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Business Ethics...A Contradiction in Terms?

Kimberly Rose Crawford

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A Abstract Presented to the Faculty of the Graduate School
of Lindenwood College in Partial Fulfillment of the
Requirements for the Degree of
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ABSTRACT

Business ethics occupies a unique position in the field of ethics. It consists of uneasy applications of some very general ethical principles (ie: duty or utility) to rather specific and often unique situations and crises. Unlike the professions of medicine and law, business ethics is concerned with an area of human enterprise whose practitioners do not, for the most part, enjoy professional status and whose motives, to put it mildly, are often thought (and said) to be less than noble. Breed is often cited as the sole purpose of business, and much of the history of business ethics, accordingly, is not very flattering to business.

The subject of business ethics, as currently practiced, is not much over a decade old. Only a few years ago, the subject was still an awkward routine review of ethical theories, general considerations about the fairness of capitalism, and a number of already standard business cases, most of them disgraces, scandals, and disasters displaying the corporate world at its worst and its most irresponsible.

Today, new applications and a renewed sophistication in ethical theory have allowed the introduction of a more formal analysis in business ethics. Business ethics has evolved from a wholly critical attack on capitalism and "the profit motive" to a more productive and constructive examination of the underlying rules and practices of

business. Accordingly, the first task in business ethics is to clear the way through the highly incriminating myths and metaphors, which obscure rather than clarify the underlying ethos that make business possible.

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CHAPTER 1
WHY BUSINESS ETHICS?

Business Ethics Defined

Business ethics in America is normally part of and consistent with general ethics. "They are those principles, or aspirations toward principles, that guide businessmen and businesswomen in their commercial connections with suppliers, customers, workers, or others"(Benson xiv). Business ethics may range from the general injunction against stealing to prohibitions on unfair trade practices in industry codes. There are rules that have been developed by stock exchanges, or by merchants' associations or other trade groups; some of these rules have been given the force of law by inclusion in statutes or judicial decisions. There are other ethical rules of theological or philosophical origin that have been accepted by ethically minded people. For example, ethical persons do not deliberately deceive a customer or client. They often, but not always, believe that they should not force a competitor into bankruptcy, a feeling derived not from law but from the Golden Rule or the injunction to love one's neighbor as oneself. Ethical rules may be rigid precepts, customs, or aspirations for better human relations or harmonious economic or political relationships. Judges, philosophers, theologians, and lawyers have worked out some degree of logical relationship between these ethical rules and aspirations.

Many economists recognize the relationship of business ethics to general ethics. In The Wealth of Nations, Adam Smith commented that each man should be free to act independently in economic matters "so long as he does not violate the laws of justice" (180). Ethics are as important to the business world as to other parts of society. Since the law enforcement machinery applies to all parts of society, ethical-legal principles applying to business cannot vary greatly from general ethics.

The topic of business ethics includes not just the question of the moral or immoral motivations of business people, but also a whole range of problems that arise in the context of business. These issues are too numerous to compile, but consider these typical questions:

> Is passing a personality or honesty test a justifiable pre-employment condition? Are drug tests? What rights do employees have on the job? How should business respond to employees who have AIDs? What, if any, must a company do to improve work conditions?
>
> Should manufacturers reveal all product defects? At what point does acceptable exaggeration become lying about a product or service? When does aggressive marketing become consumer manipulation?
>
> Is a corporation obliged to help combat social problems such as poverty, pollution, and urban decay? Must business fight sexism and racism? How far must it go to ensure equality of opportunity? How should organizations respond to the problem of sexual harassment?

> May employees ever use their positions inside an organization to advance their own interests? Is insider trading or the use of privileged information immoral? How much loyalty do workers owe their companies? What say should a business have over the off-the-job activities of its employees?
>
> What obligations does a worker have to outside parties, such as customers, competitors, or society in general? When, if ever, is an employee morally required to blow the whistle (Soloman 3)?

These questions typify business issues with moral significance. The answers we give are determined largely by our moral standards, principles, and values.

Ethics is about the meaning of life and the search for right from wrong; it is abstract and difficult to define (Thompson 5). The word "ethics" comes from the Greek word *ethos*, which means "character." Today we use the word *ethos* to refer to the distinguishing disposition, character, or attitude of a specific people, culture or group. According to philosophy professor Robert C. Solomon, the etymology of ethics suggests its basic concerns are: (1) individual character, including what it means to be a good person, and (2) the social rules that govern and limit our conduct, especially the ultimate rules concerning right and wrong, which we call *morality* (3).

Business ethics reflects the habits and choices managers make concerning their own activities and those of the rest of the organization. These activities and choices are informed by one's personal moral value system, but that system often suffers a transformation of priorities when it operates in an institutional context of economic constraints and pressures, as well as the potential for acquiring power.

Although there are many different moral aspects of business, business generally falls into three basic areas of managerial decision making:

1. Choices about the law - what it should be and whether or not to obey it.

2. Choices about the economic and social issues that are beyond the law's domain - usually called the "gray areas" or "people's values." These concern the tangible and intangible ways one treats others, and include not only the moral notions of honesty, promise keeping, and fairness, but also the avoidance of injury and voluntary reparation for harm done.

3. Choices about the preeminence of one's own self-interest - the degree to which one's own well being comes before the interest of the company or of other people inside and outside the company (Nash 5).

Common Ethical Business Situations

The ways in which such choices are framed, analyzed, and either maintained or abandoned form the basis of the business ethical inquiry. The validation of business ethics is simply a way of acknowledging that, indeed, there are choices to be made concerning the means and ends of business which have an essentially moral ingredient.

The rules of the marketplace and the pluralism of our society present opportunities and needs for action which do not on the surface seem to give rise to personal moral doubt, but which do, on closer examination, represent important moral problems for the individual. Ethics is everywhere. Laura Nash has compiled a list of situations that are important from a managerial standpoint, and all contain moral issues of honesty, fairness, respect for others, or fulfillment of promises. These situations include:

1. Greed.
2. Cover ups and misrepresentations in reporting and control procedures.
3. Misleading product or service claims.
4. Reneging or cheating on negotiated terms.
5. Establishing policy that is likely to cause others to lie to get the job done.
6. Overconfidence in one's own judgment to the risk of the corporate entity.
7. Disloyalty to the company as soon as times get rough.
8. Poor Quality.
9. Humiliating people at work by stereotypes or advertising.
10. Lock step obedience to authority, however unethical and unfair it may be.
11. Conflict of interest over corporate obligations.
12. Favoritism.
13. Price fixing.
14. Sacrificing the innocent and helpless in order to get things done.
15. Suppression of basic rights: freedom of speech, choice, and personal relationships.
16. Failing to speak up when unethical practices occur.
17. Neglect of one's family, or neglect of one's personal needs.
18. Making a product design that perpetrates a questionable safety issue.

19. Not putting back what you take out of the environment, employees, and/or corporate assets.
20. Knowingly exaggerating the advantages of a plan in order to get needed support.
21. Failing to address problem areas of bigotry, sexism, or racism.
22. Courting the business hierarchy versus doing the job well.
23. Climbing the corporate ladder by stepping on others.
24. Promoting the destructive go getter who out runs their mistakes.
25. Failing to cooperate with other areas of the company.
26. Lying by omission to employees for the sake of the business.
27. Making and alliance with a questionable partner for a good cause.
28. Not taking responsibility for injurious practices - intentional or not.
29. Abusing or going along with corporate perks that waste money and time.
30. Corrupting the public political process through legal means (6).

Most interesting about this list is its length. Equally impressive is their elusive nature. These are the kinds of situations that seem obviously wrong from a distance, but are so embedded in other concerns and environmental circumstances that the differences between right and wrong are blurred. "Even price fixing has been regarded by many otherwise high-minded executives as not really significant from a moral standpoint" (Nash 10).

Each example poses a choice to step over the moral line or not. An ethical resolution to these situations requires discretional judgment about degree, overall goals, immediate logistical problems, tradeoffs, chance of success, etc. There is no flow chart to help determine what is right or wrong. Such dilemmas are at the core of every manager's job, and their resolution rests partly on the foundation of values they bring to the table, as well as on many conditions beyond a manager's direct control. Being raised properly presumably provides the foundation for moral conduct. "But how many managers with good backgrounds end up as players in a commercial effort that puts other people at risk" (Kramer 76).

Good business leadership and ultimately the fate of capitalism depends on the deliberate maintenance of a complex web of ethical values in the face of these many conflicting pressures. No moral artifice such as the law or corporate policy can mechanically solve the difficult trade offs and painful decisions a responsible manager continually faces. Everyone faces hard issues whose solutions are not always obvious. The reconciliation of profit motives and ethical imperatives is an uncertain and highly tricky matter.

There is an old proverb: "The road to hell is paved with good intentions." Many times, business wrongdoing is committed by people who never deliberately set out to commit unethical acts. "History and developmental psychology has indicated that members of almost any group, though individually well intended, can sink to immoral depths they would never dare to test as individuals" (Nash 12).

Today's manager needs to be armed with an awareness of what habits of thought and action are most likely to subvert moral common sense and finding the intellectual tools for breaking through these ethical snags.

CHAPTER 2
ETHICAL THEORY AND MORALITY

Ethical Theories

Business ethics adapts the methods and purpose of normative ethics to specific requirements of moral issues in business. It studies the specific moral demands that apply to this particular sphere of modern civilization.

Although business ethics has to base its conclusions on careful studies of factual norms and values, the core activity of business ethics is not descriptive. What pertains to ethics in general is also relevant here: business is equally normative. Existing practices are judged on the basis of what ought to be done in a given situation. Business ethics has both the diagnostic and therapeutic aims of general normative ethics. It evaluates moral behavior in business environments by applying clearly defined moral standards, and it elaborates specific moral guidelines suitable for actual business issues.

Business ethics evaluates and prescribes moral standards that match a specific sphere in modern society: the business environment. The very basis of business ethics refers to an idea of how business ethics fits into modern society as a whole: a social philosophy of business. This chapter will first outline fairly general normative theories. Ultimately the normative theory is to serve as a guide in the making of decisions and judgments about actions in particular situations. A main concern, of course, is to guide in the capacity as an agent trying to decide what to do in this case and in that. But people want to know more than just what to do in situations before them. They also wish to make judgments about what others should do, especially if they ask about what we or they should have done, about whether what we or someone else did was right or wrong, and so on. Employees and employers are not just agents in morality; they are also spectators, advisors, instructors, judges, and critics. Still, in all of these capacities the primary question is: how many or who should decide or determine what is right for a certain agent (personally, the proportion or society as a whole) to do or what they morally ought to do, in certain situations?

The normative theories can serve as guides, but the personal morality of the employees as well as the morality of the corporation can heavily influence decisions or judgments in certain situations. Therefore personal morality and the morality of the corporation will also be addressed later in this chapter.

In ethics, normative theories propose some principle or principles for distinguishing right actions from wrong actions. These theories can be divided into two approaches: consequential and nonconsesquential (Frankena 12).

Many philosophers have argued that the moral rightness of an action is determined solely by its results. If its consequences are good, then the act is right; if they are bad, the act is wrong. Moral theorists who adopt this approach are therefore called consequentialists (Shaw 46). They determine right from wrong by weighing the ratio of good to bad that an action is likely to produce. The right act is one that produces, will probably produce or is intended to produce at least as great a ratio of good to evil as any other course of action.

Two of the more popular consequential theories are egoism and utilitarianism. Egoism advocates individual self-interest as its guiding principle, while utilitarianism holds that one must take into account everyone affected by the action. Both theories agree that righteousness and wrongness are solely a function of an action's results.

"Ethical egoism is an ethical theory, not a pattern of action or trait of character, and is compatible with being self-offacing and unselfish in practice" (Frankena 18). Even if ethical egoists are consistent with theory in the conduct of their life, they still may not do the things that we ordinarily call egoistic, narcissistic, or selfish. Whether they do these things will depend on whether they think it is to their advantage in the long run; in fact, they may think that modesty and consideration for others are, like honesty, "the best policy" for them to go by.

The tenets of ethical egoists are two fold. When they are considering the individual as a moral agent, they hold that an individual's one and only basic obligation is to promote for themselves the greatest possible balance of good over evil. And when the ethical egoist is considering the individual as a moral spectator, advisor, or judge, they hold that even in making second-and third-person moral judgments, the individual should go by what is to the advantage of the person they are talking about (Frankena 18).

Ethical egoists may hold any kind of theory of what is good and what is bad, or of what the welfare of the individual consists. They have often been hedonists, as Epicurus was, identifying the good or welfare with happiness and happiness with pleasure. But ethical egoists may also identify the good or welfare with knowledge, power, self-realization, or with what Plato called the mixed life of pleasure, knowledge, and other good things (Frankena 17).

It should be understood that the ethical egoist is not just taking the egoistic principle of acting and judging as their own private maxim. They could do this, and at the same time keep silent about it or even advocate altruism to everyone else, which might be to their advantage. But if they do this, they are not adopting a moral principle since if one takes a maxim as a moral principle, they must be ready to universalize it (Frankena 18). Therefore the ethical egoist should be regarded as holding that everyone should act and judge by the standard of their own long run advantage in terms of good and evil.

Although egoism as an ethical theory has always had its adherents, this theory is open to very strong objections. Consider the objections: first, egoism is not a sound theory. To some extent everyone is motivated by self-interest, and there are many situations in which someone pretended to be acting altruistically or morally but was really only motivated by self-interest. "The theory of egoism contends, however, that people are always motivated by self interested concerns" (Shaw 48).

For example, after a recent snow storm, several children are sledding down the local hill. At the bottom of the hill is a pond that appears to be frozen. As the children slid down the hill, they hit the hay bales at the bottom, stopping them before they slid out on to the pond. In a split second, one child misses the hay bales, slides out onto the pond and then into the water. Moments later, a stranger rushes out onto the pond and into the water, rescuing the frozen and drowning child.

Egoists would claim that deep down the heroic person who saved the child was really motivated by self-interest in some way or another. Maybe the hero was hoping to win praise or some other self-interest motivation. However, this claim seems a little far fetched. An egoist could concede that people are not fully egoist by nature and yet continue to maintain egoism as an ethical doctrine, that is to insist that people ought morally to pursue only their own interests. Everybody cares about themselves, but how much sense does it make to see self-interest be the basis of right and wrong?

Second, egoism is not really a moral theory at all. "The moral standards of a society provide the basic guidelines for cooperative social existence and allow conflicts to be resolved by appeal to shared principles of justification (Shaw 49). It is hard to see how egoism could perform this function. In a society of egoists, people might publicly agree to follow certain rules so their lives would run more smoothly. But it would be a very unstable world, because people would not hesitate to break the rules if they thought they could get away with it.

"Many moral theorists maintain that moral principles apply equally to the conduct of all persons and that their application requires us to be objective and impartial" (Shaw 50). Moral agents are seen as those who, despite their own involvement in an issue, can be reasonably disinterested and objective. Ethical egoists are anything but objective, for they are always influenced by their own best interests, regardless of the issue or circumstances.

Third, egoism ignores blatant wrongs. The most common objection to egoism is that by reducing everything to the standard of best long-term self-interest, egoism takes no stand against seemingly outrageous acts like stealing, murder, racial and sexual discrimination, deliberately false advertising, and wanton pollution (Shaw 50). A moral principle that allows the possibility of murder in the cause of self-interest offends our basic intuitions about right and wrong.

The second consequential theory of normative ethics is utilitarianism. Utilitarians hold public welfare or utility to be the ultimate criterion for moral quality (Pratley 135). Utility is often presented as outcome-based ethics. There are many different theories that fall under the heading of utilitarianism; nevertheless, all versions of utilitarianism contain at least one comon unconditional rule. For purposes of this discussion, concentration will be on an act utilitarianism. A general definition of act utilitarianism is as follows: "Act utilitarianism is the ethical theory that one should adopt the course of action which produces, or tends to produce, the greatest amount of beneficial consequences for the greatest number of people affected by the action" (Pratley 136). Good equates with the highest aggregated outcome of calculated individual benefits and individual costs.

The two criteria discussed for determining which beneficial consequences will be seen as good for their own sake are that pleasure and that of happiness. The theory maintaining that the ultimate outcome should be individual pleasure or absence of pain is called hedonistic utilitarianism. It stems from Jeremy Bentham who wrote his Introduction to the Principles of Morals and Legislation in 1789. According to Bentham, every interest can be reduced to pleasure or the avoidance of pain. "To each sensation of pain we can then attribute a value. After reducing every human interest to corresponding units of pleasure and pain, a cost-benefit calculation will follow, which finally leads to the choice of the action that rates the highest" (Pratley 136).

Bentham's theory was one of the first to introduce quantitative methods to cost benefit analysis. He believed that the pursuit of self-interest would be indirectly beneficial to society. Therefore, one could formulate that humans should implement the option with the highest public utility, even if it is contrary to their own private interest.

John Stuart Mill in his book Utilitarianism published in 1861 invented eudaemonistic utilitarianism (a theory that the highest ethical goal is happiness and personal well being). Mill redefined the Greek concept of eudaemonia, assuming that the durable pleasure or happiness produced by an action may be measured objectively. His concept of happiness claims that one can assess separate options or policies by means of a cost-benefit analysis.

"The theory of eudaemonistic utilitarianism claims that all options can be evaluated by reducing the interests at stake in terms of their contribution to durable individual happiness" (Pratley 137). The best option is the one that produces the highest amount of happiness amongst the concerned individuals over a longer period. For example, utilitarians with an active sexual lifestyle would always use condoms.

Several features about utilitarianism make it appealing as a standard for moral decisions in business and nonbusiness organizations. First, utilitarianism provides a clear and straight-forward basis for formulating and testing policies. By utilitarian standards, an organizational policy, decision, or action is good if it promotes the general welfare more than any other alternative. Utilitarians do not ask for acceptance of rules, policies, or principles blindly. Rather, they require us to test their worth against the standard of utility (Pratley 139).

Second, utilitarianism can provide an objective and attractive way of resolving conflicts of self-interest. By proposing a standard outside self interest, utilitarianism greatly minimizes and may actually eliminate such disputes (Shaw 54). Thus, individuals within organizations make moral decisions and evaluate their actions by appealing to a uniform standard: the general good.

Third, utilitarianism provides a flexible, result-oriented approach to moral decisions making. It recognizes that actions of a general kind are inherently right or wrong, utilitarianism encourages organizations to focus on the results of different actions and policies, and allows them to tailor their decisions to suit the complexities of their situations (Shaw 54).

While these situations would appear to shed favorable light on utilitarianism, there are some critical inquiries to be considered as well.

Is utilitarianism really workable? The problem lies in actually measuring utility. Comparing a person's level of happiness or pleasure with another is at best tricky, at worst impossible. Add more people and the matter becomes increasingly difficult (Pratley 139).

Are some actions wrong, even if they produce a good? It may happen that an option may seem to be most profitable for the large majority, while at the same time feel that it is morally totally improper from the point of view of distributive justice. Consider the Dan River experiment, where textile union workers claimed that Brown Lung disease is caused by the inhalation of microscopic fibers in cotton dust. Textile unions fought for years for tough regulations to protect their workers. OSHA (the Occupational Safety and Health Administration) responded by proposing standards which would require many textile firms to install expensive new equipment. A few months before the deadline for installing the equipment, officials at the Dan River textile plants in Virginia asked the state to waive the requirements for a time so the company could conduct their own experiments to determine the precise cause of Brown Lung disease. The state and the Department of Labor agreed to the extension. The Amalgamated Clothing and Textile Workers Union asked OSHA to stop the experiment. They charged it was unconscionable to allow hundreds of cotton mill workers to continue to face a high risk of developing Brown Lung disease (Moore 34).

Suppose the Dan River project does expose workers to a high risk of contracting Brown Lung disease. If so, then a small group of individuals, approximately 600 textile workers at the Dan River textile plants, would be compelled to carry the burden of isolating the cause of Brown Lung disease. Are the consequences just?

Although nonconsequentialist normative theories vary significantly, adopting different approaches and stressing different themes, the writings of the German philosopher Immanuel Kant (1724-1804) provide the example of the nonconsequentialist approach. "Kant sought moral principles that do not rest on contingencies and define actions as inherently right or wrong apart from any particular circumstance. He believed that moral rules can, in principle, be known as a result of reason alone and not based on observation" (Shaw 57). Rather it is a *priori*, by which he meant that more reasoning is not based on factual knowledge and that reason by itself can reveal the basic principles of morality.

More precisely, Kant's theory maintains that one should only follow guidelines that meet the following criteria:

1. Reversibility
2. Universalizability
3. Respect for human beings as persons with their own will (Pratley 169).

Reversibility is present in a question like "what if others did to you, what you intend to do to them?" It verifies whether the reasons for applying the line of conduct in one way might also be applied the other way around.

The second criterion, universalizability, would be present in a question like, "what if everybody behaved like this?" It checks out whether the line of conduct can be applied to every reasonable human being in similar circumstances.

The third criterion, respect for human beings as persons with their own will, follows the idea that human beings not only treat themselves or other human beings as a means, but as an end in themselves. This third criterion can also be considered as "the idea of intrinsic human dignity" (Pratley 170). Kant insisted on choosing actions that foster the further development of human autonomy, character and benevolence, and pointed to the importance of overcoming obstacles and depressions by personal strength and perseverance.

For example, when someone orders something from a shop, they are using somebody's services as a means to obtain something for themselves. Kant, however, insists such services should be part of an understanding between moral agents (Pratley 170). Therefore, when someone calls upon the services of the shop employee, they do not simply use that person, because he/she has voluntarily accepted the job. Due to the contract that person has chosen autonomously to provide the services that fall within the scope of his or her job. Both parties trade on the basis of the contract. When there is no coercion or abuse on one side or the other, there exists a mutual respect for everybody's will.

Like utilitarianism, Kant's moral theory has application for organizations. First, the three guidelines previously discussed give firm rules to follow in moral decision making, rules that do not depend on circumstances or results and that do not permit individual exceptions. No matter what the consequences may be or who does it, some actions are always wrong. For example, exposing uniformed workers to the risk of lung disease could not be justified to advance medical knowledge.

Kant introduces an important humanistic dimension into business decisions. One of the principle objections to egoism and utilitarianism is that they permit us to treat humans as a means to an end. Kant's third criteria clearly forbids this. Many would say that respect for the inherent worth and dignity of human beings is much needed today in business, where encroaching technology and computerization tend to dehumanize people under the guise of efficiency. Kant's theory puts the emphasis of organizational decision making where it belongs; on individuals. After all, organizations involve human beings working in concert to provide goods and services for other human beings.

Finally, Kant stresses the importance of acting on principle. "According to Kant, it is not just enough to do the right thing; and action has moral worth only if it is done from a sense of duty, that is, from a desire to do the right thing for its own sake" (Shaw 62). The importance of this point is too often forgotten. Sometimes when individuals and organizations believe that an action promotes not only their own interests but those of others as well, they are actually rationalizing, doing what is best for themselves and only imagining that somehow it will promote happiness in general. Worse still, they may defend their actions as morally praiseworthy when, in fact, they are only behaving egotistically. They wouldn't do the morally justifiable thing if they did not think it would pay off for them.

Personal Morality

When people accept employment they generally agree to perform certain tasks, usually during specified hours, in exchange for financial remuneration. Whether it is oral or written, implicit or explicit, a contract governs the employment relationship and provides the basic framework for understanding the obligations between employee and employer. The employment contract determines what employees are supposed to do or accomplish for the employer.

Because employees are hired to work for their employer, they have an obligation, when acting on behalf of the organization, to promote the employer's interests. Insofar as they are acting as an agent of their employer, "the traditional law of agency places you under a legal obligation to act loyally and in good faith and to carry out all lawful instructions. But it would be morally benighted or unenlightened to view employees simply as agents of their employers or to expect them to subordinate entirely their autonomy and private lives to the organization" (Shaw 276). Morality requires neither blind loyalty nor total submission to the organization.

The notion of company loyalty is commonplace, and most people find it a coherent and legitimate concept. For many employees who willingly make sacrifices for the organization above and beyond their job descriptions, loyalty is a real and important value. Indeed, it is not clear how well any business or organization could function without employee loyalty, and certainly most companies want more than minimal time and effort from their employees. Certainly many businesses demand more than this in the name of loyalty. They may expect employees to defend the company if it is maligned, to work overtime when needed, to accept a transfer if necessary, for the good of the company. "Displaying loyalty seems morally permissible, even if it is not morally required" (DeGeorge 351).

Of course, even the most loyal employees can find their interests colliding with those of the company. They may want to dress one way, and the company requires them to dress another way; they would prefer to show up for work at noon, and the company expects them at 8 AM. The reward, autonomy, and self-fulfillment that employees seek are also not always compatible with the worker productivity that the company desires. Sometimes this clash of goals and desires can take a very serious form of conflict of interest. "In an organization, a conflict of interest arises when employees at any level have private interests that are substantial enough to interfere with their job duties; that is, when their private interests lead them, or might reasonably be expected to lead them, to make decisions or act in ways that are detrimental to their employer's interests"(Shaw 277). When the situation is such that the employee's private interests run counter to the interests of their employer, a conflict of interest exists. Conflicts of interest are morally worrisome not only when an employee acts to the detriment of the organization but also when the employee's private interests are significant enough that they could easily tempt the employee to do so. Deciding when the employee's private interests in a business transaction are great enough for the situation to constitute a conflict of interest can be difficult. Equally difficult can be deciding what employees should do when they find themselves with a conflict of interest. Conflict of interests can arise in all shapes and forms. The most common can involve actions related to financial investments, the use of an official position (primarily with regards to insider trading and proprietary information), bribery and kickbacks, gifts and entertainment (Shaw 278). Although these do not necessarily involve conflicts of interest, they frequently raise moral questions of business integrity.

Thus agents for a soft drink company may not use their title as employee of that company, nor the special information they have acquired as an employee of the company, to advocate legislation banning the use of saccharine in soft drinks, when such legislation could harm their company's interest. However, as a citizen they may advocate such legislation, so long as they do not use the information they have acquired as an employee of the company. An important distinction is that the employee understand that they are under a duty not to advise the public to buy elsewhere than their employers, nor should they suggest that their employers' products are inferior to those of a competitor.

A conflict of interest may exist when employees have financial investments in suppliers, customers, or distributors with whom their companies do business. It is impossible to say how much of a financial investment is necessary for a serious conflict of interest. Ordinarily it is acceptable to hold a small percentage of stock in a publicly owned supplier that is listed on the public stock exchange (Shaw 279). Company policies usually determine the permissible limits of such financial investments; some even require key officers to make full disclosure of all outside interests or relationships that could cloud their judgment or adversely affect their ability to promote the company's interests.

A serious area of conflict of interest involves the use of one's official position for personal gain. Cases in this area can range from using subordinates for non-organization related work to using an important position within the organization to enhance one's own financial leverage and holdings. Many abuses of official position arise from insider trading and proprietary information. Insider trading refers to the use of significant facts that have not yet been made public and will likely affect stock prices. Increasingly, in the world of business, the pervasive desire to make a fast buck takes the form of illegally profiting from insider information (Bok 136). It was insider trading and other securities infractions that arbitrageur Ivan Boesky was jailed (Ferrell 1). Boesky's fall, however, does not seem to have greatly reduced the number of individuals trying to trade inside information for large and quick profits.

Insider dealings raise moral questions not easily resolved. When can employees buy and sell securities in their own companies? How much information should be disclosed to stockholders about the firm's plans, outlooks, and prospects? Also, if people in business are to operate from a cultivated sense of moral accountability, it is important to understand who can be considered an insider. In general, "an insider could be anyone with access to inside information" (Shaw 280). In practice, however, determining who that might be is not always easy. Obviously corporate executives, directors, officers, and other key employees are surely insiders. But what about outsiders whom a company temporarily employs, such as accountants, lawyers, and contractors?

Information that employees garner within the company is not always the kind that can be used to affect stock prices. Sometimes the information concerns highly sensitive data concerning company research, technology, product development, and so on. How employees use such secret or classified information can also raise moral issues. Proprietary information refers to the company's classified or secret information. Increasingly, problems arise as employees in high tech occupations with access to sensitive information and trade secrets quit and take jobs with competitors. Proprietary information issues pose a conflict between two legitimate rights: the right of the employers to keep certain information secret and the right of the individual to work where they choose (Shaw 283).

Bribery involves an obvious conflict of interest. A bribe is a payment in some form for an act that runs counter to the work contract or the nature of the work one has been hired to perform. The payment can be in the form of money, gifts, entertainment, or preferential treatment.

Bribery can also sometimes take on the form of a kickback, a practice that involves a percentage payment to a person able to control of influence a source of income. Bribery is intended to induce people inside a business or other organization to make a decision that they would not be justified in making according to normal business or other criteria. For example, "by encouraging on nonmarket grounds the purchase of inferior goods or the payment of an exorbitant price, bribery can clearly injure a variety of legitimate interests - from stockholders to consumers, from taxpayers to other businesses. It subverts market competition by giving an advantage in a way that is directly or indirectly product related" (Shaw 286).

Business gifts and entertainment of clients and business associates are common place in the business world. Both can raise conflict of interest problems and knowing where to draw the line is not always that easy. A number of considerations can be helpful in evaluating the morality of entertainment and giving and receiving gifts. These can include: the value, its purpose, the circumstances under which it was given, the position and sensitivity to influence of the recipient, accepted business practice, company policy, and what the law says.

Other hard moral decisions that employees face involve getting caught in the crossfire of competing ethical concerns and moral responsibilities. Should an employee ensure the welfare of the company by reporting a fellow employee for using drugs on the job, or should they be loyal to the co-worker and say nothing? Should a secretary carry out her boss's instructions and lie about his whereabouts, or should she tell his wife the truth?

Generally, the greater the understanding of the possible results of the different actions taken in specific situations, the more likely sound moral decisions can be made. Reflecting on the effects of these different courses of action can help understand what ideals are at stake and determine the exact strength of the more specific obligations they have.

Thus, employees do have duties to their employers, but they also have more specific obligations based on the business or professional roles and responsibilities they have assumed. In addition, they have the same elementary moral obligations that all human beings have - including the obligation not to injure others and to be truthful and fair. Balancing obligations to employer or organizations, to friends and co-workers, and to third parties outside the organization can create conflicts and divided loyalties. When confronted with moral decisions, Laura Nash suggests putting choices and habits to two tests:

1. Do these decisions contribute to the good reputation of a company or manager?

2. Do these decisions promote trust?

Taken together, these two tests describe a bottom line reference point for creating successful negotiations, successful cooperation, and successful mechanisms.

Morality of the Corporation

Corporations are not individuals but artificial persons created by the law. They are collections of different, changing individuals who set goals and policies and perform specific actions. Since, corporations are not actual persons, in what sense can they be held morally responsible for their actions?

Arguably, corporations as artificial entities can properly be held morally responsible, while the nature and structure of modern corporate organizations allow virtually everyone to share accountability for an action. However, this diffusion of responsibility can mean that no particular person or persons are held morally responsible. This masking of moral accountability may not seem so unusual, but it does appear to reflect a troubling possibility that the impersonality of the corporate entity so envelopes its members that they in effect lose their moral agency. It may be that, for all practical purposes, members of corporate organizations cannot be considered capable of making moral decisions in a corporate context (Benson 35).

A case in point is National Semiconductor Corporation. National Semiconductor, a large California manufacturer of microelectronic circuits, plead guilty to a 40 count indictment and was fined $1.75 million for selling parts that were not subjected to the tests prescribed by the contracting party, the Defense Department. In response, the Pentagon suspended National Semiconductor from military sales until the required testing was conducted. What concerned the Defense Department was that National Semiconductor refused to identify the company employees responsible for the incomplete testing. National Semiconductor's president Charles Sporch responded by saying that no individual should be singled out for punishment because the incomplete testing was an industry pattern beyond any one individual's responsibility (Goodpaster 133).

While this incident points out inherent difficulties in assigning personal responsibility to members of the corporations, there are at least two ways to escape this intellectual discomfort posed by morally actorless actions. One would be to attribute moral agency to corporations and assign responsibilities to corporations just as we do to individual persons. The other, would be to conclude that explanations like National Semiconductor's are nothing but lame excuses to protect blameworthy individuals (Shaw 166).

The inescapable fact is that corporations are increasingly being accorded the status of biological persons, with all the rights and responsibilities implied by that status. Cases such as Ford's Pinto defective gas tanks suggest that society accepts at least in principle the notion of corporate moral responsibility (Mokhiber 381). Corporate officials are also gradually moving towards this position. Continental Oil Company's (Conoco) in-house booklet on moral standards expresses the public perception and its implications as follows:

> No one can deny that in the public's mind a corporation can break the law and be guilty of unethical and amoral conduct. Events of the early 1970's, such as corporate violation of federal laws and failure of full disclosure, confirmed that both our government and our citizenry expect *corporations* to act lawfully, ethically, and responsibly.
>
> Perhaps it is then appropriate in today's context to think of Conoco as a *living corporation*; a sentient being whose conduct and personality are the collective effort and responsibility of its employees, officers, directors, and shareholders (Goodpaster 141).

Corporations also have additional responsibility because of their great social and economic power. Modern business is intimately integrated with the rest of society. Business is governed by an implied social contract, which requires it to operate in ways that benefit society. As professor of business administration Keith Davis puts it:

> One basic proposition is that *social responsibility arises from social power*. Modern business has immense social power in such areas as minority employment and environmental pollution. If business has the power, then a just relationship demands that business also bear

> responsibility for its actions in these areas. Social responsibility arises from concern about the consequences of business's acts as they affect the interests of others. Business decisions do have social consequences. Businessmen cannot make decisions that are solely economic decisions, because they are interrelated with the whole social system. This situation requires that businessmen's thinking be broadened beyond the company gate to the whole social system. Systems thinking is required.
>
> Social responsibility implies that a business decision maker in the process of serving his own business interests is obliged to take actions that also protect and enhance society's interests. The net effect is to improve the quality of life in the broadest possible way, however quality of life is defined by society. In this manner, harmony is achieved between business's action and the larger system. The businessman becomes concerned with social as well as economic outputs and with the total effect of his institutional actions an society (20).

How corporations are to promote common good cannot be answered specifically. Methods can vary depending on the type of firm and its particular circumstances; however, an important first step should be to create an ethical atmosphere within the corporation. Suggestions for the creation of such an atmosphere should include:

1. Acknowledgment of the importance, even necessity, of conducting business morally. This commitment should be unequivocal and highly visible.

2. Corporate encouragement of morally responsible conduct by its members. The creation of a strong corporate culture through the development of a pattern of shared values & beliefs that gives members of the institution meaning and provides rules for behavior in the organization. Adopt realistic and workable codes of ethics, set up a high ranking ethics committee, and include ethics training in management development programs.

3. End corporate defensiveness in the face of public criticism. Actively solicit other views from stockholders, managers, employees, customers, and society as a whole.

4. Recognize the pluralist nature of the social system of which the corporation is a part. Society consists of diverse intertwined groups, all vying to maintain their autonomy and advance their own interests (Shaw 178).

Undoubtedly other general directives could be added to this list. Still, if corporate responsibility is to attained, then something like the preceding approach seems basic.

CHAPTER 3
ETHICAL CHALLENGES OF THE 1990's

Today's Challenges

Without pressure, it is easy to take ethics for granted. In the absence of competition, there is no problem in being a fair competitor. When there were no women in management, there were no ethical pressures concerning their equality or their treatment. The new importance of business ethics has much to do with changes in America that put new pressures on business. Some challenges that lie ahead: Work is now considered an activity and not a place where employees go. Without a common gathering area such as the water cooler or cafeteria it is difficult for institutions to develop a common culture and understanding of its values (Driscoll 230). In the virtual organization of tomorrow, an employee may not even know what a coworker is doing, or even who his or her coworkers are. Applying uniform ethical standards across organizations will be a communication challenge.

Workers will continue to hold themselves aloof from corporate governance, motivated not by corporate loyalty but the level of respect and autonomy the company places in them (Driscoll 230). These employees will demand a high degree of freedom, knowledge and responsibility. Institutions that remain rooted in a control-oriented, bureaucratic structure and attempt to deliver ethics programs in such a manner will fail. The challenge for such organizations will be to relinquish top down control.

Individuals may be less able to check their private lives at the office door, so that deciding the point at which a company or coworker may intervene in behavior that does not affect job performance will be sensitive (Driscoll 231). Such concerns as domestic violence, living with AIDs, failure to file taxes, use of alcohol or tobacco, or gambling outside of work may become issues of company concern in an era in which employees at all times are expected to adhere to commonly accepted moral standards.

Performance appraisals will become more qualitative and less quantitative, and character will count as much as accomplishments. "Behavior that reflects trustworthiness, respect, responsibility, justice, fairness, caring, and citizenship will be prerequisites for membership on business teams in the knowledge era. Instilling and encouraging the attributes that make a person honorable, that comprise character, will become a major part of human resource training and evaluation programs" (Driscoll 231).

As the business world becomes connected by its own computer networks and the global internet, the definition of privacy will change. "Confidentiality may be a thing of the past and the lives may blur between what equipment, time, information, and supplies belong to the company and what belongs to an individual" (Driscoll 231).

New technology will continue to create issues that were unheard of even a few years ago, a continuation of the challenges that technological advances have always presented (Driscoll 231). For example, if companies can develop sophisticated medical tests that uncover genetic defects, should individuals or their insurance companies be told the results? Companies are struggling over whether they should spend money on research and development of new techniques before they have resolved the enormously ethical implications of their use.

Self regulation will continue to be a formidable task for all types of industries, as a competing mix of public scandals and a resistance to government regulations forces ethical responsibility onto the opinion leaders of industry groups. "The onus for setting the ethical standards of commerce will rest with those who lead the very industries most needing supervision and guidance" (Driscoll 232).

The American business ethical culture is not the universal standard for commerce in a global economy. Ethical tensions and misunderstandings will arise in attempts to balance the conflicts that occur between acceptable behaviors and accepted cultures (Driscoll 232). Dealing with international parties who do not share American moral values or point of view will require careful guidance and understanding.

Demographics of the work force is constantly changing. There are now more women and minorities in the work force then ever before. Also, American workers and managers are typically high-school graduates, and as often as not college graduates, too. They have higher expectations, get bored more easily, and are unwilling to stick with a job they don't find challenging. Finally, the work force of the 90's is an older society. Questions about seniority and retirement have never been so pressing. Fairness and costs become tangled issues (Solomon 58).

Strategy is the key to good business. However, when it comes to ethics, strategy is typically left behind and unplanned visceral reactions take its place. Ethical dilemmas are the result of poor planning and a lack of ethical strategy. No competent executive would think of taking the company to the bargaining table without a clear sense of objectives, limits, and tactics. Even a seemingly spontaneous ethical response takes advance planning and presupposes a considered strategy, not only when a company is forced to respond to criticism, emergencies, and conflicts but also in response to good fortune and success (Solomon 60).

A strategic ethical response is nothing other than the best response under the circumstances (Solomon 60). But the "best" course, means something more than the number on the bottom line. Business is not a simple game, one that can be measured and defined by the single goal of immediate profitability. There is also the reputation of the company and its long term survival, the happiness and well-being of the individual and the integrity of the "game" itself.

Johnson and Johnson's response to the Tylenol tragedy is an excellent example of a strategic ethical response (see insert next page). But such responses do not emerge spontaneously; Johnson and Johnson had an established code of ethics that dictated-in advance-the appropriate response to a dire emergency (Solomon 60). "It is highly unlikely that any company, no matter how ethical, could easily come to such a difficult decision under such tremendous pressure without such prior ethical planning" (Solomon 60).

Ethics is, first of all, a way of thinking. Being ethical is, of course, doing the right thing, but what one does is hardly separable from how one thinks. Most people in business who do wrong do so not because they are wicked but because they think they are trapped and do not even consider the ethical significance or implication of their actions. To think ethically, one must think in terms of compliance with the rules, implicit as well as explicit, thinking

TYLENOL: SUCCESS, TRAGEDY, SUCCESS AGAIN

Among American household names, it would be hard to find a consumer line more trusted than Johnson & Johnson. From Tylenol pain relievers to dental floss to baby oil, few bathroom medicine cabinets would seem well stocked without J&J health products. The name *Band-aid* itself is a trademark of the huge international conglomerate.

J&J officials attribute the firm's steady success to the implementation of a plain-spoken corporate philosophy statement known as "Our Credo." Thirty-five years before the trend-setting book *In Search of Excellence* cried out for companies to establish a clear set of values. Robert Wood Johnson, son of the founder, authored the J&J code in recognition of the fact that "the day has passed when business was a private matter, if it ever really was. In a business society, every act of business has social consequences."

Periodically updated, the credo outlines such ideals as high-quality goods, equal employment opportunity, safe working conditions, corporate charitable giving, and environmental responsibility. Ranked only as "our final" obligation is the need to earn a sound profit. "When we operate according to these principles," concludes the credo, "the stockholders should realize a fair return."

In the fall of 1982, a journalist from Chicago telephoned J&J executive offices. He wanted reaction to the stunning news that the company's leading product, Tylenol capsules-had apparently been contaminated with cyanide by a psychopath. J&J had no less than $100 million worth of Tylenol on the market at the time. The process of recalling so vast an output would cost a fortune.

The emergency served to test J&J's fidelity to the credo. Relying on the code's injunction that "our first responsibility" is to product users, a crisis committee of top executives decided to "go public" with a campaign to notify consumers of the status of the poisonings. Company officials held press conferences, appeared on leading interview programs, took out full-page ads in leading newspapers, established a toll-free consumer hotline (which received more than 30,000 calls), even lobbied in Washington to make product tampering a felony. And, of course, J&J withdrew Tylenol capsules from the market, pending the introduction a couple of months later of new packaging, sealed three places, to resist tampering.

Observers generally lauded the company's swift action to remove the product and the open manner in which the emergency was handled. Wrote *The Washington Post:* "Though the hysteria and frustration generated by random murder have often obscured the company's action, Johnson & Johnson has effectively demonstrated how a major company ought to handle a disaster."

The dominance of Tylenol in the market for over-the-counter analgesics has been restored.

The Corporate Conscience, 1985, AMACOM
Robert Solomon, "The New World of Business"

in terms of the contributions one can make as well as one's own possible gains, thinking in terms of avoiding harmful consequences to others as well as to oneself.

Ethical Decision Making Process

How is an ethical point of view attained? Too often we are forced by deadlines and other pressures to look at a problem and simply ask, "How can I resolve this in the most time-efficient way?" Questions about long term consequences, about the direct and indirect effects of the decision squares with one's own sense of fairness and propriety are too often set aside. When we assume the ethical point of view, we broaden our perspective beyond the immediacy of problem resolution. Dr. Mark Pastin and the Council of Ethic Organizations focused on 10 questions and guidelines used by some of the leading U.S. corporations and public agencies to help the resolve tough ethical dilemmas.

Question One: Has all the information about the dilemma been presented honestly, correctly, and completely? If information about an ethical dilemma is not presented honestly, correctly, and completely, the resulting decisions and actions can cause a damaged reputation for the organization (2).

Question Two: Who are the key stakeholders? A stakeholder is any person or group who has an interest in a decision made or an action taken. Key stakeholders include owners of the business, customers, employees, suppliers, regulators, the community, the media, etc. When deliberating upon a difficult ethical dilemma, key stakeholders should be identified. How are they likely to react? What are their motives? Have the concerns and interests of the key stakeholders been carefully factored into the decision or action? To the extent that these objectives have successfully been accomplished, ethical decisions and actions are likely to come under intense scrutiny and/or attack (4).

Question Three: What are the critical ground rules? Organizations have many ground rules. Some are written (stated), and many are unwritten (unstated). The true measure of how an organization conducts itself in the ethical arena is to observe what it <u>does</u> about ethical situations, not necessarily what is <u>says</u>. It is important to remember that there are often conflicting ground rules within the same organization. For example, most entities do not sanction their employees carrying on personal business during business hours yet they inadvertently encourage such activities by publishing, posting, or distributing a "trade publication" within the employee group (6).

Question Four: What are the options and choices of action? One option is always to <u>do nothing</u> about an ethical dilemma. The full range of options and alternatives should be identified in writing, and an attempt should be made to identify what "could be done," not necessarily what "should be done." Potential options and courses of action should be thoroughly discussed internally, and communicated clearly, before an action is taken which may place the individual and/or the organization at risk (8).

Question Five: Are the courses of action legal, fair and in accordance with the values, standards, codes, guiding principles, and ground rules of the organization? Compliance with the law is the absolute minimum with respect to ethics. Most people in organizations know (or should know) what will cost them their jobs or send them to jobs. Ethical decisions should always be evaluated in terms of their legal ramifications; however, being legal is often not enough. It is possible to comply with legal requirements and still not maintain a high level of ethical awareness and behavior (10).

Question Six: Will the selected course of action stand up under the scrutiny of others (employee, press, regulators, etc.)? Unless ethics is integrated into the decision making process, it is not ethics. It is cosmetics. It is usually the "handling" of tough ethical matters that determines how they are reacted to by stakeholders (12).

Question Seven: Has a precedent already been set? Is it a good precedent? Do you want one set with your actions? When evaluating ethical dilemmas, it is imperative that individuals carefully consider the legal and fairness issues with respect to decisions. What management does first about tough ethical dilemmas should be as close to being right as possible. The precedents should be carefully thought through and evaluated in terms of their downstream ramifications (14).

Question Eight: What are the short-and long-term risks and rewards for the organization? As evidenced by some recent events in business, it is possible to lie, cheat, and steal to gain a short-term advantage. However, such action almost inevitably leads to significant deterioration in stakeholders relationships. What initially appears to be an immaterial departure from company standards and guidelines may manifest itself later as a significant divergence which poses a risk for both the individual and the organization (16).

Question Nine: Is management willing and capable of following through on the action required? Follow-through on promises, on stated courses of ethical decisions, is critical to credibility within the organization. Not only must management be willing and capable of following through, there are the fundamental questions of "who is responsible here?" and "who is accountable?" Ultimately, we are all responsible and accountable for a strong ethical environment and values-based behavior in the organization (18).

Question Ten: What are the steps which must be carried out? As in all effective action planning, the specific steps to implement the decision and course of action about a tough dilemma must be identified and put into motion. Otherwise, the outcome may become an open-ended exercise in which there is a great deal of discussion and very little action. If this happens, the ethics awareness process will result in a "half life" and will be viewed by members of the organization as "another fad which will pass in time" (20).

The situations for testing business morality remain complex. By avoiding theoretical inquiry and limiting the expectations of corporate goodness to a few rules for social behavior that are based on common sense, one can develop an ethic that is appropriate to the language, ideology, and institutional dynamics of business decision making and consensus. This ethic can also offer managers a practical way of exploring those occasions when their corporate brains are getting warning flashes from their non-corporate brains.

Ways Ethical Businesses Can Create Profits

The notion of treating people more fairly, being responsible to all stakeholders, and conducting business with an open sense of morality is everywhere, either in practice or in wanting. But with it is the wide spread fear of losing money if they become "to nice" or "too soft" compared with the competition, be it in-house peers or the company's strongest competitor. Can they really afford to be more caring?

The answer is not only yes, but that they can stand to lose money if they are not. Indeed, it almost always costs when the public perceives a company is irresponsible or unethical. "A lot of the evidence on this issue clearly indicates that when a company makes the wrong decision, it can have a profound effect on the bottom line and the ability of that firm to market its products or services in the future," says Nick Nichols, a crisis management expert and partner in the Washington D.C. communications firm Nichols Dezenhall (Kurschner 20). Nichols also adds that most attempts to measure the positive effects of greater business ethics or responsibility are made after a crisis has started. But scattered throughout corporate America are countless examples and many more surveys that prove ethical business creates fatter profits. Here are five of them.

THE WORKPLACE: Progressive workplace practices boost shareholder returns 45%.

How well do employees work if they feel unappreciated, are consecutively working fifty-plus-hour weeks, or have nagging family problems to deal with? While many employers know the answer, they still don't know how to take what's right and make it work on a day-to-day basis. Those companies that use progressive grievance procedures, incentive programs, information sharing, and job design have much better financial performance than those without, according to a Rutgers University survey of seven hundred publicly held firms. Investors in those firms that did more for their workers realized an annual shareholder rate of return that was about 45 percent higher than those firms that did the least for workers (Kurschner 21).

One such place is the St. Paul Cos., a St Paul, Minnesota based property casualty insurer. From employee support groups for gays and lesbians to on-site daycare, counseling and assistance programs, and wages and benefits that are at or above industry average, the company offers it all to most of its nearly nine thousand employees. And consider what it does for the company's bottom line:

- An independent study found that the St. Paul Cos.'s employee assistance program, one that provides a toll-free number workers can call for counseling, assessment, intervention, and short-term treatment, saved the company $1.8 million in 1994, or $6 for every dollar it cost to run the program.
- Its family resource program, which helps with daycare, eldercare, counseling, and education, yields $4.50 in savings for every $1 invested.

- The company also enjoys a turnover rate of less that 8 percent a year, the lowest in its industry (Kurschner 21).

SUPPORTING A CAUSE: More than 60% of consumers would switch brands to support a cause.

It doesn't matter what comes first: a great marketing idea, or a great cause. One without the other doesn't do as much for a company's bottom line; the combination is a hit for all parties involved, especially the company. A 1995 study done by Cone Communications in Boston and Roper Starch Worldwide in New York found that thirty-one percent of respondents viewed a company's sense of social responsibility as a key factor in their publishing decisions. Other findings: fifty-four percent of adults said they would pay more for a product that supported a cause they cared about; sixty-six percent of adults said they would switch brands and sixty-two percent said they would switch retailers to support a cause they care about. And nearly ninety percent of consumers surveyed by The Walker Group in New York last year said that when quality, service, and price are equal among competitors, they are more likely to buy from the company that has the best reputation for social responsibility (Kurschner 21).

For example: Three years ago, Avon Products Inc., created the Avon Worldwide Fund for Women's Health, an organization with involvement in nineteen countries. Its biggest women's health program is the Breast Cancer Awareness Crusade in the United States.

Through the program, the company's 440,000 person sales force educates women about the disease by bringing brochures on their sales visits. The Crusade's fund-raising efforts, selling products such as its $2 and $3 Avon Breast Cancer Awareness pin or pen respectively, have raised $16.5 million that has helped fund community-based breast cancer education and early detection services. The company literally has helped save lives.

The results from a business perspective are also equally impressive. Within the first two years of operating the Breast Cancer Awareness Crusade, Avon received more than four hundred media hits, stories in major media about its program (Kurschner 21). That, combined with the message delivered by each of its sales people, has boosted company sales. Business has picked up as customers are increasingly more responsive to an Avon representative selling them products. "All of the interaction that happens with an Avon rep on something as important as breast cancer should improve customer relations and make for easier sales. It's a wonderful door opener," says Joanne Mazurki, director of Avon's Breast Cancer Awareness Crusade (Kurschner 21).

That is a primary reason why Avon came up with the idea in the first place. The company asked women what their number one health concern was. "The issue they are most concerned about is breast cancer," Mazurki says. "If you're going to talk to women, you want to address their number one concern" (Kurschner 22).

ENVIRONMENT: Low polluters out perform high polluters 80% of the time.

There are many areas to consider when somebody says "environmentalism." There is the use of non-renewable resources, chemicals, and other items in the manufacturing process. There's waste in the making of products. And there are the products themselves; whether they are biodegradable, safe for the environment, etc.

Many companies have found it pays to think environmentally. In eight out of ten cases, low-polluting companies perform better financially than their high-polluting peers, according to a study by Vanderbilt University. Just the act of reducing pollution can boost profits as well, according to studies done by Stuart Hart of the University of Michigan-Ann Arbor. Similarly, findings reported in an analysis published in 1995 by the Investor Responsibility Research Center in Washington D.C. found that firms with a relatively large number of environmental lawsuits as compared with their industry peers were found to earn a lower level of return on assets and return of equity (Kurschner 22).

One company that has experienced environmentalism from all sides is Browning-Ferris Industries (BFI). The company paid huge fines for environmental messes, and now is enjoying profits from its growing recycling division.

In 1975, BFI was the nation's second largest waste management company and a major player in the hazardous waste disposal business. However, in 1988, BFI was ordered to pay $2.5 million in fines. And then in 1990, they paid $1.55 million to settle suits arising from environmental violations.

Later in 1990, BFI decided to discontinue its hazardous waste operations and took a $295 million charge as a result. They also introduced a new initiative for the company: to get into recycling.

The venture proved extremely successful through BFI's fiscal year end September, 1995. Starting with about 41,000 curb-side paper pick up sites in 1991, to nearly 6 million sites in 1995. Recycling revenue for 1995 represented approximately 12 percent of the company's $5.8 billion net revenue (Kurschner 22). Not a bad representation from a business unit only four years old.

COMMUNITY RELATIONS: community relations can literally save a company's life.

It used to be companies were good corporate citizens through their local owners. Today, community relations is often just another form of public relations, all marketing, no real substance, and thus, of little sustaining value to the community.

However, in those instances where there is a sincere corporate-community ties, the benefits are indisputable. Employee morale is higher in companies that are active in their communities. And, financial performance is better among those companies that are more involved with community affair, according to David Lewin, a UCLA Business School professor who did two studies involving 188 companies in 1989 and 1992 (Kuschner 22).

But there is also an added benefit: good community involvement can save a business's life.

World Eye Bookstore is an independent book and gift retailer in Greenfield, Massachusetts. The bookstore, wiped out by fire, was rebuilt by members of the community that World Eye had so warmly served over several years with fine products and superior community involvement. (see insert next page).

EMPLOYEE OWNERSHIP: Done right, employee ownership can spike productivity 59%.

Whether it be with a union or an employee stock ownership plan (ESOP), workers want to feel they have a stake in their work lives. When the could stay with an employer an entire career, certain of decent pay increases, lifetime health benefits, and a pension, ESOPs were not necessary. Today, they are key methods for retaining high-quality talent.

One of the best examples of a successful ESOP at work is at Cisco Systems Inc., the world's leading provider of inter-networking equipment for computers. Cisco Systems of San Jose, California has one of the lowest employee turnover rates in its industry; netting about $650,000 in revenue per employee per year, compared with industry average of approximately $300,000; and reports net profits that are about 24 percent of sales higher than its closest competitor. Mary Thurber, manager of Cisco investor relations, says they owe much of their success to participatory management and an ESOP. "Diligent employees who work as a team have the mission of Cisco as their goal. That makes us interact a lot better with the customer, and that's good for business," adds Thurber (Kurschner 23).

Unexpected Payback
Destroyed by fire, World Eye Bookstore will reopen thanks to an outpouring of community support.

IT WAS A RUN-OF-THE-MILL WINTER Sunday afternoon at World Eye Bookshop, an independent book and gift retailer that some people consider a cultural mainstay in Greenfield, Massachusetts. Business was steady, though it was cold outside-mostly in the single digits. And a storm was on the way.

At around 5:30 p.m.-just minutes after an employee locked up the store and left for the night-an electrical short sent the old building into flames. It was a three-alarm fire during an evening so cold that the first fire hydrant reached by fire fighters was frozen. They fought the flames and kept them from spreading to adjacent store fronts, but within minutes, World Eye Bookshop was gone. It began snowing and didn't stop until twenty-six inches had fallen by the next evening.

Imagine you're Antha Smith, owner of World Eye for the past eighteen years. Your livelihood is gone. Out-of-town help is cut off by a winter storm. And twelve employees-six full time-are now out of a job. What do you have to fall back on?

In the case of Smith and World Eye, it was community relations. World Eye was considered such a key contributor to Greenfield's quality of life that dozens of townsfolk quickly volunteered their time and resources to help rebuild the bookstore.

A school-to-work partnership offered student labor; the Greenfield Business Association and United Bank offered the use of their offices for business meetings; the private Eaglebrook School-a major customer-asked if it could hold a book fair benefit for the store; local folk musician/physician Russ Thomas offered to perform at a benefit on the store's behalf; a candy supplier offered a free first shipment if the store reopened; and veterinarian Tori Howell boarded for free the adopted store cat, Charlie, after she was miraculously discovered alive in a singed and soggy basement a couple of days after the fire. The list of contributions goes on and on.

The total value of all these in-kind services was not tallied at the time this story was written. "We'll probably never know," says Smith, who also had not yet assessed how much the new store would cost to open. And there was no room for the question of *whether* it would reopen. Clearly, people didn't want Greenfield to go without World Eye, their independent bookstore for twenty-five years.

"I was certainly surprised by the number of people who took the time to call or write," Smith says. "And I was surprised by how generous the business community turned out to be.

Others weren't so surprised, though, citing how much the bookstore had become a community mainstay-a shelter for some, a gathering place for others. Former employee Rhonda Shapiro-Rieser, for example, recalls how a child whose parent was dying would often come in for an hour a day just to thumb through books and ground herself with some peace and normalcy. Homeless individuals wouldn't be kicked out if all they wanted to do was come in, get warm, and rest on the store's couch for a while, adds employee Jessica Wallace. In fact, World Eye was well regarded as being friendly to everyone.

OUTSIDE ITS WALLS, World Eye also had linked with several local nonprofits. During the holiday season, the local symphony, a museum, a temple, churches, and a battered women's shelter urged supporters to shop at World Eye on a designated day. On that day, 20 percent of the store's sales would go to that group's coffer.

Then there were the Christmas Angels, names of kids who would otherwise see a Christmas without books or toys. White cardboard angels were made for each child, usually bearing the child's age, gender, and first name, and were placed on a Christmas tree in the store. Customers who adopted an Angel and bought something for the child-sometimes with guidance from the staff-received 10 percent off on the price of that gift. The store then gift wrapped and delivered the presents to the children.

Still, who would have guessed that the customers and others businesses in town would try so hard to help World Eye start again?

They succeeded. Smith found a new storefront to rent on Main Street. Neighboring merchants and customers, even the mail carrier, promptly decorated the windows with "welcome" signs. And an anonymous gift giver-management suspects a certain print shop-left a gift-wrapped package of stationery bearing the store's new address.

Greenfield's community bookstore plans to re-open by the end of March.

JoAnn Johnston, **Business Ethics**
March/April 1996

As for how good, "I don't think you can correlate an increase in sales with the ESOP, other than to say Cisco has grown dramatically fast" since it went public and started an ESOP in 1990. Sales grew by 59 percent in the 1995 fiscal year (Kurschner 23).

CHAPTER 4
ETHICS IN THE 1990'S: CASE STUDIES

As I look back on my life's work, I'm probably most proud of having helped to create a company that by virtue of its values, practices, and success has had a tremendous impact on the way companies are managed around the world. And I'm particularly proud that I'm leaving behind an ongoing organization that can live as a role model long after I am gone.

-William R. Hewlett, Cofounder, Hewlett Packard

Business ethics is no longer an oxymoron, fad, or personal matter. It is an essential part of the mission for many companies. There is abundant objective evidence that many companies and organizations are indeed taking ethics seriously. A 1990 survey conducted by the Center for Business Ethics revealed that 96 percent of the responding companies have now incorporated a written code of ethics, 43 percent conduct ethics workshops or training seminars, and 33 percent have instituted an ethics committee (Driscoll 229). Despite these impressive statistics, ethics initiatives like these are just the first steps toward building an ethical organization.

They will not necessarily prevent ethical crises, as the Bath Iron Works and NYNEX tales will demonstrate. What counts is what happens when crises do arise, and how those on the scene debate and resolve the conflicting ethical dilemmas.

Crazy Shirts Inc., however, has placed themselves on the cutting edge of ethical responsibilities. They have been proactively pursuing a successful, profitable, an ethical business ventures for more than thirty years.

Bath Iron Works

It was May 17, 1991 and a janitor was cleaning a conference room at the North Stores Conference Center of Bath Iron Works (BIW) when, on a chair, he found a document stamped "Business Sensitive." It turned out to contain 67 pages of sensitive information about one of BIW's competitors. How did the document get there? Had it been left behind to test the ethics of BIW employees? Was someone trying to create a scandal in order to benefit from the fallout? Or had the document simply been left behind by mistake by a participant at the previous day's meeting with the Navy?

No one would ever know for sure. But the document, and how it was handled, touched off a crisis that put in peril 8,000 jobs, nearly destroyed the company's 100 year old tradition for integrity, ended the careers of several executives and managers, and destroyed the gubernatorial aspirations of the company's CEO (Driscoll 53). The incident played a role in the improvement of an ethics program at Bath Iron Works that was already exceptional. The tale serves as a lesson that, in matters of ethics, companies can never let down their guard.

BIW, the largest employer in Maine, in 1991 was one of only two shipyards in the country capable of building the nation's next generation of missile-equipped naval destroyers. In May, 1991, BIW was engaged in a fierce competition for the contract to build the destroyers. The day before that document was found, Navy officials and executives from BIW had met in the conference room as part of a routine review of ships already under construction at the shipyard (Driscoll 54).

At the start of the next business day, the janitor turned the document over to BIW's vice president of finance. Upon examining the document, he found nothing to indicate to whom it belonged. He also saw that the document contained a comparative analysis of the performance and profitability of BIW and its competitor. Clearly this was proprietary information. He should have known this and he should have called the Navy immediately. He didn't.

Instead, the VP of Finance reviewed the data, made notes, and then called in another vice president, the director in the Contracts Division. The two examined the document and decided to take it to the CEO, William Haggert. Haggert was on his way to deliver a luncheon speech, so he took 15 minutes to review the document. As he headed out the door, he told the two to make a photocopy, and return the original to the conference room, and meet with him when he returned to discuss how to further handle the situation (Driscoll 54).

Over the next few hours the two executives continued to review the information and one even did some computer modeling based on the information. Eventually, they informed Howard Yates, senior vice president in the Finance and Administrative Group of the document. Apparently, Yates was the first to be troubled by the situation and to recognize the severity of the matter. He immediately called "Buzz" Fitzgerald, the president and COO of the Company, and brought him up to date on what had happened (Driscoll 55).

Fitzgerald was appalled, particularly in light of the steps that BIW had taken to ensure that ethics would be a priority in its corporate culture. BIW's history stretches back to the 1800's, and the company is proud of its traditions and reputation for integrity. BIW in 1986, even joined 54 other defense contractors in an unprecedented industrywide voluntary ethics program called the Defense Industry Initiate (DII) on Business Ethics and Conduct.

"Knowing BIW's tradition and the commitments under the DII, Fitzgerald knew steps had to be taken to resolve the problem.

> Possession of the document might mean that the company and the executives involved were in violation of the Procurement Integrity Act. This could mean civil penalties of up to five years in jail, and that BIW could be fined up to $1 million dollars. And, perhaps more ominously, violations could even mean debarment which would prevent BIW from bidding on

government contracts. That would be the end of the company" (Driscoll 57).

Fitzgerald ordered the copy be destroyed and the return of the original document to the Navy. Finally, Haggert the CEO, returned from his luncheon. He recognized his mistakes in handling the document and personally agreed to deliver the document to the Navy.

The Navy's Suspension and Debarment Committee reviewed the incident and BIW's response. While it looked as though BIW would actually be debarred, a settlement in November, 1991 was reached. Haggert, who was also a favored candidate in Maine's gubernatorial race, was asked to resign from the company. The two vice presidents who first reviewed the document were also asked to resign. As a part of the settlement, BIW also agreed to board level and company level changes that went beyond the DII principles BIW was already following. The changes were to:

Board-Level

- Establish a Board Ethics Committee.
- Name three outside directors to the board.
- Create a board procedure for investigating suspected wrong doing by company officers.

Company-Level

- Establish an internal three member Ethics Committee.
- Name an ethics officer.
- Expand ethics training.
- Report to the Navy quarterly for three years on investigations and implementation of an ethics program (Driscoll 58).

However, BIW went beyond the settlement requirements. The Navy required three outside directors; BIW named five, including a well respected retired vice admiral. The Navy required a three member company level ethics committee. BIW formed a committee of six members to ensure that the committee would include a cross section of employees throughout the company.

Today, BIW's ethics program is lead by its new CEO, Buzz Fitzgerald, Ethics Officer Kevin Gildent, and Harry Britt, BIW's director of internal audit. Many elements of the Bath Iron Works ethics program can serve as models for other organizations.

NYNEX Corporation

The telecommunications industry is currently undergoing a period of historic change, one rich in new opportunities as well as unprecedented challenges. Technological advances have taken businesses to the brink of an information revolution that promises to change not only the way people communicate, but also the way they work, learn, and spend their leisure time. The early 90's were a time of reengineering for telecommunications. Flatter organizations were created, and while profits were up, layoffs were nevertheless widespread (Blyth 4).

Will these changes result in more competition, more innovation and better services for customers? Or less competition, skyrocketing prices and new monopolies? The answers to these questions depend on who is responding. However, there is no denying that the stakes are high in this information revolution. Over a hundred years ago the public debated the wisdom of industrialization policies. The commodities in question at that time were material: oil and steel. Today, and as the 21st century approaches, the commodities at issue are less tangible and more important.

The information revolution is all about the creation, control, and distribution of ideas and images (Blyth 4). Who will own and control newspapers, magazines, networks, music and film studios, cable franchises, TV and radio stations, on-line services and software manufactures? How will information, ideas and images be delivered to us, and who will create and control their content? During the last decade, U.S. citizens have seen the power of the media and entertainment industry affect both the form and content of political debate (from MTV to late night talk shows). They have altered the way consumers view themselves and the world around them. The information revolution will have an effect on how they think as well as on what they think about.

Given these high stakes, it is important that corporate players have a clear sense of values, a commitment to public service, and an understanding of the importance of ethics (Driscoll 35). NYNEX, and the Bell Companies in general, have held a long-standing commitment to business ethics. In the 1960's, they were among the first companies to issue corporate codes of ethics and took a series of events in the 1980's, to push NYNEX to their current high standards.

In 1984 the Justice Department ordered the divestiture of AT&T, creating NYNEX and six other Regional Bell Operating Companies (RBOCs) (Blyth 62). NYNEX and the six other RBOCs found themselves in a strange new world. They had to learn to cope with a host of changing rules and regulations created to deal with the new environment.

These changes triggered a cultural upheaval for NYNEX employees. Change is always unsettling, and this was change on a massive scale. One of the significant problems corporations face during these times is cynicism, and NYNEX was no exception (Driscoll 36).

The complaints of the cynic are part of a vicious cycle. Change breeds cynicism, cynics spread their beliefs, and their beliefs make it difficult for the organization to cope with change. NYNEX in the mid

1980's understood these human dynamics and its executives tried to break the cycle.

Then on August 6, 1989, all of NYNEX's union represented employees began a 17 week strike that further polarized the organization. The main issue was health care, but the strike brought to light other problems that had been just below the surface.

As the strike was ending, NYNEX announced a $43.7 million loss in the fourth quarter of 1989, the first for one of the "baby bells." At the same time, accusations of rate payer overcharges began to surface. During the summer of 1990, NYNEX's New York Telephone unit was trying to gain approval from the New York State Public Service Commission for a $1.4 billion dollar rate increase, raising the average consumer's bill 36 percent. In contrast the State Consumer Protection Board was calling for a half billion dollar rate decrease (Driscoll 37).

The state attorney general opposed raising the rates. Both his office and the Public Service Commission were investigating reports that a NYNEX subsidiary, Material Enterprises Company or MECO, from 1984 to 1988 was making purchasing decisions not based on lowest cost or best product, but on personal connections and favoritism. It was suspected that NYNEX's New York Telephone Unit was now trying to pass on the increased costs to rate payers (Driscoll 37).

Following divestiture, NYNEX created a subsidiary to consolidate and gain cost efficient purchasing for its telephone subsidiaries. Savings would come from the increased sale of purchasing. The subsidiary, MECO, provided New York Telephone more than $1 billion dollars annually in equipment and services (Blyth 65).

What looked like a simple corporate reorganization turned into controversy as allegations arose that MECO was purposefully created as an unregulated subsidiary in order to avoid scrutiny and as a way of increasing profits to the parent company.

Allegations of inflated costs and other improprieties at MECO first surfaced in 1985. At that time it was alleged that Lawrence Friedman, vice president of purchasing, was also part owner of another company doing business with MECO. NYNEX hired an outside law firm to investigate the allegations. The investigation showed that the allegation was false and further concluded no ethical or legal problems existed between MECO and its suppliers. Therefore the findings of this investigation were not turned over to authorities (Driscoll 39).

Unfortunately, however, the 1985 investigation did not go far enough. Beginning in 1984, MECO employees began gathering for annual "conventions" at a Florida home of a friend of Friedman. The "conventions" grew, under the direction of Friedman, to as many as 100 people, among them MECO and NYNEX employees and suppliers. Female strippers and prostitutes were reportedly hired to provide entertainment and sex for the attendees. Attendance at the "conventions" allegedly resulted in favoritism in contract awards. According to one source, vendors who attended the "conventions" had sales gains with MECO of 67 percent, while those who did not attend had increases of only about 3.5 percent (Driscoll 39-40).

MECO claimed that there was no correlation between the "conventions" and vendor favoritism or rate payer harm. The findings of a second, more thorough investigation, in 1988 were contrary to MECO's claims. It had determined that eight employees had violated NYNEX's code of business conduct, which prohibited meetings with suppliers that could be construed as conflicts of interest. In July 1988, Friedman and a supervisor who reported to him were fired. Contrary to the findings of the first investigation in 1985, these findings were turned over to the Public Service Commission and to the FCC (Driscoll 41).

In addition, former NYNEX chairman William Ferguson announced a corporate reorganization that was designed to bring MECO under regulatory scrutiny. He expressed concerns that apparently employees who were aware of the wrong doings didn't feel safe enough to report what they knew. Ferguson also asked for a study of the problem and a review of NYNEX's internal reporting and auditing systems (Driscoll 41).

Instead of trying to rationalize the NYNEX problems as a good company that was being unfairly berated because of a "few bad apples," William Ferguson put into motion an ethics process at NYNEX that continues today. It has carried NYNEX to a higher standard and has also created a model for others to emulate.

Every organization committed to ethics needs to plan for its implementation. Depending on the organization's culture this can be done formally or informally. For most large companies a formal, written plan is best. According to NYNEX, "A plan integrates values into the organization in strategic and practical ways. It also builds teamwork, alignment, and commitment" (Driscoll 46). And so, as a model, a summary of NYNEX ETHICS Business Plan follows (see insert next page).

NYNEX ETHICS
BUSINESS PLAN 1994-1996

VISION

Our vision of a NYNEX ethical work environment is one where quality, ethics and caring for the individual are the core values which guide all decisions, actions, and behaviors. These values define our reputation in the marketplace and provide the foundation for all interactions with the stakekholders.

MISSION

Our mission is to provide leadership and support that enables NYNEX people to live our core values and Winning Ways behaviors, forstering ethical decision-making through consistent standards, education, communication and guidance.

NYNEX VALUES

- **Quality**–satisfying each customer through sustained excellent performance.
- **Ethics**–living up to the letter and spirit of the law, and our highest expectations for ourselves.
- **Caring for the Individual**–treating individuals as we wish to be treated: with respect for their rights and ideas, and compassion for their needs.

NYNEX WINNING WAYS GUIDING BEHAVIORS

Leadership
Integrity
Accountability
Communication
Teamwork
Employee Involvement
Diversity
Positive Attitude
Embracing Change
Balanced Perspective

(Driscoll, 47)

NYNEX Ethics Business Plan 1994-1996 *(continued)* *(Driscoll 48)*

GOALS	Continually define, apply and demonstrate our values and ethical standards in the context of a dynamic environment	Foster demonstration by all employees on a day-to-day basis that NYNEX is a values-driven and ethical corporation	Ensure consistent application of standards	Direct the evolution of the ethics process and structure	Strengthen the public's opinion that NYNEX is a values-driven and ethical corporation to improve our competitive position in the marketplace
STRATIGIES	• Develop employee understanding of the importance of employing values and ethical standards while operating in a dynamic environment. • Foster commitment to the Winning Ways behaviors. • Identify new issues with values and ethical implications. • Position values and ethics as certainty in uncertain times to guide employee actions in the development of the corporation.	• Encourage the proactive commitment and involvement of leadership in establishing and demonstrating a values driven environment at NYNEX. • Create and integrate communication initiatives to improve employee understanding of NYNEX's values and standards. • Promote use of the Guide-Line to coach and guide employees on values and ethics-related issues.	• Revise the NYNEX Code of Business Conduct in response to a dynamic environment. • Ensure consistency of approaches and interpretations among the Ethics Offices. • Identify new issues with values and ethical implications.	• Implement a focused, proactive plan, together with the leadership of the corporation, Public Affairs and Corporate Communications, that secures the perception of NYNEX as an ethical corporation. • Develop an evaluation process to assess values and ethics implications of partnerships and alliances.	• Develop a plan for the evolution process/structure. • Position the ethics organization as a strategic partner in the single enterprise organization. • Create a development plan for the staff
1994 INITIATIVES	• Ensure the integration of values and associated behaviors in training. • Educate key groups on power and benefits of managing through values. • Research, develop and conduct ethics training courses for employees. • Initiate incorporation of values, ethics and business conduct as part of the foundation of all business plans. • Identify areas of high risk, develop support guide-lines and implement with key groups. • Ensure the corporation conducts values and ethics risk assessments. • Establish a proactive partnership with the Corporate Culture Organization to promote our core values as guides to all decisions, actions and behaviors. • Jointly with the Corporate Culture Organization develop and implement the Living the Values handbook. • Develop employees' critical thinking skills through design and implementation of an ethical decision making model.	• Coach the leadership team to help them understand the importance of sharing the criteria they used for their decision making. • Develop a focused values and ethics message that will be delivered by the Leadership team. • Implement a communications plan that underpins and strengthens NYNEX's values and standards. • Research and design a vehicle to communicate standards established in ethics cases that have implications for all employees. • Initiate and conduct values and ethics awareness discussions with employee groups. • Research, develop and implement new approaches to enable employees to use the GuideLine process for coaching and guidance on values and ethics inquires. • Research and establish a NYNEX-wide, cross-functional and cross-level "Ethics At Work" team.	• Revise the Code in light of our shared values and behaviors and the dramatic transformation of our industry. • Position the NYNEX Code of Business Conduct as a key resource to guide ethical decision making. • Develop a systematic process for the sharing by staff directors of ethics cases and trends to ensure consistency of approach and interpretation among the Ethics Offices. • Research, develop and implement a confidential mechanized data base for all Ethics Offices to report cases. • Revise the GuideLine procedures to enhance the documentation and analysis of cases. • Develop ongoing communications initiatives with Human Resources.	• Continue to build and foster relationships with professional ethics organizations and selected "best practices" companies to exchange information and ensure NYNEX's reputation. • Develop media plan with liaison organizations, such as Customer Relations and Media Relations, to champion values and ethics in their messages in order to maintain NYNEX's reputation as a values-driven and ethical corporation. • develop a data gathering tool and survey to assess stakeholder perceptions.	• Implement and communicate the structural changes outlined in the business case as part of our effort to develop the ethics function to best serve the corporation. • Design and implement a comprehensive training and development plan to maximize and standardize the role of the staff director position in the ethics offices. • Develop a succession plan in order to maintain and ensure continuity in the ethics offices. • Design and conduct an internal and external peer review process. • Redefine and reposition the Ethics Policy Committee. • Form a series of action teams within the Ethics Organization to focus on key values and ethics areas and provide cross-group leadership and action.
MEASURES OF SUCCESS	• Survey/focus groups. • Assess business plan. • Validation of assessment tools.	• GuideLine statistics. • Surveys. • Observation of demonstrated action.	• Product delivery. • Commitment to process. • System delivery.	• Press coverage. • Surveys. • Validation of assessment tool.	• Demonstration of actions. • Implementation. • Product delivery.

NYNEX Winning Ways Guiding Principles

COMMUNICATIONS

- We thrive on two-way communication ...face to face whenever possible.
- We listen to what people have to say ...and we hear what they're saying.
- We provide people with the information they desire or need.
- When people don't give us their opinion ...we ask for it.
- We grow on feedback and coaching.

DIVERSITY

- There is only one way to treat people----fairly.
- Diversity is an asset—not a liability.
- New ideas don't come from people who suffer from sameness.
- We respect and value the cultural diversity of our customers and employees.

INTEGRITY

- Is the foundation for all our other values.
- Beginning with each other, we are candid and honest.
- We face issues up front and in person.
- We don't say yes, then act no.
- We always do the right thing...even when no one else knows about it.

TEAMWORK

- Teamwork is the foundation for success.
- We commit our will, energy and skill to the success of the team.
- We don't have a "most valuable player," only "most valuable contributors."
- ONE TEAM=TEAM WON.

LEADERSHIP

- We are proactive in addressing business challenges.
- We are willing to take prudent risks to move toward our goals.
- Our priorities are set and our resources are in balance.
- We understand our rules and maintain the highest standards.
- We coach through timely, appreciative and constructive feedback.

ACCOUNTABILITY

- We are serious about our commitment and we measure our ability to deliver.
- We focus on finding solutions and achieving results.
- Each of us knows what is expected and where we stand.
- We say and mean "I am responsible and accountable."

BALANCED PERSPECTIVE

- Dedication does not mean forsaking your family or your personal life.
- A full and rewarding career befits a rich mixture of other interests.
- We celebrate our successes.
- We seek to achieve and maintain a healthy lifestyle.

EMPLOYEE INVOLVEMENT

- We create an atmosphere of empowerment to grow and flourish.
- Our jobs are important enough to be worth doing well.
- We provide people with knowledge, skills and tools...before we expect them to perform the job.
- We tell people what our expectations are...then we get out of the way.
- Praise is like fresh air...we can never get enough.

EMBRACING CHANGE

- Turbulence creates opportunities...and it excites us.
- We value tradition but we are not hampered by it.
- "If it ain't broke..." there is always a better way...our challenge is to find it.
- Creativity and innovation are encouraged to breathe and grow.

POSITIVE ATTITUDES

- How many good ideas have you had when you were in a bad mood.
- We believe in ourselves and each other.
- We speak well of our colleagues and our company.
- We train, coach and nurture...top to bottom...inside out.
- People who feel good about themselves produce good results.

(Driscoll 52)

Crazy Shirts, Inc.

Crazy Shirts, Inc. is a little known socially responsible business that has been quietly plying its trade for more than thirty years. This clothing manufacturer and retailer has annual revenues of $87 million, sixty-one stores throughout Hawaii, Guam and parts of the U.S. Mainland, and 1,000 employees. In the breadth and creativity of its commitment to social responsibility, you might call Crazy Shirts Hawaii's Ben & Jerry's. The company offers everything from Wellness Bonuses for unused sick days to unsubsidized vegetarian lunches and aerobics classes. Among its notable policies and initiatives include:

- The company shares and impressive 25 percent of profits with employees, through Christmas bonuses, profit-sharing and a 401(k) plan.

- When Hurricane 'Iniki in 1992 forced closings at all four Crazy Shirts stores in Kaua'i, Hawaii, the company kept employees on the payroll for three months, encouraging employees to use the time to get their lives back together, and help others.

- Crazy Shirts University offers dozens of classes in the company factory. Employees can also select work-related classes at local universities. All time spent in training is paid at employee's regular rate.

- In addition to cash donations to the Hawaiian Human Society, the company has a "Crazy Cats" program to help fifteen cats hanging around the factory. The cats are caught (in humane traps), neutered, micro-chipped for identification, and returned to the factory park, where they get food and veterinary care for the rest of their lives.

- Because of Gillette's unnecessary testing on animals, Crazy Shirts avoids buying Gillette office products (which include Liquid Paper, Paper Mate, Flair Parker, and Waterman).

- To name only a few of the company's extensive environmental efforts, Crazy Shirts demands minimal packaging from suppliers, re-uses cardboard boxes, shreds mail for use and shipping material, collects and sells 99 percent of silver used in its darkroom, disconnects fluorescent bulbs where bright lighting isn't required, composts wastes, and has its accounting department keep a monthly log of all items recycled (Ralston 11).

In business ethics circles the search for evident that good ethics pays off on the bottom line is apparent. Companies can either choose to proactively pursue an ethical and socially responsible direction or they can wait until they are faced with an ethical crisis that could seriously damage their image and worse yet, their bottom line.

CHAPTER 5
CONCLUSION

No matter how clearly the predicted results of an action are presented, business people in fact make their own decisions, sometimes in what appears to be an irrational manner. They are responding to things they value. They feel compelled by impulses, both conscious or unconscious, to do what they feel they must do. Executives are sometimes prepared to accept painful consequences, even admit that they are foolish, and yet the choice is made. The actual process of moral choice is by no means simple, and ethics needs to reflect this.

Ethics is a rational activity. It studies choices, explores their implications and looks at how they may be justified. And therein lies its inherent weakness. It tends to assume, just because it is a rational discipline, that a single theory may be found that will explain the nature of moral thinking and give an overall view of life by which the results of moral thinking may be assessed. Its ideal is to find a definition of good and bad that will transcend individual preferences, and which may therefore command universal acceptance. That is fine in theory, and yet it does not really do justice to the human complexity of moral choice.

The problem has, for sometime, been made more complicated by the narrow definitions of ethical theory. With utilitarianism, the main thrust that sought a rational explanation of final cause within the world, also struggled with a definitive balance of happiness offered to the maximum number of people. But, this rational approach is more complicated because it needs to ask about what constitutes happiness, and whether the gains should be immediate or long term, whether confined to the act, a general rule, or preferences of those involved.

Common sense tends to go along with utilitarianism. Avoiding suffering and giving happiness are, after all, on an emotional and a rational level, deeply embedded in human experience. And yet utilitarianism does not seem to be enough. There are many situations in business for which, from a logical and utilitarian point of view, there can be no justification. The expected results of an action inform, but cannot define, a moral choice. They form part of a ethical quandary, factors to be weighed, and yet the weighing is not the whole of the experience. To describe someone as "cold and calculating" or "hard headed" implies a narrow view of human choices and responsibilities (such a person could probably give a very definite utilitarian justification of their action) and yet the feeling can remain that there is more to ethics than simply assessing results and acting accordingly.

Kant's approach was more of a categorical imperative, as something absolute, not depending on results. Kant placed God, freedom, and immortality as presuppositions of moral choice, as background assumptions and ideas that influence moral choice. As business people choose what to do, they bring to their process of choice all the ideas and experiences of their past, and all their hopes for the future. They may not know what the results of their actions may be, and yet feel impelled to do it anyway.

Kant offers the most generalized and theoretical of all ethical frameworks, that a person should will that the maxum of his or her action become universal law. Wanting everyone to be able to make the same choice has a common sense basis. If they want to do something, they should allow everyone else to do it as well, and vice versa. However, executives may be just a dissuaded by the thought that if everyone else does it there will be chaos. But, the truth is, everyone is different. It is not realistic to expect or want everyone to make the same ethical choice. Executives know that if their choice, could be enacted as a universal law, and this remains in the back of their mind, even if they try to consider the implications of making it so. At the end of the day, they go ahead and make their choice as a unique individual. Universalizing every ethical decision, and acting on only those that can be universalized, is likely to produce a lowest common denominator of ethical thinking: the blandest of moral visions, hardly the stuff ethics is made of.

There is little need to explain why a solid ethical foundation is an important strategic tool. Just ask the former CEO's of Bath Iron Works or NYNEX. These companies, individuals, and others have learned that to ignore ethics is to run a very high risk, both in human and financial terms.

Business is not a scramble for profits and survival. It is a way of life, an established and proven practice whose prosperity and survival depend on the participation of its practitioners. Business ethics is not ethics applied to business. It is the foundation of business. Business life thrives on competition, but it survives on the basis of its ethics.

Business is first of all a cooperative enterprise with firmly fixed rules and expectations. A view from the visitor's gallery down to the floor of the New York Stock Exchange may not look very much like a cooperative enterprise with fixed rules and expectations, but beneath the apparent chaos is a carefully orchestrated set of agreements and rituals without which the Exchange could not operate. There can be no bogus orders, and bid ranges are carefully controlled. The use of information is restricted, but traders trade information as well as securities. The rules of the Exchange, contrary to superficial appearances, are uncompromising. Break them and they are off the floor for good. Right there in the heart of capitalism, there is no question that business is a practice, and people in business are professionals.

Business is defined by its rules. Some of these have to do with the nature of contracts. Many have to do with fairness in dealing with employees, customers, and government agents (IRS, SEC, FDA, etc.). Indeed the notion of fairness in exchanges is more central to business than any other practice, whether in terms of work and salary, price and product, or public services. Without fairness as the central expectation, there are few people who would enter into the market at all (consider the atmosphere on the market following the dramatic Ivan Boesky "insider trading" case). Without the recognition of fair play, the phrase "free enterprise" would be something of a joke. The rules of business, accordingly, have mainly to do with fairness. Some of these rules ensure that the market will remain open to everyone. Some of the rules protect those who are not players in practice but whose health, jobs, or careers are affected by it. Some of the rules have to do with serving the needs or wishes of the community.

It is within the description of business ethics that the terms "virtue" and "vice" can be defined. Some virtues and vices go far beyond the bounds of business, of course; they are matters of morality (honesty, for example). In business ethics there are virtues and vices that are particular to business and certain business roles. Close accounting and "watching every penny" are virtues in a shipping clerk but not in someone who is entertaining a client. Keeping a polite distance is a virtue in a stockholder but not in a general manager. Tenaciousness may be a virtue in a salesman but not in a consultant. Outspokenness may be a virtue in a board member but not in the assistant to the president. Being tough-minded is a managerial role but not in others.

In general, a virtue would sustain or improve a business practice. A virtue in business is an ethical trait that makes business in general possible, and this necessarily includes such virtues as respect for contracts and codes of ethics (Bath Iron Works) as well as concern for products quality, employee relations (The St. Paul Cos.), community relations (World Eye Bookstore), consumer satisfaction, and the bottom line. A vice, on the other hand, degrades and undermines the business practice. Shady dealing and reneging on contracts are vices and unethical not because of an absolute moral law but because they undermine the very practice that makes doing business possible.

Ethics, as stated earlier, is first of all a way of thinking. Being ethical is also, of course, doing the right thing, but what one does is hardly separable from how one thinks. Most people in business who do wrong do so not because they are wicked but because they think they are trapped and do not consider the ethical significance or implications of their actions. Consider the following:

Ethical errors end careers more quickly and more definitively than any other mistake in judgment or accounting.

To err is human, perhaps, but to be caught lying, cheating, stealing, or reneging on a contract is not easily forgotten or forgiven in the business world. And for good reason: such actions undermine the ethical foundation on which the business world thrives. Almost everyone can have compassion for someone caught in an ethical dilemma. No one can excuse immorality.

What makes such career calamities so pathetic is that they are not the product of greed or immorality or wickedness. They are usually the result of ethical naiveté. Consider William Haggett, former CEO of Bath Iron Works, whose career with BIW and political ambitions were abruptly halted because he did not stop to consider the ethical consequences of not reporting the discovery of certain "sensitive" business documents to the Navy immediately.

Ethics provides a broader framework within which business life must be understood.

There may be a few people for whom business is all of life, for whom family and friends are irrelevant, for whom money means only more investment potential and has nothing to do with respect or status or enjoying the good life. Most successful executives understand that business is part of life. Corporations are a part of society that consists of something more than a market.

Money may be a scorecard, a measure of status and accomplishment, but it is not the ultimate end. Business success, like happiness, often comes most readily to those who do not aim at it directly.

Executives are most effective and successful when they retain their "real life" view of themselves, their position, and the human world outside as well as inside the corporation. Business ethics, ultimately, is just business in its larger human context.

Nothing is more dangerous to a business, or to business in general, than a tarnished public image.

The fact is that a tarnished image has direct consequences, for sales, for profits, for morale, for the day to day running of the business (see NYNEX). Distrust of an industry ("big oil," "the insurance racket") can hurt every company, and distrust of an individual company can quickly drive it into bankruptcy.

Ethical thinking is ultimately no more than considering oneself and one's company as citizens of the business community and of the larger society, with some concern for the well being of others and respect for oneself and one's character. Nothing in ethics excludes financially sound thinking, and there is nothing about ethics that requires sacrificing the bottom line. In both the long and short run, ethical thinking is essential to strategic planning. There is nothing unethical about making money, but money is not the currency of ethical thinking in business

THE LAWS OF LIFE GOVERN-WE WILL ALWAYS REAP WHAT WE SOW.

WE ARE WHAT WE REPEATEDLY DO. EXCELLENCE, THEN, IS NOT AN ACT, BUT A HABIT .

ARISTOTLE

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