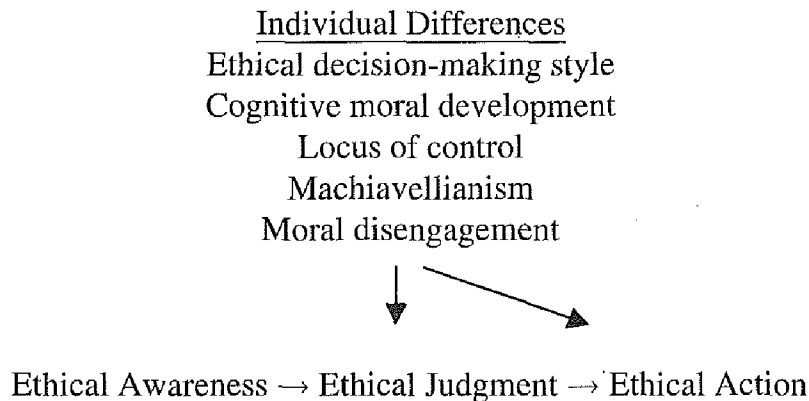
INDIVIDUAL DIFFERENCES, ETHICAL JUDGMENT, AND ETHICAL BEHAVIOR

Once people are aware of the ethical dimensions of a situation or decision, they engage in ethical judgment processes that can contribute to ethical (or unethical) conduct. By ethical judgment, we mean making a decision about what is the right thing to do. As with ethical awareness, neuroscience (fMRI) research is finding that certain parts of the brain are activated more during ethical decision making compared to when the same individuals are making other kinds of decisions.¹⁰ These findings suggest that ethical judgment is truly a unique form of decision making.

The next part of this chapter focuses on individual differences that influence ethical judgment and action. Much of this book will focus on situational pushes and pulls. For example, people follow leaders or their peers. They tend to do what's rewarded. Yet, despite these powerful pushes and pulls, people do bring something of their unique selves to situations. Heroes emerge when you least expect it. People blow the whistle despite fear of retaliation. Others embezzle funds or lie to customers despite all of management's efforts to support good conduct. One way to explain

these ethical and unethical behaviors is to focus on characteristics of individuals that differentiate one person from another, making one person more predisposed to think and behave ethically while another is predisposed to think and behave unethically.

Research has uncovered a number of individual differences that influence the way people think and behave in response to ethical dilemma situations. In this section, we discuss several of these differences and how they influence ethical judgment and/or ethical action. They're illustrated below:



Ethical Decision-Making Style

In Chapter 2, we introduced different frameworks for making ethical decisions and advised that individual decision makers should use these in combination if they wish to make the best decisions. But research suggests that individuals have preferences for particular prescriptive ethical theories. Forsyth proposed that we think about these individual preferences in terms of two factors: (1) *idealism* or the person's concern for the welfare of others; and (2) *relativism* or the person's emphasis on ethical principles being dependent on the situation rather than being applicable to all situations.¹¹ Idealism is related to what we referred to as thinking about consequences in Chapter 2. For example, individuals high on idealism believe that one should always avoid harming other people in ethical dilemma situations, while non-idealists believe that "it depends" because "harm is sometimes . . . necessary to produce good"¹² Relativism is more related to deontological theories and our focus on principles in Chapter 2. For example, individuals who are low on relativism believe that all situations are subject to universal ethical principles (such as honesty). On the other hand, individuals who are high on relativism believe that people should weigh the particular circumstances in a situation when making decisions, because there are no universal ethical principles that determine right action in every situation. Research suggests that those high on idealism are more likely to have ethical intentions and to be critical of unethical behavior.¹³ This is probably because idealists are more concerned about anything they might do that would harm others.¹⁴ By contrast, high relativism has been found to be associated with unethical intentions, perhaps because relativists who do not follow clear ethical principles find it easier to rationalize unethical behavior.¹⁵ You can discover your own style by taking a survey that your professor may make available to you. The relationship between ethical decision style and ethical

action has not yet been tested, but it seems logical that the way an individual thinks about a situation and that person's ethical or unethical intentions will influence the action he or she takes. As we did in Chapter 2, we continue to strongly recommend systematically considering ethical dilemma situations from multiple perspectives. Still, it can be useful to understand that you (or the people who work with you or for you) likely have a preference for one approach over another. If so, you may be able to improve your own ethical decision making by forcing yourself to consciously consider all angles. You may also be able to influence ethical decision making in discussions with others by pointing them to these alternative perspectives.

Cognitive Moral Development

One important explanation for both ethical judgment *and* action based on individual characteristics comes from the moral reasoning research of Lawrence Kohlberg.¹⁶ When people respond to ethical dilemma situations, they must, among other things, decide what course of action is ethically right (as we discussed in Chapter 2), and they must choose the ethically right path over others.¹⁷ In other words, if they decide that blowing the whistle is the ethically right path, they must follow through and do it (take the ethical action).

Kohlberg's moral reasoning theory is a cognitive developmental theory that focuses primarily on how people think about and decide what course of action is ethically right. His research began by following 58 American boys ranging in age from 10 to 16 years old. He interviewed them regularly, asking for their open-ended responses to hypothetical moral dilemmas. Their responses were analyzed and resulted in new understanding of how moral reasoning in human beings gradually develops over time through brain development and life experience.

Kohlberg's cognitive moral development theory proposes that moral reasoning develops sequentially through three broad levels, each composed of two stages. As individuals move forward through the sequence of stages, they are cognitively capable of comprehending all reasoning at stages below their own, but they cannot comprehend reasoning more than one stage above their own. Development through the stages results from the cognitive disequilibrium that occurs when an individual perceives a contradiction between his or her own reasoning level and the next higher one. This kind of development can occur through training, but it generally occurs through interaction with peers and life situations that challenge the individual's current way of thinking. You can think of those conversations parents sometimes have with children at the dinner table as attempts to challenge the child's thinking and influence moral reasoning and moral development. According to Kohlberg, the actual decision an individual makes isn't as important as the reasoning process used to arrive at it. However, he argued—and this is an important concept—that the higher the reasoning stage, the more ethical the decision, because the higher stages are more consistent with prescriptive ethical principles of justice and rights (like those discussed in the deontological approach in Chapter 2).

Kohlberg's theory has been successfully applied to studies of adults in business settings.¹⁸ For example, James Weber interviewed business managers about their responses to the following hypothetical dilemma:

Evelyn worked for an automotive steel casting company. She was part of a small group asked to investigate the cause of an operating problem that had developed in the wheel castings of a new luxury automobile and to make recommendations for its improvement. The problem did not directly create an unsafe condition, but it did lead to irritating sounds. The vice-president of engineering told the group that he was certain that the problem was due to tensile stress in the castings. Evelyn and a lab technician conducted tests and found conclusive evidence that the problem was not tensile stress. As Evelyn began work on other possible explanations of the problem, she was told that the problem had been solved. A report prepared by Evelyn's boss strongly supported the tensile stress hypothesis. All of the data points from Evelyn's experiments had been changed to fit the curves, and some of the points that were far from where the theory would predict had been omitted. The report "proved" that tensile stress was responsible for the problem.¹⁹

A number of questions were presented to the interviewees. For example, they were asked whether Evelyn should contradict her boss's report and why. We will use this hypothetical dilemma to understand the theory and how responses to the above question (along with others) help identify an individual's placement in Kohlberg's moral reasoning stage framework. Table 3.1 outlines the levels and stages involved.

LEVEL I: PRECONVENTIONAL A level I individual (labeled the preconventional level and including stages 1 and 2) is very self-centered and views ethical rules as imposed from outside the self. Unfortunately, a small percentage of adults never advance beyond this stage, and managers must be ready for that possibility. As you read the following descriptions, see if you know anyone who thinks this way.

Stage 1 individuals are limited to thinking about obedience to authority for its own sake. Avoiding punishment by authority figures is the key consideration. It's easy to imagine a child thinking, "I should share my toy because, if I don't, Mom will yell at me" (i.e., I'll be punished). A stage 1 response to the Evelyn situation might argue that it would be wrong to contradict her boss because she must obey her superiors, and she would certainly be punished if she disobeyed.

At stage 2, concern for personal reward and satisfaction become considerations in addition to a kind of market reciprocity. What is right is judged in terms of a "you scratch my back, I'll scratch yours" reciprocal relationship. A stage 2 child might think, "If I share my toy with my brother, he might share his with me later." A stage 2 response in the Evelyn situation might argue that Evelyn should support her boss because he is responsible for her performance appraisals; and, if she lets this one go,

Table 3.1 Levels of Cognitive Moral Development According to Kohlberg

Stage	What Is Considered to Be Right
Level I: Preconventional	
Stage 1: Obedience and Punishment Orientation	Obedience to authority for its own sake. Sticking to rules to avoid punishment.
Stage 2: Instrumental Purpose and Exchange	Following rules only when it is in one's immediate interest. Right is an equal exchange, getting a good deal.
Level II: Conventional	
Stage 3: Interpersonal Accord, Conformity, Mutual Expectations	Stereotypical "good" behavior. Living up to what is expected by peers and people close to you.
Stage 4: Social Accord and System Maintenance	Fulfilling duties and obligations of the social system. Upholding laws and rules except in extreme cases where they conflict with social duties.
Level III: Postconventional or Principled	
Stage 5: Social Contract and Individual Rights	Upholding rules because they are the social contract if they are consistent with values such as fairness and rights and the greater good (not because of the majority opinion).
Stage 6: Universal Ethical Principles	Following ethical principles of justice and rights. Acting in accord with principles when laws violate principles.

Source: Adapted from L. Kohlberg, "Moral Stages and Moralization: The Cognitive-Developmental Approach," in *Moral Development and Behavior: Theory, Research, and Social Issues*, ed. T. Lickona (New York: Holt, Rinehart and Winston), 34–35.

he might overlook some of her problems from the past. Also, if her boss has been kind or helpful to her in the past, she may consider her obligation to repay the favor.

In general, a level I person can be expected to consider questions like "What's in it for me?" At stage 1, the questions might be "Can I get away with it?" or "Will I get caught, punished?" At stage 2, the questions might be "How will I benefit or what will I get in return if I do this?"

LEVEL II: CONVENTIONAL At level II (labeled the conventional level and including stages 3 and 4), the individual is still externally focused on others but is less self-centered and has internalized the shared moral norms of society or some segment like a family or work group. What's ethically right is explained in terms of living up to roles and the expectations of relevant others, fulfilling duties and obligations, and following rules and laws.

At stage 3, what's right is thought to be that which pleases or helps others or is approved by those close to you. Interpersonal trust and social approval are important.

For example, a stage 3 response to the Evelyn dilemma might say that Evelyn shouldn't contradict her boss because he would perceive her as disloyal, and she might lose the social approval and trust of her boss and peers. On the other hand, what if Evelyn shares her dilemma with close family members whose opinions are important to her, and they feel strongly that she must contradict her boss? In this case, she would likely reason that she should contradict her boss because the people she trusts and whose approval she values say that it's the right thing to do.

At stage 4, the perspective broadens to consider society. The individual is concerned about fulfilling agreed-upon duties and following rules or laws that are designed to promote the common good. A stage 4 person recognizes that rules and laws often exist for good reason, and she follows them because the social system works better when everyone does that. Therefore, a stage 4 response might say that Evelyn should contradict her boss because of her duty to society. What if the noises do represent a safety problem? She has a responsibility as a good member of society to report it. She would feel particularly strongly about this if she were aware of product safety laws that required her to report the problem.

So, a level II person is looking outside the self for guidance when deciding what to do. A stage 3 person would likely ask, "What would my peers do?" or "What would my trusted supervisor advise?" At stage 4, the considerations would be broader, such as "What do the rules or laws prescribe?" Kohlberg's research placed most American adults at this conventional level, and Weber's research found that most managers' responses to the Evelyn dilemma were at the conventional level as well.

LEVEL III: POSTCONVENTIONAL A level III (postconventional, sometimes called principled reasoning—stages 5 and 6) principled individual has developed beyond identification with others' expectations, rules, and laws to make decisions more autonomously. Such an individual looks to ethical principles of justice and rights (similar to the deontological principles we discussed in Chapter 2). Note that stage 6 is thought to be a theoretical stage only, so we focus below only on stage 5.

At stage 5, the emphasis is still on rules and laws because these represent the recognized social contract, but stage 5 thinkers are willing to question the law and to consider changing the law for socially useful purposes. A stage 5 individual would take into account moral laws above society's laws, such as considering what decision would create the greatest societal good. A stage 5 Evelyn might reason that she should contradict her boss because doing so would be consistent with the ethical principle of the greatest societal good, particularly if she considered safety of the automobiles to be a potential problem. Her responsibility goes beyond that of a good law-abiding member of society and certainly beyond doing what her boss thinks is right. A stage 5 Evelyn is also responsible to principles of justice and rights. So, even if no law requires her to report what she knows, a stage 5 Evelyn would consider the automobile consumers' rights to safety as an important reason for her to tell. When deciding what to do, a stage 5 person would likely ask, "What does the law say?" and then "Is the law consistent with principles of justice and rights?" and "What's best for society?"

Students sometimes get confused by this idea of what it means to be principled according to Kohlberg. We're often asked questions such as, weren't the 9/11 hijackers principled? Although a definitive answer would require probing interviews with the hijackers to determine the reasoning for their behavior (not possible now), the answer is that their thinking likely represented lower-level reasoning (e.g., the leader told me to do it; I did it to receive a reward in heaven; etc.). So, it's important to note that Kohlberg is quite precise about the kinds of principles that qualify as principled thinking. Broadly defined, level III principles are principles of justice and rights similar to the principles introduced in Chapter 2 under deontological theories. Wrongdoers often appeal to what they call principles, such as when the members of a violent Mexican drug cartel claimed to train its members in ethical principles. But the purpose of these principles (e.g., sobriety) was to keep members in line and obedient to cartel authorities. The ethical trainer in this case is accused of ordering murders and running prostitution rings with young girls; such behavior is not supported by principles of justice and rights.²⁰

Finally, the principle "I always do what my religion tells me to do because the deity will punish me if I don't" would not qualify as principled thinking. In Kohlberg's model, this type of thinking actually represents a low level of cognitive moral development because it is based on unquestioning obedience and fear of punishment. Often religious prescriptions such as the golden rule are consistent with theories of justice and rights. To be considered a principled decision maker, an individual would have to be capable of thinking through the ethical situation on his or her own (reasoning according to principles of justice and rights), and not just blindly follow a particular religious authority.

So don't be confused just because someone uses the term *principled*. To be principled in terms of cognitive moral development theory, one must have arrived at the decision autonomously based on principles of justice, rights, and the greater good.

To understand Kohlberg's theory, you must also remember that it is a cognitive theory. What matters are the reasoning processes and considerations involved in a decision. Although these considerations are likely to affect the decision made, it is the reasoning process that counts.

The cognitive moral development exercise at the end of the chapter will test your understanding of cognitive moral development. You may want to try it now.

ARE WOMEN AND MEN DIFFERENT? In 1982, the psychologist Carol Gilligan published *In a Different Voice*, a book about women's cognitive moral development. Gilligan claimed that Kohlberg's theory was flawed because he had studied only boys. Her research led Gilligan to question the almost exclusive focus on justice in Kohlberg's higher moral reasoning stages. She argued that females were more likely to use a "morality of care" that emphasized relationships—raising issues related to caring for others, responsibility to others, and the continuity of interdependent relationships.²¹

Gilligan's claims received a great deal of attention. But the applicability of her ideas to adults working in business organizations is quite limited. Gilligan's own

research comparing the moral reasoning of male and female medical students found no significant difference between the genders, suggesting that both men and women are strongly influenced by the powerful socialization and cultural norms of medical practice.²² Similarly, an interview study of business managers based on Gilligan's theory found no gender differences.²³ All but one of the managers (male and female) who described a moral conflict at work based their moral reasoning on rights, not care. Finally, many cognitive moral development studies based on Kohlberg's theory have found only trivial, if any, gender differences. Interestingly, when differences have been found, females generally have scored higher than men in justice-based reasoning.²⁴ Business ethics researchers now agree that additional research on the question of gender differences is unnecessary and likely to be fruitless.²⁵

We can now begin to address the second requirement for ethical behavior: doing what's right, or ethical action. Recall that to behave ethically, people must first decide what course of action is ethically right (probably depending to a large degree on their ethical awareness and ethical judgment (stage of cognitive moral development)). Then they must choose the ethically right path over others.²⁶

LOOKING UP AND LOOKING AROUND One reason understanding cognitive moral development is so important is that most adults are at the conventional level of cognitive moral development (level II). This means they're highly susceptible to external influences on their judgment about what is ethically right and their subsequent action. Their decision about what's ethically right, and therefore their likely action, is inextricably linked with what others think, say, and do. We call this "looking up and looking around" for ethical guidance.²⁷

These individuals aren't autonomous decision makers who strictly follow an internal moral compass. They look up and around to see what their superiors and their peers are doing and saying, and they use these cues as a guide to action. Therefore most people are likely to do what's expected of them as a result of the reward system, role expectations, authority figure demands, and group norms. That's why the remainder of this book focuses so heavily on these external influences on ethical action and why it's so important that managers structure the work environment to support ethical conduct and lead followers in the right direction. The large majority of employees will be looking for guidance, and they'll do what's right if guided and supported along those lines by managers and peers.

AUTONOMOUS PRINCIPLED THINKING AND ACTION Higher-stage thinking is more independent of these external influences. The postconventional principled thinker looks to justice and rights-based principles to guide ethical decision making. Research has demonstrated that these people are also more likely to behave consistently with their principle-based decisions—they're more likely to carry through and do what they think is right. More principled individuals also have been found to be less likely to cheat, more likely to resist pressure from authority figures, more likely to help someone in need, and more likely to blow the whistle on misconduct.²⁸ So the theory

suggests that whistle-blowers such as Sherron Watkins, who tried to convince Kenneth Lay (Enron's CEO) to address the company's financial shenanigans before it was too late, are likely principled thinkers. But it's important for managers to remember that level III individuals are in the minority in most organizations. Autonomous decision making based on principles of justice and rights is the exception rather than the rule.

Also keep in mind that cognitive moral development represents a cognitive "capacity" to reason about ethical dilemmas at a particular level and that it is possible to act below one's capacity. However, cognitive moral development theory argues that this inconsistency would be difficult to sustain over time because of the cognitive strain that would come from thinking at one level and acting at another.²⁹ Such a person might think, "I know this is wrong—why am I doing it?" So a principled-level individual who found himself or herself in a situation that required unethical action would be more likely to try to change that situation or leave.

The bottom line for managers is this: Cognitive moral development theory and research tell us that most of the people you manage are going to be strongly influenced by what you do, say, and reward. They can be thought of as "good soldiers" who are looking up and looking around for guidance from you and their peers, and they're likely to mimic what they see around them. Therefore, it's the manager's responsibility to structure the work environment in a way that supports ethical conduct. If you avoid this responsibility, these people will look elsewhere for guidance, probably to their peers, and the guidance they receive may not support ethical conduct at all.

A small percentage of individuals may never advance beyond preconventional thinking. Such individuals can be thought of as "loose cannons." They will do whatever they can get away with. People like this require close supervision and clear discipline when they get out of line.

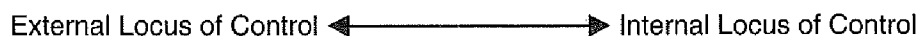
Those individuals who have reached principled levels of moral reasoning should be singled out to lead key decision-making groups, to manage situations where ethical ambiguities are likely to arise, and to lead organizations. Research on ethical decision making in groups has found that when less-principled individuals lead a group, the group's ethical decision-making performance decreases. On the other hand, groups with leaders higher in moral reasoning either improve or stay the same.³⁰ Also, when an organization's leader is high in cognitive moral development, the entire ethical climate of the organization is stronger. This is particularly true for leaders whose choices are consistent with their ethical reasoning capacity and for leaders who run young organizations that are more open to their influence. Finally, when employees and the organization's leader are similar in their level of cognitive moral development, the employees are more satisfied and more committed to the organization. Employee satisfaction and commitment are especially negative when the leader's cognitive moral development is lower than the moral development of employees.³¹

Cognitive moral development can be assessed by using instruments designed by cognitive moral development researchers. Moral reasoning can also be increased through training. Over the years, Kohlberg and his students and colleagues have designed training approaches based on cognitive moral development theory. In this

type of training, facilitators give participants hypothetical ethical dilemmas for discussion. The facilitator promotes movement through ethical reasoning stages by challenging participants' thinking and by exposing individuals to reasoning higher than their own. This approach creates cognitive conflict, leading the participant to question and eventually revise his or her own reasoning upward. Research has supported the effectiveness of this type of training with adults in dental, medical, and business schools.³² Managers may want to consider incorporating these ideas into their firms' ethics training.

Locus of Control

Another individual characteristic that has been found to influence ethical action is locus of control.³³ *Locus of control* refers to an individual's perception of how much control he or she exerts over life events. Locus of control can be thought of as a single continuum from a high internal locus of control to a high external locus of control. An individual with a high internal locus of control believes that outcomes are primarily the result of his or her own efforts, whereas an individual with a high external locus of control believes that life events are determined primarily by fate, luck, or powerful others.



Locus of control develops over a long period of time through interaction with other people and the social environment. At any particular time, however, locus of control can be thought of as a stable individual characteristic that differentiates people from each other. Some individuals are more internal and others are more external in their locus of control. In that way, locus of control is similar to a personality trait that characterizes a person's thinking and action across situations. It does not shift from one situation to another. Therefore it's not appropriate to say, "My locus of control was external in this situation because my boss made me fudge the numbers." What has shifted in this situation is the control exerted by the boss, not the employee's locus of control. An employee with an internal locus of control who has a controlling boss will be uncomfortable with the boss's request to do something inappropriate. So, due to that high internal locus of control, this employee will be more likely to resist the boss's influence and more likely to look for an opportunity to leave and find a more compatible boss and work situation. An employee with an external locus of control is more likely to see his or her fate in the boss' hands and simply do what the boss asks. You can test your own locus of control through a survey measure that your professor may make available to you.

A caveat—although locus of control does not shift easily, it can change over time due to strong life interventions or compelling situations. For example, if someone with a very high internal locus of control became a prisoner of war with little chance of escape, he or she would likely develop a more external locus of control over time.

RELATIONSHIP TO ETHICAL JUDGMENT AND ACTION How is locus of control related to ethical judgment and action? It likely has a lot to do with taking responsibility for one's behavior. First, in their judgment, individuals with a high internal locus of control see the relationship between their behavior and its outcomes more clearly than do those with an external locus of control. Internals see themselves as being in control of things that happen in their lives. Thus they're more likely to take responsibility for the consequences of their actions. It would be more difficult for such an individual to say, "Well, it's not my responsibility; I just work here," or "I'm just following orders." If an individual takes personal responsibility for his or her behavior, it seems likely that person will also behave more ethically. For example, studies have found that internals are more likely to help another person, even if there's a penalty for doing so.³⁴

Internals see themselves as being in charge of their own fates. Therefore, they should also be less willing to be pressured by others to do things they believe to be wrong. One interesting study asked subjects to complete a story in which the main character was pressured to violate a social norm.³⁵ The more internal the subject's locus of control, the more likely the story completion had the hero resisting the pressure. In an obedience-to-authority experiment (explained in more detail in Chapter 7), externals were more likely than internals to give apparently (but not really) harmful electric shocks to someone if told to do so by the experimenter.³⁶

For managers, it may be helpful to know where you stand and where your workers fit on the locus of control continuum. It can help you understand how they think and how they might react in a variety of situations, including ethical situations. For example, workers who constantly blame bad luck and other external factors for performance failures or ethical lapses may be doing so because of an external locus of control—that's the way they view the world. Managers can work with such individuals to help them see the relationship between their actions and the outcomes by consistently holding them responsible and accountable for what they do. As a result, their locus of control may shift over time, and they will take more responsibility for the consequences of their actions.

Machiavellianism

Whereas internal locus of control and more principled thinking are generally associated with ethical action, another individual difference, *Machiavellianism*, has been associated with unethical action. Perhaps you have heard the term *Machiavellian* used to describe individuals who act in self-interested, opportunistic, deceptive, and manipulative ways to win no matter what the cost or how it affects other people. The personality trait known as Machiavellianism was named after Niccolò Machiavelli, a sixteenth-century philosopher, statesman, and political theorist who is associated with promoting a pragmatic leadership style that included amoral, if not clearly unethical, behavior with the aim of achieving self-interested outcomes. The idea that "the ends justify the means" is often associated with Machiavelli. In his most famous publication, *The Prince*, Machiavelli famously said that a ruler should "do good if he

can, but . . . commit evil if he must.”³⁷ Research using a survey that assesses an individual’s Machiavellianism has found that individuals high on Machiavellianism are significantly more likely to have unethical intentions and to engage in unethical action such as lying, cheating, and accepting kickbacks.³⁸ Managers should be on the lookout for employees who they think might be high on Machiavellianism because they are likely to engage in self-interested action that can put the entire organization at risk. Organizations may also want to consider including Machiavellianism among other personality characteristics when assessing job applicants.

Moral Disengagement

The idea behind moral disengagement³⁹ is that most of us behave ethically most of the time because we’ve internalized standards of good conduct and judge our behavior against these standards. If we consider behaving unethically, we feel guilty and stop ourselves. All of us probably recognize that process. But research has found that individual people have a higher (or lower) propensity to deactivate that self-control system through eight *moral disengagement* mechanisms. These moral disengagement mechanisms allow individuals to engage in unethical behavior without feeling bad about it.

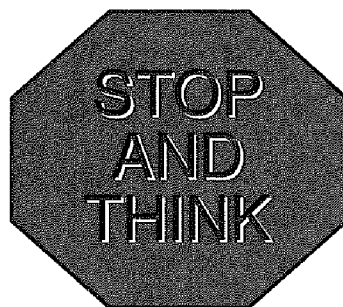
Moral disengagement mechanisms can be organized into three categories. One of these categories involves ways of thinking about our behavior that makes bad behavior seem more acceptable. A mechanism in this category is the use of euphemistic language (discussed earlier in relation to ethical awareness). Another is called *moral justification*, whereby unethical behavior is thought to be okay because it contributes to some socially valued outcome. For example, mortgage lenders may have believed that it was okay to sell those no-doc loans to people because they were helping individuals who would otherwise not be able to purchase a home to take part in the “American dream.” A related moral disengagement tactic is called *advantageous comparison*, whereby people compare their own behavior to more reprehensible behavior and thus make their own behavior seem more okay. For example, the same mortgage lender may feel okay about selling these loans because she counsels clients to be sure to pay the mortgage every month and avoid credit card debt, while colleagues in her office don’t bother to do any counseling and care only about making their commissions.

A second category of moral disengagement mechanisms has to do with distorting consequences or reducing personal responsibility for bad outcomes. For example, with *displacement of responsibility*, individuals will reduce personal accountability by thinking of their actions as resulting from an authority figure’s dictates (“my boss made me do it”). With *diffusion of responsibility*, individuals will reduce personal accountability by looking to others or the group (“it’s not my job,” or “my team made the decision”). With *distorting consequences*, individuals will think of negative consequences as less serious than they are (it’s “no big deal” to fudge the numbers on my expense report).

The third category of moral disengagement mechanisms reduces the person's identification with the victims of unethical behavior. With *dehumanization*, individuals make those who would be harmed less worthy of ethical consideration because they're thought to be different, stupid, or not even human. This mechanism characterizes thinking among those who commit genocide. One can also imagine mortgage lenders thinking that people who took out loans they clearly couldn't afford were just dumb and not worthy of concern. *Attribution of blame* lays blame on the victims of harm for a variety of reasons ("it's their own fault").

Some of these mechanisms lend themselves to certain situations more than others. So if you have an authoritarian and unethical boss, displacement of responsibility ("my boss made me do it") may be used more than other tactics. Still, research does show that some individuals are more likely to engage in this kind of thinking overall, regardless of the situation. And those individuals with a high propensity to morally disengage have been found to have reduced empathy for other people, to be more cynical, to see their behavior as resulting from chance or fate (more external locus of control), and to have a reduced moral identity relative to their other identities—a weaker sense of themselves as ethical beings. Most important, these individuals are more likely to behave unethically.⁴⁰

You can test your own propensity to morally disengage with a short survey that your professor may make available to you. And you can reduce that propensity by being on the lookout for certain justifications that come up in your own mind or in discussions with others. When you find yourself thinking the following (or hear something like this in a meeting), "stop and think" about whether what you're doing is right:



It's not my responsibility—my boss told me to do it.

It's not my responsibility—my team decided this.

It's no big deal.

It's not as bad as (what someone else) is doing.

They deserve whatever they get.

They brought this on themselves.

FACILITATORS OF AND BARRIERS TO GOOD ETHICAL JUDGMENT

In the previous section, we discussed characteristics that distinguish individuals from each other. But individual differences aside, as human beings, we all share ways of thinking about the world that can facilitate or interfere with good ethical judgment. The steps offered in Chapter 2 assume a rational and ethical decision-making process that prescribes how an ethical decision should be made. However, studies have found that actual human decision making doesn't match this rational ideal. Although people generally intend to be rational in their decision making, they're often not.

In recent years, psychologists have discovered a number of weaknesses and biases in how human beings make decisions.⁴¹ Some of these decision-making weaknesses have direct implications for ethical decision making in organizations and for the advice given in Chapter 2.⁴² So think of this part of the chapter as a kind of reality check. If you're going to manage your own and others' ethical behavior, you need to understand how people really think in addition to how they should think.

As a backdrop, recognize that the cognitive weaknesses and biases we will be discussing operate primarily because people try to reduce uncertainty and simplify their world. Although uncertainty is a fact of organizational life, businesspeople want very much to deny the uncertainty they face. Therefore they tend to act as if the world is rational and they're in control. Being "in charge" and able to predict events is a highly valued characteristic, especially in business. But this focus on being in charge is an illusion that can get managers into trouble. What if you really don't know all of the facts about the risks, the potential affected parties, and all the consequences of your decisions? You'll see below that the best way to avoid decision-making weaknesses and biases is to become aware of them and to incorporate steps into your decision making that are explicitly aimed at reducing their impact.

Thinking about Fact Gathering

In Chapter 2, we advised you to "get the facts" as an important first step in good ethical decision making. Be aware, though, that your thinking about the facts is likely to be biased. Research evidence suggests that you may look for the wrong ones or stop looking too soon because you think you already have all the facts you need.

We know that most people, including business students and business executives, are overconfident about their knowledge of the facts. For example, in research studies, people were asked factual questions. Then they were asked to judge the probable truth of their answers. For example, in response to the question, "Is Rome or New York farther north?" most people chose New York, and they believed that the probability was about 90 percent that they were right. Actually, they were wrong. Rome is slightly north of New York. Being overconfident can make you fail to search for additional facts or for support for the facts you have.⁴³

Even if you gather additional facts or support, another cognitive bias termed the *confirmation trap* may influence your choice of which facts to gather and where to

look.⁴⁴ All of us have the tendency to look for information that will confirm our preferred answer or choice and to neglect to search for evidence that might prove us wrong. If you were an investment banker who wanted to believe that mortgage-backed securities were safe (because they were *so* profitable at the time), you were more likely to look for supportive information and ask a question like, “Historically, what percentage of mortgages have defaulted?” Given that question, the banker will probably underestimate the risk involved. Because of no-doc loans and other new and riskier subprime mortgages, relying on historical default patterns no longer made sense. The meeting might take a very different turn if the banker were to ask, “What future problems are possible with this type of new product? What has changed? What haven’t we thought of?”⁴⁵

In an attempt to overcome the confirmation trap, it’s important that you consciously try to think of ways you could be wrong. Incorporate questions in your individual and group decision-making processes such as, “How could I/we be wrong?” “What facts are still missing?” and “What facts exist that might prove me/us to be wrong?” You may still miss some important facts, but you’ll miss less of them than if you didn’t ask these questions at all.

Thinking about Consequences

In Chapter 2, we also advised you to think about all the potential consequences of your decision for a wide variety of stakeholders. Who can argue with such sage advice? But psychologists have found a number of problems with how people think about consequences.

REDUCED NUMBER OF CONSEQUENCES One way people simplify their decisions and make them more manageable is to reduce the number of consequences they consider. They’re especially likely to ignore consequences that are thought to affect only a few people. But consequences that affect only a few people can be serious. For example, a highly beneficial drug may have positive consequences for many and adverse consequences for only a few people. But what if those few people could die from side effects of the drug?⁴⁶ Obviously, you wouldn’t want to ignore such serious consequences no matter how few people are affected. In attempting to consciously deal with this situation, it helps to consult a broad range of people who have a stake in the decision you’re making. Invite input from all interested parties, especially those who disagree with you and those with the most to lose. Ask them what consequences they’re concerned about and why. Then, incorporate these consequences in your decision making.

CONSEQUENCES FOR THE SELF VERSUS CONSEQUENCES FOR OTHERS

Consequentialist theories require us to think about costs and benefits for society—for multiple stakeholders. But psychological research suggests people tend to make decisions in a self-interested manner. For example, they’re inclined to give more weight to the consequences of a decision or action for themselves (or those close to them)

than for others. That may be because consequences to the self are more immediate or more imminent. In addition, when the consequences of multiple alternatives are ambiguous, people tend to choose the alternative they personally prefer rather than the one that is more just. To make matters worse (from an ethics perspective), people underestimate the extent to which they are self-interested and the extent to which they rationalize their own behavior. They just aren't aware of their own cognitive biases. Again, it can help to consciously consider those outside of yourself who are going to be affected by a decision or action. As a manager, you can ask your people to make a list of those individuals or groups who might be affected and seek their input, or have your employees try to imagine themselves in the shoes of those stakeholders. How would they react?⁴⁷

CONSEQUENCES AS RISK One way to think about consequences is to think in terms of decision making about risk. Managers are in the business of assessing risk. But, research suggests that people tend to underestimate potential risks because of an *illusion of optimism*. They overestimate the likelihood of good future events and underestimate the bad. For example, even though around one-half of marriages end in divorce, newlyweds are highly optimistic that their own new marriages will be everlasting. And, although some analysts may knowingly have lied about the future prospects of mortgage-backed securities, it's likely that many were simply overly optimistic and believed that the housing market would never simultaneously crash everywhere in the country, bringing down an entire market and the U.S. economy with it.

People also generally believe that they're less susceptible to risks than other people are. This belief is supported by the *illusion of control*, the general belief that we really are in charge of what happens. And if we think we can control events, we also think bad things are less likely to happen. This illusion of control has been demonstrated to exist in MBA students from top U.S. business schools, suggesting that managers are certainly vulnerable.⁴⁸ Managers whose judgment is influenced by these cognitive biases are likely to underestimate the risk facing the firm as a result of a particular decision. But if managers ignore risks, they're also ignoring important consequences. So it's important to recognize this tendency to ignore risk, and design risk analysis into your decision-making processes.

Even if we attend to risks, we still have difficulty thinking about them in a completely rational way. One tendency that can contribute to downplaying risk was already discussed—the tendency to attend to information that will help confirm the decision we would prefer to make (confirmation bias). In the famous space shuttle *Challenger* disaster that killed all the astronauts on board, everyone knew that risk existed. The question was how much, and was it too much? Many economic and political factors were pushing NASA to launch this shuttle. The media were paying more attention to the launch than they usually would because a schoolteacher was on board. Researchers now believe that confirmation bias may have influenced decision makers to focus on the information that confirmed their preference, which was to launch, and to discount available information about risks that would have supported a delay.⁴⁹

CONSEQUENCES OVER TIME: ESCALATION OF COMMITMENT The prescription to think about consequences also fails to account for the fact that decisions are not isolated choices, but often become part of a series of choices within the context of a larger decision or project. Consider the following scenario:

You finally graduated from college and landed a great job, and you've invested most of your savings in the car of your dreams—a used BMW. But in a short time, the car begins having mechanical problems. Every time you bring it to the mechanic, he claims that it is fixed for good; but the problems continue and your bank account is being drained. Should you quit trying to fix the car?

Because you've already made the decision to buy the car, and you've already invested a lot of money in it, your tendency will be to continue your commitment to this previously selected investment. This tendency has been called “escalation of commitment to a losing course of action” or “throwing good money after bad.”⁵⁰ A perfectly rational decision maker would consider the time and expenses already invested as “sunk costs.” They aren't recoverable and shouldn't be considered in a decision about what to do. Only future costs and benefits should be considered. But this is difficult. Norms in our society and in our organizations support trying, persisting, and sticking with a course of action. Also, if others are involved, we're likely to feel the need to justify our original decision—whether it was to buy a car, a piece of equipment, or land.

So when you're in a situation that involves decisions about whether to continue to invest in an ongoing project, be careful! One way to overcome escalation of commitment is, as with many biases, to recognize that it exists and try to adjust for it. Ask yourself explicit questions about whether you're committed to a decision just because failure would make your original decision look bad. Ask yourself, “If I took over the project today, with no personal investment, would I support the project?” Another approach is to bring in outsiders and ask for their opinions, or turn the project over to them completely. That gets your own ego out of the decision-making process.

Thinking about Integrity

In Chapter 2, you were also advised to think about your own character and integrity—to ask yourself what a person of integrity in a highly ethical community would do in the particular situation. But cognitive biases can get in the way here too. First, if your thoughts about yourself are controlled by illusion rather than reality, how can you make a good decision about your integrity? The basic idea here is that individuals are likely to think positively about their own ethics. They will unconsciously filter and distort information in order to maintain a positive self image. Psychologists know that people have an *illusion of superiority* or *illusion of morality*. Surveys have found that people tend to think of themselves as more ethical, fair, and honest than most other people.⁵¹ It's obviously an illusion when the large majority of individuals

claim to be more honest than the average person, or more ethical than their peers. It's a little like Garrison Keillor's mythical Lake Wobegon, where all the children are above average. There isn't a whole lot you can do here except try to be honest with yourself. But this kind of illusion can lead to bad decisions—when physicians take gifts from salespeople because they're sure they're ethical and their decisions won't be affected,⁵² or when mortgage lenders selling subprime loans convince themselves that what they're doing is contributing to the American dream.

Second, the virtue ethics approach suggests that you rely on the ethics of your profession (or other relevant moral community) to guide you. But consider the accounting professionals in recent cases, as when Arthur Andersen auditors signed off on audits that misrepresented the finances of companies such as Waste Management, Enron, and Adelphia Communications.

Certified public accountants are supposed to be guided by the AICPA code of professional ethics. The code says that, as professionals, auditors have a responsibility to act in the public interest to provide objective opinions about the financial state of the organization—be free of conflicts of interest, not misrepresent facts, or subordinate professional judgment to others. Given human cognitive limitations, however, this expectation is probably unrealistic. Consider what is likely to go through an auditor's mind when deciding whether to provide a negative audit opinion on the financial statements of a big client. Auditors work closely with their audit clients, often over a long period of time. By contrast, auditors have no personal relationship with the "public" they are supposed to represent. Therefore, as biased information processors, their thinking is likely to emphasize the potential negative consequences of a qualified (or negative) audit opinion for themselves and the client—not for the public. The negative consequences for themselves and the client are clearer and more immediate. The auditor who offers a qualified audit may very well lose the client (and the money associated with that client) as well as the personal relationships forged over time. On the other hand, the consequences for the public of a qualified audit opinion are more ambiguous and likely spread over more people and time. It isn't clear how much specific members of the public will gain or lose, especially if the misrepresentation is deemed to be small or unclear. So auditors can easily rationalize a decision that is consistent with their own and their company's self-interest and downplay the potential consequences to an ambiguous, unknown public.⁵³

What is a professional organization to do? It is important to recognize that auditors (and other professionals) are human beings who are affected by cognitive limitations and biases. Given what we know about these biases, here are some potential solutions. First, auditors should be discouraged from developing personal relationships or socializing with their clients. Companies should change auditors every few years to avoid forging such personal ties. Second, audit firms should work hard to sensitize auditors to the likely negative consequences of financial misrepresentation for their own firms and the public. The Enron bankruptcy contributed to huge financial losses to its employees and investors and to the ultimate demise of Arthur Andersen. Regular attention to the importance of maintaining the integrity and long-term reputation of the audit firm is essential, as is the leader's role in creating a strong

ethical climate. The reward system (discussed more fully in later chapters) can be used to send important signals about what's expected. For example, auditors who turn down client business or risk losing a client by providing a negative audit opinion should be supported and reinforced for doing so. Those auditors who risk the reputation of the firm should be disciplined.



Given the above discussion, we might suggest other “red flags” for you to be on the lookout for. If you find yourself thinking (or others saying) the following, consider whether your biases are showing!

The facts support our decision.

Nothing bad will happen.

We're ethical—we wouldn't do anything bad.

We've already invested so much—we can't afford to quit now.

Thinking about Your Gut

Our last piece of advice in Chapter 2 was to listen to your gut. But in this chapter, we've spent a great deal of time telling you that your gut may well be wrong—led by cognitive limitations and biased thinking.

Yet, your gut can still be useful in alerting you that something might be wrong—that you're facing an ethical dilemma—in the first place. But once that decision is made, you should temper your gut with careful analysis guided by the knowledge gained in this chapter and the rest of the book. Hopefully, the combination of your gut and an informed brain will help you make better decisions.

YOUR GUT—“AUTOMATIC” ETHICAL DECISION MAKING In Chapter 2, we treated ethical decision making mostly as a systematic and rational step-by-step process. Even in this chapter, we have thus far discussed how ethical awareness leads to ethical judgment, which then leads to ethical action in a seemingly systematic and deliberative way. But new research from moral psychology, which is often backed up by neuroscience and brain imaging studies, finds that ethical judgments are often more intuitive, impulsive, and automatic. Jonathan Haidt, a psychologist at the University of Virginia, has argued that much ethical judgment occurs “quickly,

effortlessly, and automatically,”⁵⁴ often operating below conscious awareness. Haidt has been particularly interested in people’s automatic reactions of disgust. For example, in his research, he has used a vignette about a family that accidentally runs over and kills the family dog and then reacts by cooking and eating it! Most of us recoil instantly at the thought. It seems disgusting to us and wrong to eat the family dog. When asked why, however, we can’t explain our very strong gut reactions. After all, most of us eat other animals. So, clearly, something besides a purely rational process is at work—something that’s more intuitive and emotional. (You can learn more about Haidt’s research and even participate yourself at www.yourmorals.org).

Even more intriguing is research suggesting that individuals who rely only on more conscious, deliberative approaches to ethical decision making may arrive at worse ethical decisions than do those who use moral intuition and who have strong emotional responses to ethical situations.⁵⁵ Much more research will be required to fully understand these important processes, when they operate, and when they interfere with good ethical decision making rather than actually improve it.

Unconscious Biases

One relatively new research tool that can help us understand the potential (often negative) role of the unconscious in a certain type of ethical thinking is the Implicit Association Test (IAT). Results reveal most people’s preferences for young people over old, straight people over gay, able people over disabled, and a variety of other categories. For example, hundreds of studies with the “race IAT” lead to the conclusion that the large majority of us have an unconscious tendency to value white people more than black people even if we consciously disavow such views and truly believe that we have no racial bias. Here’s how the race IAT works. Participants are asked to press a key on the computer keyboard when they see a black person’s face or a word that has negative connotations (e.g., *rotten*, *bad*) and to press another key when they see a white person’s face or a word with positive connotations (*love*, *good*). Then the task is reversed, and participants are told to press the same keyboard key in response to black faces and pleasant words or white faces and unpleasant words. It turns out that most of us respond more quickly when we’re linking the black faces with negative words and white faces with positive words because such links are cognitively easier for us—they fit with our unconscious, implicit attitudes. Although some have criticized these studies as simply representing higher familiarity with some groups than others, and as unable to predict behavior in real-life situations, research has found that the IAT results can predict troubling behavior in experiments. For example, a person with a strong implicit bias against blacks is more likely to be rude in an encounter with a black person, and white physicians with a strong implicit bias against blacks were found to prescribe the latest heart treatment less often for blacks than for whites. Our goal is not to defend or criticize the IAT. Rather, we use it to point out that unconscious attitudes probably influence our behavior

more than we think. Given the importance of fair treatment in all kinds of ethical decisions at work (hiring, performance appraisal, layoffs, compensation, etc.), understanding the potential impact of such unconscious bias should help us understand why we need to put organizational procedures in place that provide less opportunity for these unconscious biases to influence our decisions.⁵⁶ (To experience the IAT for yourself, go to <https://implicit.harvard.edu/implicit/>.)

Emotions In Ethical Decision Making

Age-old philosophical prescriptions assume cool, rational, ethical decisions. But we are also beginning to understand how important emotions are to the ethical decision-making process.⁵⁷ Importantly, emotions are not just an interference to good ethical judgment, as many used to believe. Instead, emotions often lead to right action.⁵⁸ For example, when we consider hurting someone, our brain reacts with a visceral negative emotion (“an internal alarm”) that keeps violence in check.⁵⁹ And these reactions tend to happen very quickly, before we even have time to engage in rational thought.

Consider two classic philosophical dilemmas. In one, a runaway train is headed for five people who will die if nothing is done. You can save the five by diverting the train to a different track, where it would kill only one person. Should you divert the train?

In the second dilemma, you’re standing next to a stranger on a bridge over the tracks. The only way to save the five people is to push the stranger onto the tracks, where his body would stop the train. Should you push the stranger?

To philosophers, the rational logic in these scenarios is similar; in both cases, you would be intentionally sacrificing one person in order to save five people. But, when asked, most people say that you should divert the train in the first dilemma but not push the stranger onto the tracks in the second. Psychologists now tell us that emotions explain the difference between the scenarios because the second scenario engages emotions more than the first. This hypothesis was supported in an experiment that used brain scans to track brain activity during decision making. In dilemmas like the second one, parts of the brain associated with emotional processing were more active, and those who decided that pushing the stranger would be right took longer to make a decision because emotions slowed down their thought processes.⁶⁰ Most normal people would find it difficult, if not impossible, to actually take another’s life in such a situation. This reluctance is attributed to the strong feelings of revulsion that come up from just thinking about taking a human life. These reactions are likely hardwired into human beings through evolution because they aid our survival. Interestingly though, people who have damage to the prefrontal cortex of the brain have no such reaction. They are much more likely to simply make the utilitarian analysis and say they would kill one person to save the others.⁶¹ (If you want to get a “feel” for this type of exercise, try taking the moral sense test at <http://moral.wjh.harvard.edu>. It presents complex ethical dilemmas that have no clearly right answer.)

So emotions are clearly important in ethical decision making, and continuing research will help us more fully understand the process. It seems clear that emotions can aid us in doing the right thing when they alert us to ethical concerns, cause us to act to help others in need, or keep us from violent reactions (because of sympathy for another, pangs of guilt, or automatically triggered negative feelings).⁶² Feelings of betrayal or moral outrage can also cause people to act in the interest of fairness.⁶³ For example, people may be more willing to speak up about the unfair treatment of a coworker if they feel moral outrage about it.⁶⁴ Interestingly, research has found that people will even forgo financial benefits if they feel they're being unfairly treated. In some fascinating experiments, researchers have demonstrated that individuals will punish another individual they perceive to be unethical even if there is nothing for them to gain and something to lose. They will do this even if they don't know the person who has been offended.⁶⁵ Accordingly, research has shown that the parts of our brains associated with feeling satisfaction are activated when we consider retaliating against someone who has unfairly harmed us.⁶⁶ The bottom line here is that we often act not because we have coolly and rationally decided on the best course of action, but rather because it "feels" like the right thing to do at the time. Often, such emotions can lead us to act ethically. But emotions can also interfere with good decision making when they lead to a (perhaps irrational) desire for revenge. For example, when a competitor "poaches" one of your best people, do you try to recruit someone away from the competitor just to get even or to do damage to the competitor when you should be focusing more rationally on who is best prepared to do the job?⁶⁷

Consider how General Motors managers handled a four-year legal battle with VW over their allegation that a 56-year-old GM executive, Jose Lopez, took 20 boxes of GM proprietary documents when he left GM to join Volkswagen in 1993. In 1992, Lopez was GM's worldwide purchasing czar, known for his ability to cut costs ruthlessly. The missing documents included information about GM's suppliers and their prices for auto parts, as well as information about upcoming Opel car models in the GM Europe division. *Fortune* magazine referred to the four-year legal battle that ensued as a tale of "betrayal" and "revenge." Lou Hughes, head of GM Europe, was furious that Lopez would take proprietary documents to its fiercest competitor. He insisted that there would be no settlement with VW as long as Lopez remained there. When asked what he hoped to gain from the litigation, Hughes replied, "Look, this is not a question of business. This is a question of ethics."⁶⁸ Years of investigation yielded no hard evidence to suggest that anyone at VW had actually used the secret GM information. *Fortune* suggested that at the time, "one might have expected GM to act pragmatically, find some face-saving exit, and return its attention to the car business."⁶⁹ That might have been the "rational," coolheaded thing to do. Instead, GM escalated the fight, bringing a racketeering suit that was expected to drag on for years and cost tens of millions of dollars. When pragmatic board members questioned the action, the board chairman insisted that the company had to pursue the suit

because it “had been terribly wronged.” “Some things aren’t measured in time and money. They’re just who we are.”⁷⁰ Finally, in January 1997, the two companies settled the case. Lopez, who had already resigned from Volkswagen, was barred from doing any work for VW through the year 2000. Volkswagen paid GM \$100 million and agreed to buy \$1 billion worth of GM parts over seven years. *Fortune* asked, “But what, in the end did the long, bitter, and costly struggle accomplish? In the cold light of day, the answer seems simple and shocking: not much.”⁷¹ A huge company devoted years of attention and spent millions of dollars because its managers were morally outraged that their former friend had betrayed them. It was obviously an emotional reaction.

Clearly, anger and other emotions can influence thoughts and actions. Whether that is good or bad depends on whether the emotion leads to “right” or “wrong” action. If empathy or guilt lead you to recognize an ethical issue or think about the consequences of your actions for others, that’s a good thing. If moral outrage leads you to seek justice, that’s good as well. But moral outrage can also lead to a desire for revenge, and that may be the time to bring cooler heads to the decision to determine whether action based upon revenge is a good ethical (and business) decision. Those who are not as emotionally involved in the interpersonal issues may be able to offer a more rational and balanced assessment of the situation. In the GM–Volkswagen case, those pragmatic board members may have been right to support a quick settlement.

TOWARD ETHICAL ACTION

Most of this chapter has focused on ethical awareness and ethical judgment processes. We’ve seen that these also influence ethical action. For example, those who are higher in ethical awareness are more likely to make ethical choices because they think about the harm they’re doing, they use ethical language to label the situation, or they recognize that others would see an action as ethically problematic. Also, we know that some individuals are more prone to think in ways that make ethical action more likely. Individuals who are higher in cognitive moral development, internal locus of control, and idealistic decision-making style, and those who are lower in Machiavellianism and less prone to use morally disengaged thinking, are all more likely to behave ethically.

But we’ve also seen that, as human beings, we’re all prone to cognitive biases that can get in the way of good thinking and interfere with ethical action. Beyond that, it’s sometimes hard to do what’s right even for those of us with the best thinking and intentions. We may have an unethical boss who insists that we do inappropriate things, we may find ourselves in an unethical culture, or we may fear repercussions for speaking the truth. Next, you’ll read an article that addresses some of these issues: Dennis Gioia’s reflections on his involvement in the Pinto Fires case. In future chapters, we’ll focus more on how you can find your moral voice and do what’s right despite the challenges.

REFLECTIONS ON THE PINTO FIRES CASE (SEE CHAPTER 2)

by Dennis A. Gioia (used with permission)

Chapter 2 ended with the provocative Pinto Fires case, highlighting some of the sordid events in the history of the Pinto fires problem. As the authors indicate later in this chapter, I was involved with this infamous case in the early 1970s. They have asked me to reflect on lessons learned from my experience.

I take this case very personally, even though my name seldom comes up in its many recountings. I was one of those “faceless bureaucrats” who is often portrayed as making decisions without accountability and then walking away from them—even decisions with life-and-death implications. That characterization is, of course, far too stark and superficial. I certainly don’t consider myself faceless, and I have always chafed at the label of bureaucrat as applied to me, even though I have found myself unfairly applying it to others. Furthermore, I have been unable to walk away from my decisions in this case. They have a tendency to haunt—especially when they have such public airings as those involved in the Pinto fires debacle have had.

But why revisit 20-year-old decisions, and why take them so personally? Here’s why: because I was in a position to do something about a serious problem—and didn’t. That simple observation gives me pause for personal reflection and also makes me think about the many difficulties people face in trying to be ethical decision makers in organizations. It also helps me to keep in mind the features of modern business and organizational life that would influence someone like me (me, of all people, who purposefully set out to be an ethical decision maker) to overlook basic moral issues in arriving at decisions that, when viewed retrospectively, look absurdly easy to make. But they are not easy to make, and that is perhaps the most important lesson of all.

The Personal Aspect

I would like to reflect on my own experience mainly to emphasize the personal dimensions involved in ethical decision making. Although I recognize that there are strong organizational influences at work as well, I would like to keep the critical lens focused for a moment on me (and you) as individuals. I believe that there are insights and lessons from my experience that can help you think about your own likely involvement in issues with ethical overtones.

First, however, a little personal background. In the late 1960s and early 1970s, I was an engineering/MBA student; I also was an “activist,” engaged in protests of social injustice and the social irresponsibility of business, among other things. I held some pretty strong values that I thought would stand up to virtually any challenge and enable me to “do the right thing” when I took a career job. I suspect that most of you feel that you also have developed a strongly held value system that will enable you to resist organizational inducements to do something unethical. Perhaps. Unfortunately, the challenges do not often come in overt forms that shout the need for resistance or ethical righteousness. They are much more subtle than that, and thus doubly difficult to deal with because they do not make it easy to see that a situation you are confronting might actually involve an ethical dilemma.

After school, I got the job of my dreams with Ford and, predictably enough, ended up on the fast track to promotion. That fast track enabled me to progress quickly into positions of some notable responsibility. Within two years I became Ford’s vehicle recall coordinator,

with first-level responsibility for tracking field safety problems. It was the most intense, information-overloaded job you can imagine, frequently dealing with some of the most serious problems in the company. Disasters were a phone call away, and action was the hallmark of the office where I worked. We all knew we were engaged in serious business, and we all took the job seriously. There were no irresponsible bureaucratic ogres there, contrary to popular portrayal.

In this context, I first encountered the neophyte Pinto fires problem in the form of infrequent reports of cars erupting into horrendous fireballs in very low-speed crashes and the shuddering personal experience of inspecting a car that had burned, killing its trapped occupants. Over the space of a year, I had two distinct opportunities to initiate recall activities concerning the fuel tank problems, but on both occasions I voted not to recall, despite my activist history and advocacy of business social responsibility.

The key question is how, in the space of two short years, I could have engaged in a decision process that appeared to violate my own strong values—a decision process whose subsequent manifestations continue to be cited by many observers as a supposedly definitive study of corporate unethical behavior. I tend to discount the obvious accusations: that my values weren't really strongly held; that I had turned my back on my values in the interest of loyalty to Ford; that I was somehow intimidated into making decisions in the best interests of the company; that despite my principled statements I had not actually achieved a high stage of moral development, and so on. Instead, I believe a more plausible explanation for my own actions looks to the foibles of normal human information processing.

I would argue that the complexity and intensity of the recall coordinator's job required that I develop cognitive strategies for simplifying the overwhelming amount of information I had to deal with. The best way to do that is to structure the information into cognitive "schemas," or more specifically "script schemas," that guide understanding and action when facing common or repetitive situations. Scripts offer marvelous cognitive shortcuts because they allow you to act virtually unconsciously and automatically, and thus permit handling complicated situations without being paralyzed by needing to think consciously about every little thing. Such scripts enabled me to discern the characteristic hallmarks of problem cases likely to result in recall and to execute a complicated series of steps required to initiate a recall.

All of us structure information all of the time; we could hardly get through the workday without doing so. But there is a penalty to be paid for this wonderful cognitive efficiency: We do not give sufficient attention to important information that requires special treatment, because the general information pattern has surface appearances indicating that automatic processing will suffice. That, I think, is what happened to me. The beginning stages of the Pinto case looked for all the world like a normal sort of problem. Lurking beneath the cognitive veneer, however, was a nasty set of circumstances waiting to conspire into a dangerous situation. Despite the awful nature of the accidents, the Pinto problem did not fit an existing script; the accidents were relatively rare by recall standards, and the accidents were not initially traceable to a specific component failure. Even when a failure mode suggesting a design flaw was identified, the cars did not perform significantly worse in crash tests than competitor vehicles. One might easily argue that I should have been jolted out of my script by the unusual nature of the accidents (very low speed, otherwise unharmed passengers trapped in a horrific fire), but those facts did not penetrate a script cued for other features. (It also is difficult to convey to the layperson that bad accidents are not a particularly unusual feature of the recall coordinator's information field. Accident severity is not necessarily a recall cue; frequently repeated patterns and identifiable causes are.)

The Corporate Milieu

In addition to the personalized scripting of information processing, there is another important influence on the decisions that led to the Pinto fires mess: the fact that decisions are made by individuals working within a corporate context. It has escaped almost no one's notice that the decisions made by corporate employees tend to be in the best interest of the corporation, even by people who mean to do better. Why? Because socialization processes and the overriding influence of organizational culture provide a strong, if generally subtle, context for defining appropriate ways of seeing and understanding. Because organizational culture can be viewed as a collection of scripts, scripted information processing relates even to organizational-level considerations. Scripts are context bound; they are not free-floating general cognitive structures that apply universally. They are tailored to specific contexts. And there are few more potent contexts than organizational settings.

There is no question that my perspective changed after joining Ford. In retrospect, I would be very surprised if it hadn't. In my former incarnation as a social activist, I had internalized values for doing what was right, as I understood rightness in grand terms; but I had not internalized a script for applying my values in a pragmatic business context. Ford and the recall coordinator role provided a powerful context for developing scripts—scripts that were inevitably and undeniably oriented toward ways of making sense that were influenced by the corporate and industry culture.

I wanted to do a good job, and I wanted to do what was right. Those are not mutually exclusive desires, but the corporate context affects their synthesis. I came to accept the idea that it was not feasible to fix everything that someone might construe as a problem. I therefore shifted to a value of wanting to do the greatest good for the greatest number (an ethical value tempered by the practical constraints of an economic enterprise). Doing the greatest good for the greatest number meant working with intensity and responsibility on those problems that would spare the most people from injury. It also meant developing scripts that responded to typical problems, not odd patterns like those presented by the Pinto.

Another way of noting how the organizational context so strongly affects individuals is to recognize that one's personal identity becomes heavily influenced by corporate identity. As a student, my identity centered on being a "good person" (with a certain dose of moral righteousness associated with it). As recall coordinator, my identity shifted to a more corporate definition. This is an extraordinarily important point, especially for students who have not yet held a permanent job role, and I would like to emphasize it. Before assuming your career role, identity derives mainly from social relationships. Upon putting on the mantle of a profession or a responsible position, identity begins to align with your role. And information processing perspective follows from that identity.

I remember accepting the portrayal of the auto industry and Ford as "under attack" from many quarters (oil crises, burgeoning government regulation, inflation, litigious customers, etc). As we know, groups under assault develop into more cohesive communities that emphasize commonalities and shared identities. I was by then an insider in the industry and the company, sharing some of their beleaguered perceptions that there were significant forces arrayed against us and that the well-being of the company might be threatened.

What happened to the original perception that Ford was a socially irresponsible giant that needed a comeuppance? Well, it looks different from the inside. Over time, a reasonable value for action against corporate dominance became tempered by another reasonable value that corporations serve social needs and are not automatically the villains of society. I saw a need for

balance among multiple values, and, as a result, my identity shifted in degrees toward a more corporate identity.

The Torch Passes to You

So, given my experiences, what would I recommend to you, as a budding organizational decision maker? I have some strong opinions. First, develop your ethical base now! Too many people do not give serious attention to assessing and articulating their own values. People simply do not know what they stand for because they haven't thought about it seriously. Even the ethical scenarios presented in classes or executive programs are treated as interesting little games without apparent implications for deciding how you intend to think or act. These exercises should be used to develop a principled, personal code that you will try to live by. Consciously decide your values. If you don't decide your values now, you are easy prey for others who will gladly decide them for you or influence you implicitly to accept theirs.

Second, recognize that everyone, including you, is an unwitting victim of his or her own cognitive structuring. Many people are surprised and fascinated to learn that they use schemas and scripts to understand and act in the organizational world. The idea that we automatically process so much information so much of the time intrigues us. Indeed, we would all turn into blithering idiots if we did not structure information and expectations, but that very structuring hides information that might be important—information that could require you to confront your values. We get lulled into thinking that automatic information processing is great stuff that obviates the necessity for trying to resolve so many frustrating decisional dilemmas.

Actually, I think too much ethical training focuses on supplying standards for contemplating dilemmas. The far greater problem, as I see it, is recognizing that a dilemma exists in the first place. The insidious problem of people not being aware that they are dealing with a situation that might have ethical overtones is another consequence of schema usage. I would venture that scripted routines seldom include ethical dimensions. Is a person behaving unethically if the situation is not even construed as having ethical implications? People are not necessarily stupid, ill-intentioned, or Machiavellian, but they are often unaware. They do indeed spend much of their time cruising on automatic, but the true hallmark of human information processing is the ability to switch from automatic to controlled information processing. What we really need to do is to encourage people to recognize cues that build a "Now Think!" step into their scripts—waving red flags at yourself, so to speak—even though you are engaged in essentially automatic cognition and action.

Third, because scripts are context-bound and organizations are potent contexts, be aware of how strongly, yet how subtly, your job role and your organizational culture affect the ways you interpret and make sense of information (and thus affect the ways you develop the scripts that will guide you in unguarded moments). Organizational culture has a much greater effect on individual cognition than you would ever suspect (see Chapter 5).

Last, be prepared to face critical responsibility at a relatively young age, as I did. You need to know what your values are, and you need to know how you think so that you can know how to make a good decision. Before you can do that, you need to articulate and affirm your values now, before you enter the fray. I wasn't really ready. Are you?

For a more thorough description and analysis of Dennis Gioia's experiences, see his article, "Pinto Fires and Personal Ethics: A Script Analysis of Missed Opportunities," *Journal of Business Ethics* 11, nos. 5, 6 (1992): 379–89.

Revisiting the Pinto Fires Case: Script Processing and Cost-Benefit Analysis

Dennis Gioia, management scholar and expert on social cognition, has provided us with a rare opportunity to look inside the head of someone who was involved in a widely publicized business ethics situation. He has analyzed his own thoughts and behavior as vehicle recall coordinator at Ford Motor Company shortly after the Ford Pinto was introduced in both an article in the *Journal of Business Ethics*⁷² and in his “Reflections” that you just read.

In 1972, Gioia graduated with an MBA. His value system included opposition to the Vietnam War and deep concerns about the ethical conduct of business. “I cultivated my social awareness; I held my principles high; I espoused my intention to help a troubled world; and I wore my hair long. By any measure I was a prototypical ‘Child of the ’60s.’”⁷³ A car enthusiast, Gioia was hired by the Ford Motor Company as a “problem analyst.” Within two years he became Ford’s field recall coordinator, in charge of organizing current recall campaigns and identifying developing problems.

SCRIPT PROCESSING In analyzing his participation in the decision *not* to recall the Pinto, Gioia suggests that his behavior was highly influenced by script processing. *Scripts* are cognitive frameworks that guide human thought and action. Although they are generally not written down, scripts contain information about the appropriate sequence of events in routine situations. For example, most of us have a fairly complex script for how to behave in a fancy restaurant, from approaching the maître d’ to tasting the wine to choosing a fork to use to leaving the appropriate tip. Information processing is made much more efficient because a cognitive script allows the individual to call on an established behavior pattern and act automatically without contemplating every decision or action in great detail. Active thinking is not required, because the situation fits the mental prototype, which in turn triggers the script and the prescribed behaviors. According to Gioia, this is something like “cruising on automatic pilot.” Many of us discover that we have been cruising on automatic pilot when we drive to a familiar destination, but we can’t recall how we got there. We were following an established behavior pattern. The route was so familiar that we didn’t have to think about it anymore. Somehow we were magically there. Similar things happen at work. Behaviors become routine or “scripted,” and we do them pretty much without thinking. Many jobs have scripts associated with them. For example, insurance claims adjusters have a set of criteria they use to make decisions about claims, and emergency medical personnel have a script for deciding which medical problems require the most immediate attention. If a symptom is not a part of the accepted script, it is likely to be overlooked.

Given the huge information load expected of someone who was simultaneously managing hundreds of files on potential safety problems, scripts provided a great information processing advantage to the Ford recall coordinator. Rather than treating every potential problem situation as unique, Gioia could save time and mental energy by making quick and efficient decisions about problems as they arose. As early reports about the Pinto began to trickle in, they didn’t raise any red flags because

they fit the scripted criteria for a “normal” accident and didn’t fit the scripted criteria for a recall. Among other criteria, Gioia was taught to look for a large number of cases, a pattern of component failure, and a traceable cause to a design or manufacturing problem before proposing a recall. Therefore, he filed the claims automatically and gave seemingly more important problems his active attention.

Besides contributing to information processing efficiency, however, script processing clearly has some disadvantages. Gioia admittedly “looked right past” potential problems because he had seen similar information patterns hundreds of times before. The scripted definition of a crisis case was not met by the information he received, so the Pinto wasn’t singled out for attention. Consistent with research on script processing, he selectively perceived information that was consistent with the script and ignored information that didn’t fit the pattern.

Muffled emotions can also become part of a script. Many jobs require the control of emotions, particularly negative emotions. The recall coordinator’s job fit this category, as would the job of a health professional in the emergency room or an insurance claims handler who reads constantly about terrible accidents and the disabilities that result. For Gioia to function in his job every day, his emotions had to be squelched to some degree. Even when one event penetrated his script, it didn’t lead to recall of the Pinto. He had received a photograph of a burned Pinto and subsequently saw in person the burned hulk of an actual automobile. These powerful visual images triggered an emotional response and moved him to bring the case before members of the field recall office. However, at the meeting, it became clear that the characteristics of the Pinto problem didn’t meet the group’s shared scripted criteria for a recall. For example, only a few field reports had come in about the Pinto, much fewer than the number that would generally support a recall decision. All members, including Gioia, voted not to recall.

Script processing can be particularly problematic for ethical decision making. First, ethical decision making requires active consideration of the moral dimensions of the situation and a “custom” decision, tailored to the complexities of that particular case. Yet, Gioia argues, in many situations organizational members are not even aware they are dealing with an ethical dilemma. In terms of our previous discussion, they are ethically unaware. They handle situations by following scripts that are likely to exclude ethical considerations. In other words, ethical dilemmas do not lend themselves to “automatic pilot” decisions. But the realities of our hectic work lives make this sort of default decision making very common.

Cost-Benefit Analysis

Frequently, in addition to the cognitive processing limitations of individual decision makers, institutionalized decision-making processes can powerfully influence the decisions made by individuals or groups. In the Pinto fires case, a controversial decision-making process was used to justify the decision not to change the gas tank design. The National Traffic Safety Association had approved the use of cost-benefit analysis to establish automotive safety design standards. This process involved the assignment of a dollar value for a human life—in 1970, the value

was deemed to be approximately \$200,000 (it's over 3 million dollars today) As an internal memo revealed, Ford had tabulated the costs of altering the tank design (for all similarly designed vehicles) to be \$137 million, or \$11 per vehicle. The benefits were calculated to be \$49,530,000. These included the savings to society that would be accrued by preventing 180 deaths at \$200,000 each, plus 180 projected burn injuries at \$67,000 per injury and 2,100 burned cars at \$700 per car. Using the cost-benefit analysis made the decision seem straightforward. The costs of redesign outweighed the benefits and would therefore not be undertaken. Ethical considerations didn't figure into the equation.

Attempts to reduce complex decision making to quantitative terms aren't uncommon, especially in a highly competitive business environment. In this way, complex decisions can be simplified—apparently, an advantage. Today, insurance companies and many government agencies still assign a value to human life as they attempt to calculate the costs and benefits of new regulations. And those managing relief efforts after the World Trade Center terrorist attack had to decide how much money should be given to families who lost loved ones. What is a life worth? Are some people's lives "worth" more than others because they would have had more earning potential had they lived? Unfortunately, this kind of decision making is a part of our modern lives. Decisions like this are made in courtrooms and by insurance companies every day. But the potential disadvantages of reducing the value of human life to quantitative terms should be clear. Such simplification can remove moral criteria from the decision-making process and reduce ethical awareness.

The Pinto fires example also points to the importance of multiple ethical selves and role behavior that will be discussed further in Chapter 7. Gioia was an idealistic young student, but he admittedly dropped his idealism at the corporation door. In performing his job of recall coordinator, Gioia was heavily influenced by the role expectations and guiding scripts. As he says:

The recall coordinator's job was serious business. The scripts associated with it influenced me more than I influenced [them]. Before I went to Ford I would have argued strongly that Ford had an ethical obligation to recall. After I left Ford, I now argue and teach that Ford had an ethical obligation to recall. But, while I was there, I perceived no obligation to recall and I remember no strong ethical overtones to the case whatsoever. It was a very straightforward decision, driven by dominant scripts for the time, place, and context.⁷⁴

Clearly, these processes that individuals and organizations use to simplify complex decisions can have significant implications for the ethical decisions managers make. Although script processing and quantitative decision-making criteria clearly help us do our jobs more efficiently, they can also strip ethical considerations from the decision-making process.

One way to address this problem is to make ethical considerations part of the script. Gioia suggests that this may be possible, although he warns that "it will take

substantial concentration on the ethical dimension of the corporate culture (see Chapter 5), as well as overt attempts to emphasize ethics in education, training, and decision making before typical organizational scripts are likely to be modified to include the crucial ethical component.”⁷⁵ You can help your subordinates by working with them to make the scripts explicit and to analyze them for their ethical components.

You can also require decision-making groups to analyze the ethical aspects of their decisions and to include this analysis in their reports. Just as environmental impact statements are now a routine part of many business decisions, an ethical analysis could require that managers focus on the influence of a particular decision on stakeholders' rights and consequences for the community or communities affected by the decision. You can also require groups to justify their decision-making process (e.g., decision-making criteria and weighting) in moral as well as quantitative terms.

CONCLUSION

This chapter has introduced you to individual differences that can influence ethical decision making. It has also outlined the cognitive limitations and biases that can interfere with good ethical decision making. Hopefully, knowing about these and how they can be overcome will help you be a better individual decision maker. Chapter 4 provides some guidance regarding how you can find your moral voice and actually do what you think is right. Much of the remainder of the book moves beyond the individual focus to look at the group and organizational influences that can have a profound influence on your decisions and actions, sometimes making it difficult to do the right thing.

EXERCISE

Understanding Cognitive Moral Development

Molly has been a local newspaper reporter for over 10 years. She learned that Joe Thompson, a candidate for governor, had been arrested for shoplifting 20 years earlier. She also learned that early in his life, Thompson went through a confused period when he did things he later regretted. The shoplifting was treated as a minor offense and removed from his record. Since then, Thompson has had a distinguished career helping people and leading important community projects. Many people consider him to be the best candidate who will likely go on to other important leadership positions. Molly wonders whether she should write a story about Joe's earlier troubles that could ruin his chance to win.

Can you characterize Molly's thinking in terms of cognitive moral development levels? Which of these questions represents preconventional, conventional, or principled thinking?

- Are there any laws against writing the story?
- Would getting “the scoop” help or hurt my career?

- If I don't publish the story, wouldn't another reporter write the story anyway?
- What action would best serve society in the long term?
- How would my boss react if I wrote, or didn't write, the story?
- Aren't reporters expected to report all the news regardless of the circumstances?
- Would Thompson pay me not to write the story?
- Would the election process be more just with or without reporting the story?

DISCUSSION QUESTIONS

Note that these questions apply to Gioia's "Reflections" as well as the rest of the chapter.

1. Steven F. Goldstone, chairman and CEO of RJR Nabisco (one of the four biggest U.S. cigarette manufacturers), said in a magazine interview, "I have no moral view of this business . . . I viewed it as a legal business. You shouldn't be drawing a moral judgment about a business our country says is perfectly legal and is taxed like crazy by it."⁷⁶ Think about Goldstone's statement in terms of ethical awareness. What might happen if he began thinking about his business in ethical, and not just legal, terms?
2. Evaluate yourself in terms of cognitive moral development, locus of control, ethical decision-making style, moral disengagement, and Machiavellianism. What does this evaluation tell you about your own ethical decision making? Do the same for someone you know well.
3. Can you think of times when you have used morally disengaged thinking?
4. Identify a situation in which you have used script processing in a work or other life situation.
5. Do you believe that scripts can override an individual's value system?
6. Answer the question posed in Gioia's "Reflections": Is a person behaving unethically if the situation was not even construed in ethical terms—if there was no ethical awareness?
7. Who should make the decision about taking risks with others' lives in designing products?
8. Should a person be permitted to place a value on a human life? Should a company? Should the government? If not, how would decisions be made about whether to market certain products (that might be risky for some, but helpful for others), how much those who have lost family members in disasters should be compensated, and so on?
9. How do you feel about the use of cost-benefit analysis where human life is part of the cost calculation? Might the infusion of moral language have changed the

decision makers' thinking? For example, what if decision makers had talked about their responsibility for killing 180 human beings?

10. Given that all automobiles are unsafe to some degree, where do you draw the line on product safety? How safe is safe enough—and who decides?

SHORT CASE

Mary, the director of nursing at a regional blood bank, is concerned about the declining number of blood donors. It's May, and Mary knows that the approaching summer will mean increased demands for blood and decreased supplies, especially of rare blood types. She is excited, therefore, when a large corporation offers to host a series of blood drives at all of its locations, beginning at corporate headquarters. Soon after Mary and her staff arrive at the corporate site, Mary hears a disturbance. Apparently, a nurse named Peggy was drawing blood from a male donor with a very rare blood type when the donor fondled her breast. Peggy jumped back and began to cry. Joe, a male colleague, sprang to Peggy's defense and told the donor to leave the premises. To Mary's horror, the male donor was a senior manager with the corporation. What is the ethical dilemma in this case, and what values are in conflict? How should Mary deal with Peggy, Joe, the donor, and representatives of the corporation?

NOTES

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