

Ethical Reasoning in Business

By Robert B. Blake and Deborah Anne Carroll

Corporations are scrambling to jump on the "code of ethics" bandwagon. While it helps to have written standards, ethical behavior is easier to write about than to achieve. To make a difference in employees' everyday behavior, you have to understand the different levels of ethical reasoning.

Printers report they're growing rich printing corporate codes of ethics. Scandals ranging from contract violations with the Department of Defense to insider trading on Wall Street have made CEOs focus on getting employees to read and agree to explicit ethical guidelines. But have higher ethical standards really permeated corporate America?

Certainly efforts in the executive suites to create codes of ethics have served a purpose for organizations—having top leaders identify key company values may represent a welcome turnaround from the typical, closed-door message from the boardroom. By signing those codes, front-line workers and supervisory and management staff may have received their first message about what the CEO expects of them.

But a code of ethics by itself is unlikely to stimulate real, day-to-day behavioral change. Friction occurs whenever what's planned in the boss's office is at odds with an employee's own ethics. We have come up with a six-stage model for ethical decision-making that has lessened that friction successfully in many corporations.

Why are codes inadequate?

When strongly held personal convictions do not mesh with a company's written code, people are influenced more by what others around them

do and believe than by what's on a sheet of paper. The picture becomes cloudier when a person's unethical actions continue while he or she espouses the company's values. A boss's or co-worker's behavior provides daily cues about what should and should not be done—employees learn by example when a boss speaks of fairness yet gives a pet subordinate special tasks, rewards, and perks.

When confronted with an ethical dilemma, no two people think exactly the same way about the right thing to do

Those cues are often far more powerful than company's written, "Sunday-school" values. That is the consistent finding in behavioral experiments conducted over the last three decades—people tend to change their opinions, their reporting of physical phenomena, and their treatment of other people according to how others think and behave.

The real problem, then, is how to develop employees' convictions so that they can go against what's popular or expedient when ethical decisions demand it. Many think that circulating a corporate ethics code and adopting a this-is-what-we-believe approach to supervision can change attitudes and values. That popular theory of change can be called change by inculcation. It

assumes that once senior managers crystallize their values on paper and mention them in meetings with subordinates, the subordinates will behave accordingly. The inculcation theory, however, contrasts with one that has proven far more effective—the scientific model of change, which depends on education, reasoning, and informed choices, all developed within an organization's context.

The scientific model of ethics approach

The scientific model breaks away from an overreliance on rules or preaching and provides a systematic framework that an employee can apply when deciding on the best course of action in a situation. Even where explicit policies are not available, employees can learn to strengthen and enrich the ethical levels of their reasoning.

One of the difficulties with ethics is the lack of broad agreement in philosophy, religion, and tradition concerning a set of ethics that must always apply. A scientific basis for understanding ethical thinking can bypass that impediment. Managers and technical professionals can use the approach as an everyday guide to thinking through ethical dilemmas.

According to research in cognitive and social psychology, you can organize the ways of thinking about ethics into a sequence of stages, describe the thought processes intrinsic to various stages of ethical development, and look at what constitutes the highest stages of ethical understanding. When confronted with an ethical dilemma, no two people think exactly the same way about the right thing to do. Even when they solve a dilemma in the same

Blake, the developer of The Managerial Grid,[®] is chairman of the board, and Carroll is a senior consultant for Scientific Methods Inc., Box 195, Austin, TX 78767.

way, they may base their solutions on different patterns of thought. The stages help to clarify the differences.

One person might obey a rule as a way to avoid punishment—such reasoning is at the lowest stage of ethical thinking. A second may obey a rule to gain approval for being obedient. A third might want to maintain membership in a group. A fourth might do the right thing because it is the expected action based on the rules and established practices of the corporation. At

a higher stage of thinking, a person might obey the rule because he or she believes that the action contributes the greatest good for the greatest number of people. At the sixth and highest level of ethical reasoning, the person might do the right thing because that action is in accord with his or her concepts of justice.

The sequence of those stages of reasoning undergoes distinguishable changes—it goes from being self-centered to corporate-centered, from pro-

moting self-gain to promoting societal gain. Not all people reach the highest stage. According to the empirical evidence, few get beyond stage three; only a small minority reaches stage six. After learning how to think about ethical issues at higher stages, people can make sounder, independent decisions on a more consistent basis.

It is also possible for groups of people who interact on a daily basis to discuss the ethical issues that confront them and to set explicit standards for what group members expect of each other. That is crucial: before they get a handy little model for how to make high-level ethical decisions, they must first acknowledge the hidden but powerful influence of social expectations as the key barrier to ethical decision-making in a work unit or organization. There must be a model for getting understanding, argument, debate, and commitment behind higher-level ethical actions, not just a mere allegiance to policies and lists of no-nos.

Therefore, we recommend a two-pronged system. One part outlines key stages of ethical thinking based on Kohlberg's conclusions in *The Psychology of Moral Development* (1984). The other is a practical way of getting ethical and other business problems solved in the social arenas in which they occur—it undergirds rational thinking with a set of dynamic processes.

Who is operating at what ethical stage?

A person's stage of ethical development is apparent regardless of his or her job assignment or place in the organization hierarchy, and whether he or she is a boss or a subordinate. For example, a company president's actions may result from stage-two thinking.

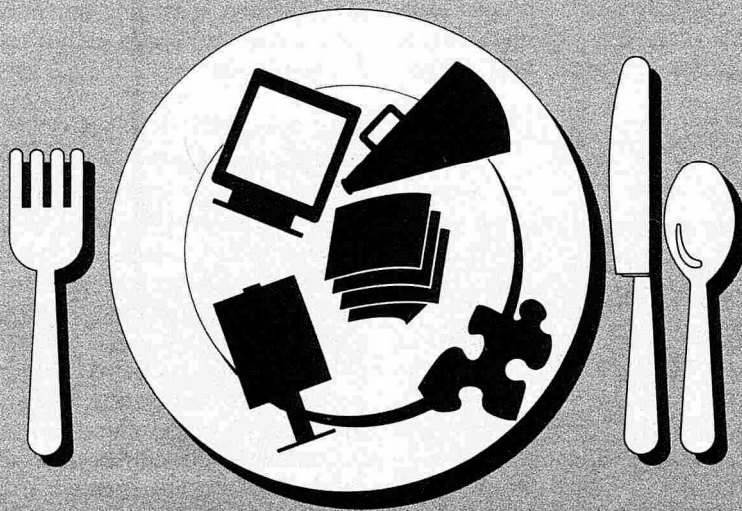
Described below are the stages in greater detail. They include not only how a person responds to the prescriptions of a boss or authority, but also how the person in authority uses the thinking with a subordinate.

Right and Wrong

The first two define obedience to simple authority.

■ **1. Pleasure and pain.** The motivations in the first stage are to seek pleasure and to avoid the pain of punishment through obedience. Authorities dictate the literal definition

SERVING THE RIGHT COURSES?



According to Fortune 500 leaders, good communication skills are becoming the main course, the meat and potatoes of our volatile, information-loaded business environment.

In two days, HighGain's programs deliver the core communication skills essential to top performance.

Mind Mapping ■ Reading ■ Writing ■ Presenting ■ Listening

HighGain Inc.

■ When Communicating Counts

999 Dolores Street, San Francisco, CA 94110-2922 415.285.9009

Circle No. 163 on Reader Service Card

Visit us at ASTD Booth #2427

of right and wrong. Reasons for doing the right thing include living up to rules and obeying them for obedience's sake, as well as refraining from doing damage to people and property. A boss enforces the rules with subordinates through the power to punish and to provide security.

■ **2. Approval and disapproval.** The person does what authority says is right in order to gain approval and to avoid disapproval. The boss uses approval and disapproval to get subordinates to do what is right and avoid doing what is wrong. By obeying rules, subordinates comply in exchange for approval.

Conformity

Stages three and four describe a person's desire to do the right thing in terms of his or her need to be part of a group.

■ **3. Pride and shame.** In the third stage, the motivation for doing what is right comes from the need to belong. Right and wrong are defined according to the expectations of the family, the community, or a group of close friends. Being accepted by the group is a source of pride; shame results when a person deviates from or disregards the group norms with which he or she identifies.

In this stage, to be right is to be concerned with other people and their feelings; the maintenance of trust, respect, and gratitude of partners; and the motivation to follow the group's rules and expectations. The person's need to feel pride and to generate pride in others is strong; avoiding the shame of violating others' expectations is a key motivator. A person may be inconsistent about what he or she considers sound ethical thinking, depending on the group to which the person belongs at a particular time.

The boss defines what is right not only by stating the norms of the work team but also by listening to what his or her own peers say. That means that floor supervisors look to one another to determine what they should and should not do, department heads look to other department heads, and so on.

■ **4. Loyalty and dishonor.** This thinking occurs when the conformity attitudes of small groups extend to attitudes based in the corporation or other institutions that specify what is right and wrong. A person accepts him- or herself as a member of a larger corporation and sees maintaining and

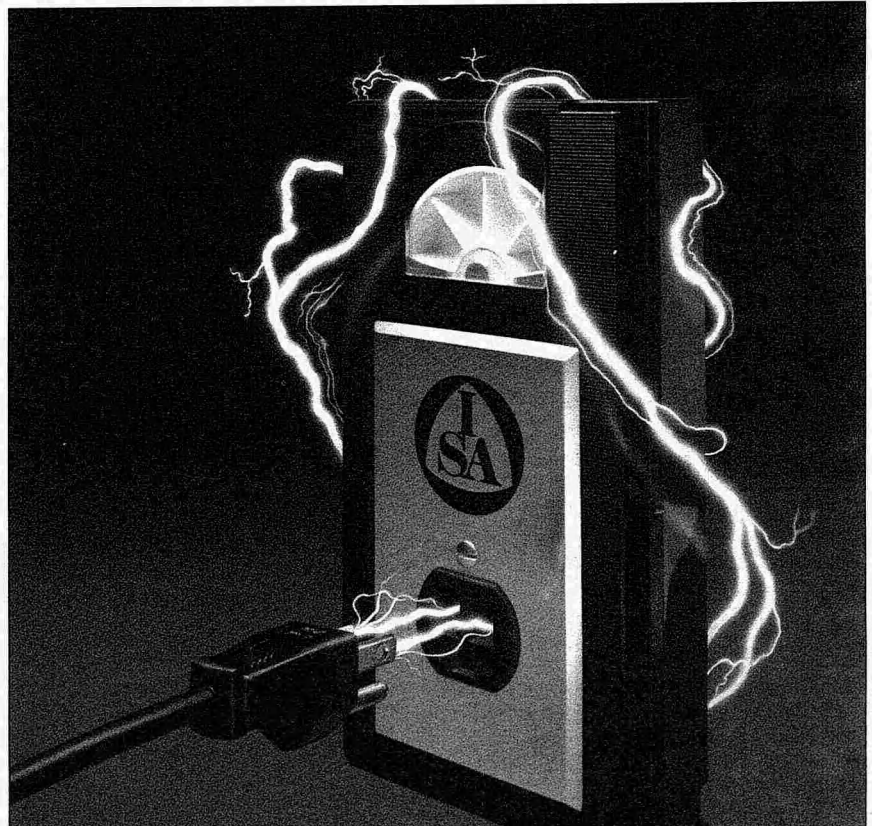
promoting the welfare of the corporation as his or her obligations. The motivation is to be a loyal member, giving allegiance to the policies, rules, and practices of the company, and avoiding disloyalty, dishonor, and disrespect.

In that stage of thinking, doing right is doing one's duty in the corporation, an institution of society important for maintaining social order. The person's reasons for doing right are to keep the institution going and to enjoy self-respect and a good conscience about

meeting his or her corporate obligations. The person also avoids taking actions that might place him or her at odds with accepted institutional norms and traditions. The boss strengthens the readiness of members to live by corporate policy and rules through actions, education, and rationale for why the rules are in the best interests of the corporation.

Principled Reasoning

The highest stages of ethical thinking deal with universal principles and



Plug Into A Powerful Source For Instrumentation And Control Videotapes.

The Single Source Is ISA

The Instrument Society of America has an extensive library of videotape programs that teach basic concepts and applications of instrumentation and control systems, maintenance skills, control theory, emerging technologies and much more.

The Natural Resource Is ISA

Instrumentation and control professionals, from beginners to experienced, have relied on ISA for over forty years.


For a free catalog, call or write to ISA. And plug into the most powerful source in instrumentation and control training.



INSTRUMENT SOCIETY OF AMERICA

67 Alexander Dr., P.O. Box 12277, Research Triangle Park, NC 27709
(919) 549-8411 • (800) 334-6391 • FAX (919) 549-8288

ADD COLOR TO YOUR GREY MATTER.



The first edition of *The Creative Brain* has sold out!

Come see this award-winning book in its second edition, at a first edition price! See us at the ASTD Expo Booth #2523

Explore the colorful spectrum of whole brain teaching and learning. Understand the power of human diversity.

A key word today in all employee and management training programs is creativity. The increasing sophistication and fast pace of the world market place demand creative answers to customer needs, organizational challenges, and employee problems.

In *The Creative Brain*, Ned Herrmann explains his theory of brain dominance and shows the importance of utilizing the entire brain to exercise the creativity needed in every aspect of daily life. A productive brain—a creative brain—is one which makes optimal use of all parts.

Productivity involves understanding the mental requirements of the work to be done and the mental preferences of those assigned to the task. Executives and employees recognizing their preferences can multiply both their productivity and satisfaction.

Numerous people and organizations have testified to the valuable insights and performance improvements gained through Herrmann's innovative and practical approach to education, training, and the process of unlocking the colorful creativity of each human brain.

The Ned Herrmann Group
2075 Buffalo Creek Road



(704) 625-9153 Fax: -2198
Lake Lure NC 28746

Circle No. 145 on Reader Service Card

Visit us at ASTD Booth #2523

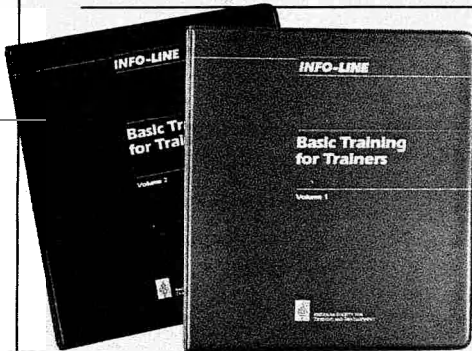
go beyond simple rules.

■ 5. Utilitarian and vested interests. This stage of thinking is concerned with serving the corporation through decisions that lead toward the greatest good for the greatest number. What is right is being aware that people hold a variety of values and opinions and that most values are relative to one's primary group or institutional membership. To do the right thing is to uphold the basic rights, values, and legal contracts of a society, even when they conflict with the concrete rules, policies, and practices of the corporation.

The person feels obligated to obey the law because he or she has made a social contract to abide by laws for the good of all and to protect both his or her own rights and the rights of others. He or she also considers friendship, trust, and work obligations as contracts that entail respect for others' rights. When he or she makes a decision, the concern is that laws, duties, and obligations are based on a rational calculation of overall utility—the greatest good for the greatest number.

A boss operating at this stage supports corporate rules that don't depart from the laws of society. When there

A New Package for New Trainers



INFO-LINE introduces Basic Training for Trainers

New from ASTD—an essential, practical resource for people just entering the training field. *Basic Training for Trainers* is a custom collection of 24 INFO-LINES, ASTD's how-to booklet series, packaged in two three-ring binders. Each INFO-LINE addresses an important basic training topic and gives you a comprehensive study, practical guidelines, and clear procedures.

Call (703) 683-8129 to order today!

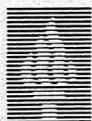
Each INFO-LINE topic can help you meet your basic train-the-trainer needs.

- Vol. I: basic training; needs analysis; surveys; marketing training; ISD; behavioral objectives; make or buy decisions; training and learning styles; better writing; effective training materials; participants with disabilities; effective training manuals.

- Vol. II: 10 great games; effective workshops; listening; learning environments; facilities planning; visual aids; training films and videos; alternatives to lecture; presentation skills; training with partners; case-method training; evaluation.

Start with the basics. Order *Basic Training for Trainers* today!

AMERICAN SOCIETY FOR TRAINING AND DEVELOPMENT



1630 Duke Street
Box 1443
Alexandria, VA 22313

Send to: PGH
ASTD Publishing Service, P.O. Box 4856,
Hampden Station, Baltimore, MD 21211

YES, please send me ASTD's practical guide, *Basic Training for Trainers*!

Please send:	MEMBER	NON-MEMBER
<input type="checkbox"/> The complete set ILB3	\$125.00	\$165.00
<input type="checkbox"/> Volume 1 only ILB1	\$ 75.00	\$100.00
<input type="checkbox"/> Volume 2 only ILB2	\$ 75.00	\$100.00

Add \$1.75 for shipping and handling per order.
For international handling, add \$2.00.

ASTD national member no. _____

Name _____

Title _____

Organization _____

Address _____

City _____

State _____ Zip _____

Check or purchase order enclosed

VISA MC Bank Number _____

Credit card # _____

Expiration date _____

Amount \$ _____

Signature _____

is a discrepancy between corporate practices and society's standards, the boss works to change corporate policies.

■ 6. **Justice and injustice.** At stage six, ethical principles have a universal character, and relativity is no longer the governing source for defining what is right and wrong. Research findings indicate that such principles appear across different cultures, nationalities, and religions.

The organizing principle here is justice. A person wants to contribute to the well-being of society and its institutions, including the corporation, while avoiding actions that are nonaltruistic and self-serving. In this stage, the definition of right goes by universal ethical principles that benefit all humanity. Particular laws or social agreements are usually valid because they rest on such principles. When laws or corporate policy violate the principles of justice—the equality of human rights and respect for dignity of

we expect everyone to live by the rules.

■ 4. The rules of the company prohibit stealing, and it is my obligation to uphold the corporate regulations.

■ 5. Stealing reduces the competitive strength of the company; the result is that everyone loses.

■ 6. Stealing cannot be condoned. If allowed to continue, it would undermine the whole system of corporate competitiveness and institutional justice. Some people will be at a disadvantage relative to others.

On the other hand, Ellen might say to herself, "I will not tell my boss that Joe is stealing." Here are her reasons according to each stage.

■ 1. Joe might take it out on me for telling on him.

■ 2. Joe will continue to like me and know I am a good friend.

■ 3. I am loyal to my friend. Neither Joe nor my other friends tell on each other.

■ 4. This corporation doesn't require us to report that kind of thing.

To do the right thing is to uphold the basic rights, values, and legal contracts of a society

people as individuals—one acts in accordance with the principles rather than the policy.

Ethical thinking and everyday practice

Consider the following dilemma, found in many situations with only slight variations. Joe steals things, and Ellen knows he does. Ellen's ethical dilemma is whether to tell the boss of Joe's dishonesty.

What is your reaction? What should Ellen do? Why should Ellen do that and not something else? Think about those questions and then compare how you would handle the situation with the thinking characteristic of each stage. The first sequence is for those who decided to tell the boss, the second for those who decided not to tell.

If Ellen says, "I must tell my boss," here are some of her reasons at each stage of ethical thinking.

■ 1. If I don't, I might be punished.

■ 2. I will gain approval for being so helpful.

■ 3. All of us in the group know that

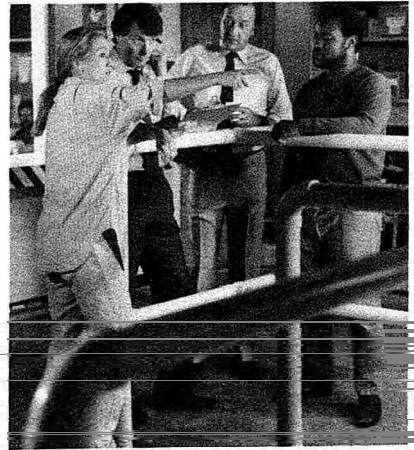
Applying ethical reasoning at GE

The six-stage model came in handy for several hundred young engineers at five of General Electric's week-long technical-leadership sessions in 1988. Naomi Steinberg, then project manager for GE's technical-education operation, applied the intervention with recently hired manufacturing and design engineers who were asked to solve "real life" ethical dilemmas according to all six stages of ethical reasoning.

Members of six-person teams studied and were tested on GE's corporate ethics policies. Then, each team applied the six-stage model to its assigned dilemma and presented a list of solutions. The groups were able to sort out higher-level versus lower-level solutions and to come to a new understanding of the ethical basis for any given solution.

According to Steinberg, now of Schoonover Associates, "With the module, we were able to double-dip: they got real tools for addressing ethical problems in those gray areas where policies don't exist, and at the same time practiced consensus decision-making in the heart of team culture where ethics problems at work are most often centered."

New from Dartnell . . . An information-packed video that will help save your company tens of thousands of dollars



DEALING WITH DISCRIMINATION



DEALING WITH DISCRIMINATION shows the four most common discrimination complaints as they relate to race, sex, age, and national origin - and covers all areas of the business environment—management, sales, and blue collar situations. It depicts each problem, clearly explains the legal definitions, delineates rights and responsibilities, and suggests solutions.

The situations are real. The emotional impact is powerful. And the approach is direct, sophisticated, and timely! And it will help you and your managers understand the laws and the procedures necessary to eliminate discrimination complaints in the workplace.

To preview DEALING WITH DISCRIMINATION just call us at the toll free number below.

CALL
1-800-621-5463

(Illinois residents dial 312-561-4000) and reserve a preview print now.

DARTNELL

4660 Ravenswood Avenue
Chicago, IL 60640
Producers of Award-Winning
Training Films/Videos

**IS YOUR MEMORY
HOLDING YOU BACK?**
Exciting Australian Designed

MEMRIONICS

MENTAL EFFICIENCY T.M.
for
Impressive Professional Brilliance



An unforgettable experience. A Compy's Training Programme is only as good as the Employee's ability to comprehend, remember and implement the material.

MEMRIONICS FOR: AND REMEMBERING

LISTENING	NAMES
CONCENTRATION	NUMBERS
RELAXATION	SPORTS
IMAGERY	DATES
MENTAL	
ORGANIZATION	LANGUAGE
COMMUNICATION	FACES
RAPID READING	INSTRUCTIONS
CREATIVITY	EXAM. QUESTIONS
OBSERVATION	PRICES
CONFIDENCE	LISTS

AND MENTAL EFFICIENCY

Memrionics satisfies all of your training needs:

- | | |
|----------------------------|---------------------------|
| a. Communication skills | b. Management development |
| c. Employee orientation | d. Supervisory strengths |
| e. Technical skills | f. Computer proficiency |
| g. Self-Image & Confidence | h. Safety Skills |
| i. Professionalism | j. Sales Dynamics |

Memrionics, very professionally conducted and packaged audio visual seminar, is the highly recognized charismatic personality training used by the Top Fortune 500 Companies, government, police, law, universities, medicine, politics and other professions. Proven over 20 years worldwide — 10 years ahead of competition.

Memrionics . . . available to you by:
1. Seminar Attendance; 2. Train the Trainer; 3. In Company Training; 4. Home Study; 5. Business Opportunity part or full time.

CALL 1 (800) 922-9400

To experience this dynamic technique by hiring the Memrionics Workshop on Video for \$50. Major credit cards accepted.

MEMRIONICS

Every Director's Solution

Acceleration Seminars — Memrionics
1323 S.E. 17 St., Ste. 129, Ft. Lauderdale, Fl. 33316, P.O. Box N7268, Nassau, Bahamas (809) 363-3212/3625

1 (800) 922-9400

With Memrionics, you command the respect you deserve © 1989 G.E. Bolitho — All Rights Reserved, ADV. FB. ST.

■ 5. In the long run, the system is self-correcting, and it is better for the system to be effective than for an individual to tattle.

■ 6. Justice is best served in the long run by building a corporation based on just rules and laws rather than on serving an individual's selfish interests. The system is less effective when one individual intervenes against another individual, even on behalf of the system, because then it becomes a system of personalities, not principles.

Ethical reasoning vs. ethical conduct

A person's thinking may be at the highest level, but it does not necessarily follow that he or she will act accordingly. In other words, ethical thinking and ethical conduct are not one and the same thing. You can find explanations for the discrepancy in the following considerations.

■ **Rebellion against authority.** Some people rebel against having authority and resent being told what to do, even when their own conclusions about what is right are consistent with corporate policy. Such employees are capable of reasoning at a high level, but persist in conducting themselves at a lower stage in order to prove to themselves that they can resist control or the appearance of it.

■ **Group pressures.** Others may be able to reason at stage four or above and still disregard their conclusions. Why? Because they want to preserve their membership in the group—to them, conducting oneself according to the expectations of other members takes precedence over all else.

■ **Corporate policy.** In some cases, the corporation may either have an unclear policy, no policy, or conflicting policies, which makes it difficult for someone to anchor ethical conduct in corporate rules.

■ **Gambling or risk taking.** Another factor that may lead a person to behave in a manner inconsistent with his or her ethical reasoning may be the thrill of taking a risk. He or she satisfies the need for risk even in light of the fact that his or her conduct appears to be at a level lower than the actual ethical reasoning stage.

■ **Competition.** Intense competition in an industry can be another reason for a discrepancy. When competition is intense and the company is driven by survival considerations, people may undertake activities that are in the gray

area of ethics or even simply wrong.

■ **Culture.** A final influence is the culture of an organization. If carelessness in ethical conduct has crept into the culture, then organization members are likely to follow suit, doing whatever others do rather than conducting themselves according to higher-stage ethical thinking.

Getting at the social barriers

Of all the barriers mentioned above, the two that stand out are those that deal with group or organizational expectations. Think about serious ethical problems that have occurred in your business setting. Virtually all decisions come about in the group or team context. Even when physical proximity—shared offices, frequent meetings, joint planning, and so forth—is not a concern, the social reality of a boss's, peer's, or corporation's mindset is apparent to each person, including the lone technician who sits at a computer terminal on the night shift.

It is naive to think that each employee walks around in a vacuum, independently weighing alternative courses of action and acting on a rational decision—the choice most consistent with company policies or high-level ethical reasoning. As in other kinds of problem solving, ethical reasoning becomes complicated by powerful social norms that exist wherever group effort is necessary. In other words, rational considerations for the individual employee are not enough. After employees examine the ethical reasoning around them and the options that are available to them, they need to know how to make effective decisions in the group context.

For all of us who want to keep ethical decision-making simple, complications arising from actual work relationships and culture add another dimension. What if people never identify the real ethical problem because communication within the organization is so poor that they never clarify openly what they are facing? That can happen in the most sophisticated technical environments, where multimillion-dollar, life-threatening mistakes occur because of interaction problems. When hidden conflicts go unresolved, biases, incomplete knowledge of the problems, and faulty reasoning creep into employees' most rational methods for getting at ethical solutions. Successful interaction among employees is a must.

