
Ethical decision making is not an oxymoron

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Portfolio
Construction
Forum

Ethical Decisions



Business Decisions

Ethical Decisions




Business Decisions

Balancing Ethics

- Person
 - Decision Making
 - Values
 - Moral Compass
- Situation
 - External Pressure(s)
 - Global Context
- Organization
 - Culture
 - Moral Compass

Person in Context

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1. **Dispositional – Individual - Bad Apples**
 2. **Situational – Situation – Bad Barrel**
 3. **Systematic – Context – Bad Barrel Makers**

Examples

- In chat, list at least one company in which the situational context led to unethical business decision making.
 - For example: Enron, WellsFargo
- In your example(s), what were some of the situational forces that contributed to creating this status-quo?
 - For example: “Eight is great”

Small Group Exercise

- Prepare to share one example of an organizational ethical dilemma you experienced or have firsthand knowledge.
 - It can be current and/or unresolved.
- Share the dilemma with the group, without sharing a resolution or outcome.
- Encourage the group to brainstorm solutions.
- As a group, ID what the dilemmas have in common.
- Choose one person as the group spokesperson.

Poll

- Which of the following characterized your example(s)?
 - Matters of right and wrong.
 - Management decisions/actions that adversely impacted others.
 - Conflict between an organization's economic performance and its social performance.

What are Ethical Dilemmas?

- Matters of right and wrong.
- Management decisions/actions that adversely impact others.
- Conflict between an organization's economic performance and its social performance.

Ethical Dilemmas: Characteristics

- Extended and uncertain consequences
- Multiple alternatives
- Mixed outcomes
- Personal implications

Cognitively Complex & Emotionally Difficult

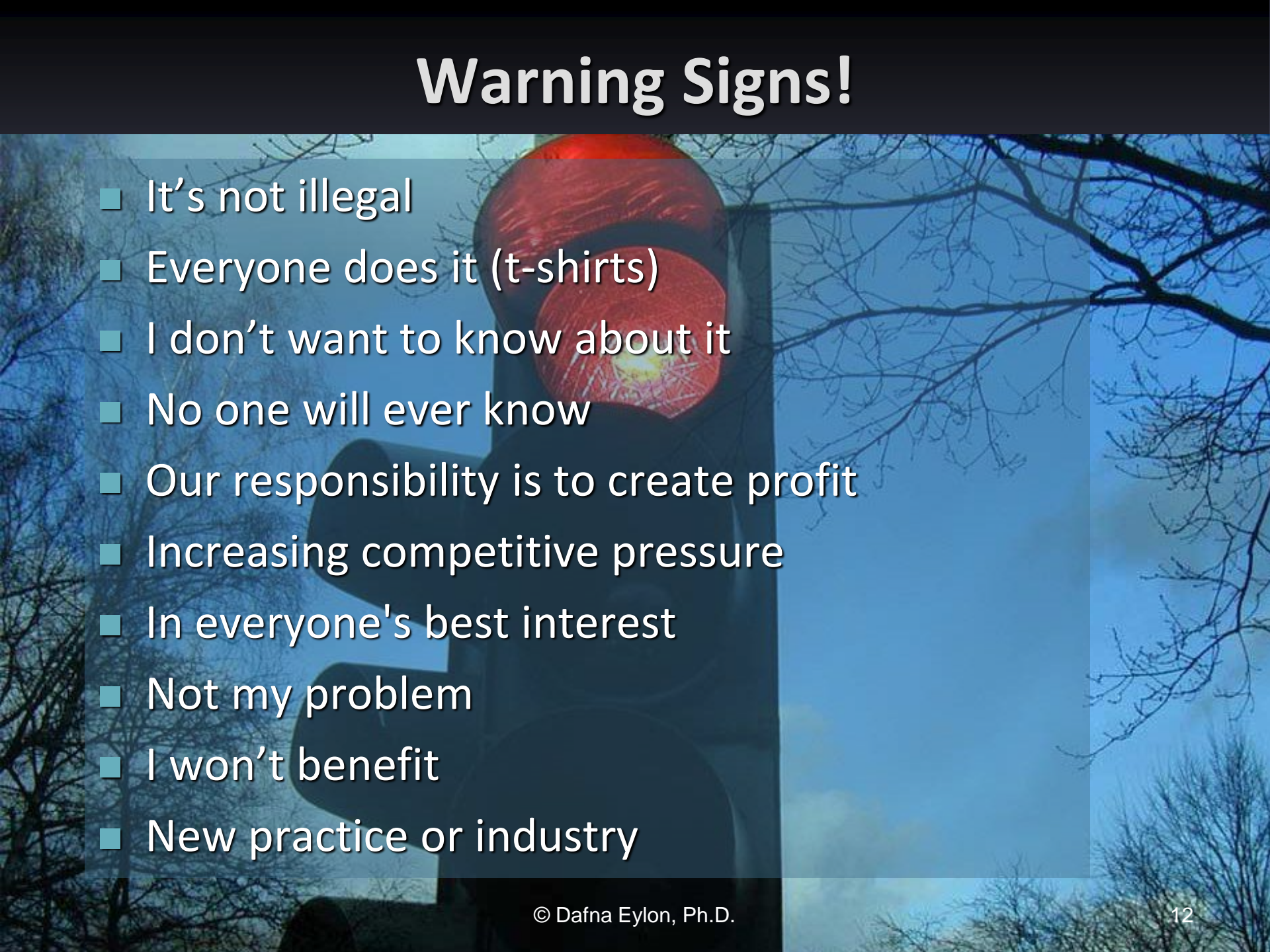
Why Does Unethical Behavior Persist?

- Assumptions:
 - People want to be ethical.
 - Based on experience & background they have insight into the ethical requirements and expectations of their roles.
 - Positive behaviors can be reinforced.

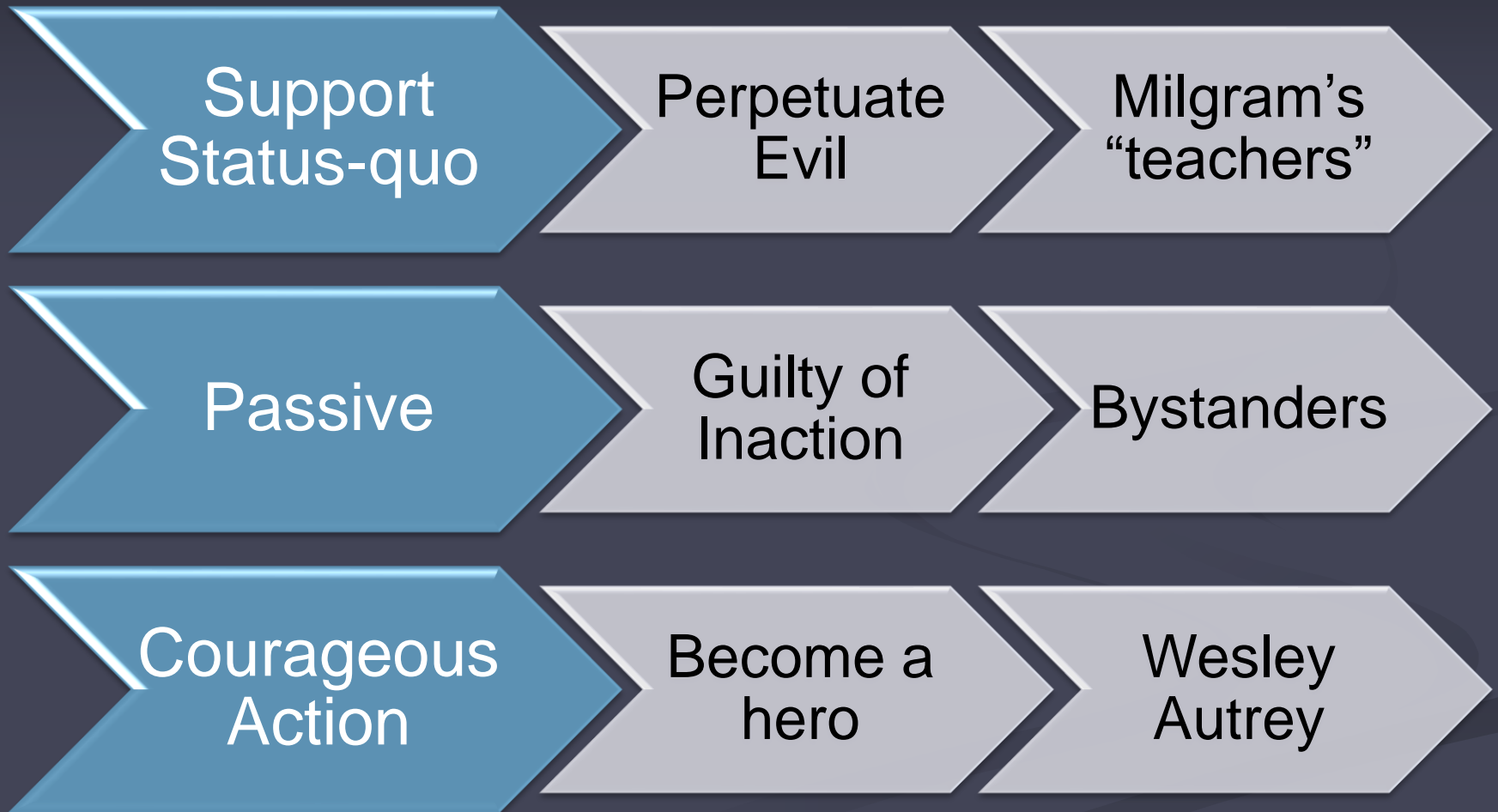
Contributing Forces

- Rationalizations
- Fear
- Conflict of interests / Competing demands
- Lack of clarity re personal & org values
- Decision making biases
- Reward structures
- Overlooking stakeholders
- Assumptions

Warning Signs!

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- It's not illegal
 - Everyone does it (t-shirts)
 - I don't want to know about it
 - No one will ever know
 - Our responsibility is to create profit
 - Increasing competitive pressure
 - In everyone's best interest
 - Not my problem
 - I won't benefit
 - New practice or industry

The Choices We Make (Zimbardo)



Heroes in Waiting



Decision Making and Ethics

- Wait till you have all the information and the best action plan
 - Analysis –paralysis
- Bounded rationality (Herbert Simon)
- Fall prey to bias e.g.:
 - Availability bias
 - Confirmation bias
 - Risk aversion
 - Frame rigidity
 - Perception (Whodunnit)



The most common source of mistakes in management decisions is the emphasis on finding the right answer rather than the right **question.**

The most serious mistakes are not being made as result of wrong answers. The truly dangerous thinking is asking the wrong **questions.**

Peter Drucker

Failure to Notice

- The price of focus = Lack of noticing
 - Especially when busy or high stakes
- Focusing may be necessary but not sufficient
 - Especially when making critical decisions

Moral Compass

True North



The Pillars of Ethical Action

Virtues

- People
- Character

Means

- Process
- Actions

Ends

- Outcomes
- Consequences

Ethical Theorists

- Self-interests (e.g., Protagoras)
 - Look after own self-interest and do not forcefully interfere with the rights of others.
 - Never take any action that is not in your and your organization's long term self-interests.
- Personal virtues (e.g., Aristotle)
 - Need to adopt a set of standards for “fair” treatment of others.
 - Never take any action that is not honest, open and truthful, and which you would not be proud to see reported widely.

Ethical Theorists (cont.)

- Governance (e.g., Hobbes and Locke)
 - All must agree to obey basic rules from a central authority that can also enforce.
 - Never take action that violates the law which represents the minimal moral standards of our society.
- Utilitarian benefits (e.g., Bentham and Mill)
 - Greatest good for the greatest number.
 - Never take action that does not result in greater good than harm for society.

Ethical Theorists (cont.)

- Universal rules (e.g., Kant)
 - Need a rule to eliminate decision maker's self-interest.
 - Never take any action that you would not be willing to see others, faced with the same or similar situation, also take.



Virtues

- People
- Character

Means

- Process
- Actions

Ends

- Outcomes
- Consequences

Personal Virtues

- Plato and Aristotle
- Adopt a set of standards by which to live.
- Honest, open, truthful, etc.

Never take any action that is not honest, open, and truthful, and which you would be proud to see reported widely.

The Ends

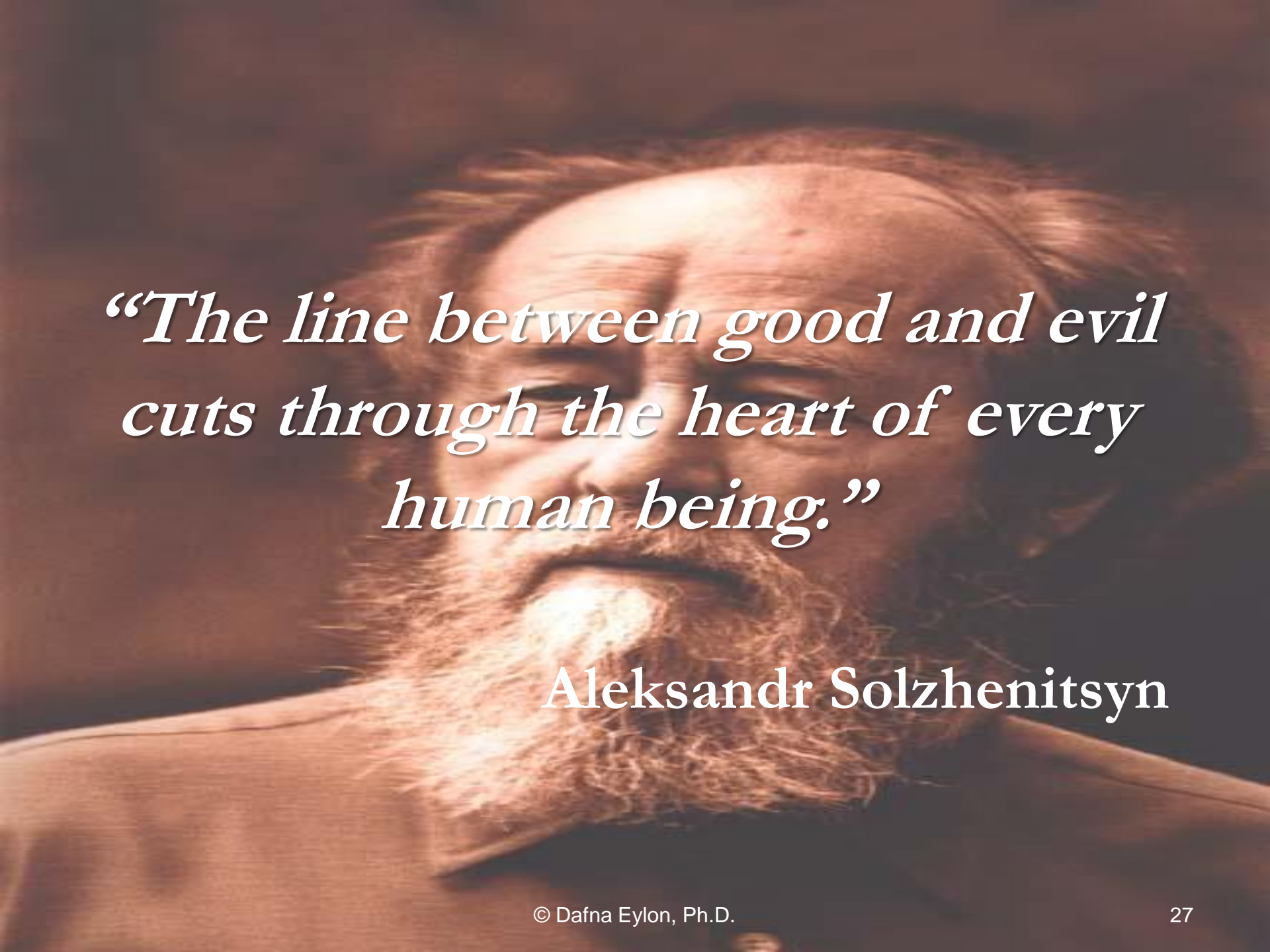
- Bentham and Mill.
- The “ends” justify the “means.”
- Cost/benefit analysis.
- May harm some for the benefit of many.

Aim to achieve the greatest good for the greatest number of people, while minimizing harm for society.

The Means

- Immanuel Kant
- Universal rules focused on actions.
- Universalize behavior, so what is done is acceptable for everyone.
- No exceptions.

Never take action that you would not be willing to see others, faced with a similar situation, also take.



*“The line between good and evil
cuts through the heart of every
human being.”*

Aleksandr Solzhenitsyn

Managers are people who do things right, while
leaders are people who **do the right thing**.

Warren Bennis

leadership

Framing Principled Decisions



The Role of Ethical Leadership

- The challenge: we cannot “teach” ethics.
- However, we can work with others to:
 - Analyze problems, recognize bias and improve DM.
 - Focus and notice from all perspectives.
 - Not fear candor.
 - Recognize constituencies can disagree; Work hard to find right decision.
 - Visualize the future and role model own expectations.
- Behavior follows purpose, leadership and rewards.
- Strong org culture drives ethical decision making.

Don't count the days;
make the days count.

Muhammad Ali 1942-2016

Leading from Within



“ ... no one can teach you how to become yourself, to take charge, to express yourself, except you.”

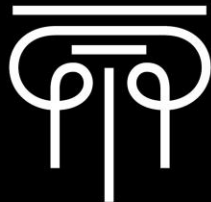
Warren Bennis



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