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Moral Reasoning at Work

Rethinking Ethics in Organizations

Øyvind Kvalnes

Second Edition

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Contents

CHAPTER 1

Beyond Compliance

Abstract This book explores how ethics in organization can draw on research streams in moral philosophy and moral psychology in order to attune to the actual and concrete moral dilemmas in the workplace. Compliance activities in organizations often include ethical training of employees and formulations of codes of conduct to define required and expected behavior. In order to prepare leaders and employees for moral dilemmas in their professional lives, organizations need to go beyond compliance and acknowledge the complexity and ambiguity of the situations the employees can face. Familiarity with ethical tools, principles, and concepts can be part of a foundation for responsible decision-making, but only in tandem with empirical knowledge from social and moral psychology about judgment and decision-making.

Keywords Compliance • Organizational ethics • Moral psychology • Moral reasoning • Professional ethics

We can understand moral reasoning at work to be the activity of judging and deciding what is morally right and wrong, permissible, obligatory, and forbidden in an organizational context. We can also place the activity under the heading of ethics in organizations. This book proposes a rethink of the assumptions this activity rests upon, in order to strengthen its potential to create responsible conduct in the workplace. It combines

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research streams in moral philosophy and in moral psychology to outline how it can be possible to attune ethics in organizations to the everyday tensions and dilemmas experienced by leaders and employees in work settings.

The first edition of this book was published as an Open Access title in 2015. It reached a wide audience of researchers, students, and practitioners. The book has been on the curriculum for Applied Business Ethics, a mandatory course for all Master of Science students at BI Norwegian Business School, where I teach. The revisions and additions of the current edition build on feedback from colleagues and students. One particular issue they have highlighted is a need for examples reflecting the ethical challenges that decision-makers in organizations are beginning to face with regard to digitalization and automation. In response to the feedback, the current edition contains one new chapter on the ethical dimensions of automation and artificial intelligence and another on organizational uses of social media. Both of these chapters include preliminary classifications of ethical dilemmas that arise in organizations when technology radically changes the scope of action within them. The examples in the other chapters have also been revised to be more in line with current ethical challenges in organizations.

Three assumptions about ethics in organizations are under scrutiny in this book. There are elements of truth in all of them, but they also tend to overshadow important aspects of the decision-making processes in organizations. The first assumption is that the development of skills to engage in ethical analysis can effectively prepare leaders and employees for the ethical challenges they will face at work. The second assumption is that decision-making should ideally rest with people of strong moral character, that is, with those who have a stable disposition to behave in a morally responsible manner, even when they are under pressure to do otherwise. The third and final assumption is that codes of conduct strengthen an organization's ability to deal with ethically challenging situations. The underlying problem with these three assumptions is that even an organization where the leaders and employees have been through ethical training and become familiar with ethical analysis, where the individuals are of reasonably good moral character, and where a detailed and concrete code of conduct is in place, is vulnerable to internal moral wrongdoing. This book attempts to address the limitations of the three assumptions and show how the combination of insights from moral philosophy and moral psychology can create a more robust ethics in organizations.

Moral dilemmas are a pervasive feature in organizational life, and the discipline of ethics offers principles, tools, and concepts to analyze them and reach a decision about what to do. A moral dilemma is typically a situation where the decision-maker must choose between two or more options that represent some moral requirement or duty. The decision affects a range of stakeholders, and several of them can have reasonable moral claims to make on the decision-maker, but some of them will be disappointed. A moral dilemma is a choice between wrong and wrong. Something of moral value will be lost, no matter what the decision-maker opts to do (Brinkmann, 2005; Kidder, 2005; Kvalnes & Øverenget, 2012; Maclagan, 2003, 2012). Leaders and employees from the private as well as the public sector can experience that they spend their professional lives in a moral minefield. No matter where they put their feet, a moral dilemma can lay hidden and spring up to demand a swift response from them.

In the process of rethinking ethic in organizations we should be guided by a fundamental respect and understanding of the predicament of individuals who work under such conditions. Leadership research documents how important it is for employee motivation to experience that leaders and supervisors stand by their side and are supportive when they face the most stressful and demanding situations (Chughtai, Byrne, & Flood, 2015), and moral dilemmas are concrete instances where such presence is pivotal. What individuals in professions as dissimilar as being a business manager and a social worker have in common is that they make decisions that can have considerable dramatic impact on other people. Their integrity, empathy, and common sense can be questioned and under pressure on a daily basis. Ethical perspectives on what goes on in organizations need to reflect the intense moral tensions experienced by the decision-makers who operate there.

Ethics training has become an integral part of leadership and employee development programs in many organizations. Companies who are about to establish business in some of the most corrupt areas of the world send their people to anti-corruption training to prepare them for the realities they are about to face there. In many countries, professionals like accountants, lawyers, teachers, doctors, nurses, and financial advisors have ethical training as part of their obligatory continuing education. The expressed purpose of all these learning activities is to make the participants better equipped to meet ethically challenging situations at work. However, the distance between the harmonious teaching settings in the seminar room and the ambiguous and complex realities the participants face in their everyday work life can be considerable.

I have facilitated ethics sessions in organizations internationally for 18 years. In my experience, the commitment from participants and their bosses can range from intense all the way down to stone cold. In some organizations, ethics training becomes an arena for lively discussion of a broad range of professional issues, going well beyond the ethical. In others, the activity takes the form of compliance work that one reluctantly puts on the agenda and participates in with minimal engagement and effort. One accounting firm defines the main goal of an ethics course as fulfilling the requirement of having seven hours of ethics teaching for its partners. Not a word about substantial learning outcomes regarding the ability to cope with ethical challenges at work. If a company or group of professionals establish a code of conduct and invite their people to an ethics seminar, they can tick those two boxes on the compliance list. If things nevertheless go wrong, and individuals from the company become entangled in wrongdoing, the leadership can claim that those people have acted on their own behalf, and not in accordance with the intentions expressed during the ethics training.

In the courtroom, it can make a significant difference to the outcome for a company whether the employee who has bribed a public official on their behalf has been through ethical training or not. If he has, the company can distance itself from the critical event and claim that the person acted on his or her own, even though it has intentionally sent the employee on a mission into an area where wrongdoing appears to be inescapable. Incentives can be at odds with the messages from the ethics seminars, and the employees are expected to cope with that internal conflict.

Some of the ethical training sessions I have facilitated have been in the oil and gas industry. Since the early 1970s, my home country, Norway, has benefitted greatly from its natural resources in the North Sea. The income has financed the development of a well-functioning society, with excellent infrastructure in transport, health, and education. Norwegian oil and gas companies have also gradually developed competence and skills that have enabled them to pursue and establish business in other countries. Some of the world's richest oil and gas resources happen to be located in areas where corruption is commonplace, and the Norwegian companies have faced dilemmas in coping with that dimension of reality. In 2004, the company Statoil admitted that it had paid 15.2 million dollars to the son of the former president of Iran, with the aim of securing lucrative contracts in that country. As a result, the chairman, the CEO, and the director for international operations resigned, and the company received a heavy fine (BBC, 2004).

In the aftermath of the Statoil scandal, companies of all sizes and shapes in the oil and gas industry sat down to fine-tune their codes of conduct and invited leaders and employees to a range of extensive ethics seminars. I contributed to a series of these, in judgment and decision-making sessions focusing on how to cope with realistic dilemmas. The CEO of one of the companies participated on every session and gave an introductory talk at each of them. His main message to his traveling employees was: "Make sure you keep at arm's length from anything that smells of corruption." After that, he wished them a safe journey to Azerbaijan, Angola, Nigeria, and other countries where the company had activities.

How much should top management back home know about the complexities of business life and the level of corruption in the countries where their companies are active? When corruption cases come to trail, one of the key issues is often to settle whether top management knew about the transactions taking place. Legally, it is not enough to establish that they did not know. They may have chosen the stance of willful blindness (Heffernan, 2011), which involves taking conscious steps not to know, deciding not to inquire about how the company won a particular contract, which agents were involved, and about the details of the methods they deployed to get the attention of the local decision-makers. A CEO can decide to turn a blind eye to the details of the business culture and business methods his company partakes in, but that strategy is both ethically and legally dubious.

One group of professionals who have come under critical scrutiny after the financial crisis in 2008 is that of financial advisors. They have come under criticism for recommending and selling questionable products to their customers. The response from financial authorities in Norway and in other countries has been to tighten the control of the institutions and to demand that the financial advisors participate in ethical training. I have contributed to this activity at the business school where I work, by introducing ethical theories and concepts to financial advisors and inviting them to apply them to practical cases.

The creditable aim with these activities is to encourage ethical awareness in the profession and make the participants familiar with analytical tools with which to weight and consider their options. However, my impression is that the incentives these individuals encounter at work remain more or less unchanged, which means that the ethical training makes little difference to how they behave toward their customers. I ask the financial advisors what they would say to a customer under the following circumstances: Anne has recently inherited 200,000 Euro from an aunt and turns up for financial guidance. The advisor looks at Anne's overall financial situation and believes that the smartest thing this woman can do clearly is to use the entire inheritance to reduce her debt. However, this option will not give the advisor or his company any profits. He has a strong personal incentive to go against his own judgment of what would be the best option for Anne and advise her to spend the money on an investment package. What should he do?

When I put this question to the financial advisors, many of them appear to experience what I in this book will call moral dissonance, a discrepancy between their moral convictions and what they are tempted or ordered to do. On the one hand, they want to live in accordance with the professional standard indicated in the title of being a financial advisor. Their primary goal should be to serve the client, the secondary goal to make profits. From a moral point of view, then, they realize that they should be honest to their customers and state frankly what they think would serve their personal economies best. On the other hand, their own income depends on sales of financial products, and their employers expect them to show good results. Anne may enter their office the day before the personal sales report for the month is due, and the advisor can be in a position where a sale to Anne will have a big positive impact on what happens in the meeting with the supervisor. In similarity to the corruption cases, top management seems to choose willful blindness over detailed knowledge of the practical consequences of the incentives they present to their employees, in the shape of the conversations that go on between their employees and customers.

Conflicts of interest are at the core of many ethical challenges in organizations (Nanda, 2002). The financial advisor can decide to give priority to his or her self-interest and the employer's interest ahead of the customer's interest, with very little risk of detection. A similar pattern is present in relations between professionals and their clients, customers, students, and patients in other setting. These situations are different from moral dilemmas, in that they do not pose a choice between options that are more or less on equal moral footing. They are not choices between wrong and wrong, but between one option that is morally obligatory and right, and another option that is tempting, but morally wrong. Professionals often have strong incentives to choose the morally wrong options, and when found out, face stern moral criticism. The public tends to expect and demand strength of character in the professionals, a disposition to withstand temptation to exploit their superior knowledge for personal gain. A call for more authentic leadership in organizations is also based on an assumption about firmness of character (Gardner, Cogliser, Davis, & Dickens, 2011). Studies in social psychology suggest that such a reliance upon stable and robust moral standards in individuals is misplaced (Doris, 2002), and that organizations should instead attend to the incentives employees have for balancing between self-interest and client interest.

This book presents two streams of research and inquiry to support a rethink of ethics in organizations. The first is moral philosophy and ethics, which contributes with analytic tools to handle moral dilemmas and other challenging situations at work. I draw on classical contributions from Aristotle, Immanuel Kant, Jeremy Bentham, and John Stuart Mill, and contemporary input from Philippa Foot and Judith Jarvis Thomson, as well as a variety of more specific works in business ethics and organizational ethics. A central and original component in the book is the Navigation Wheel, a tool I have designed in collaboration with philosopher Einar Øverenget (Kvalnes & Øverenget, 2012). Decision-makers can use the Wheel to keep track of the legal, ethical, value-oriented, moral, reputational, and economical dimensions of a decision. I have used in ethical teaching settings in a range of organizations, and the participants have appreciated it as a simple and practical tool with which to structure a conversation about right and wrong in work contexts.

The second stream of research is from moral and social psychology, in tandem with criminology. It explores the foundations of moral agency and attempts to identify the primary causes of moral wrongdoing. The traditional virtue ethics approach has been to explain moral transgressions and misconduct in terms of character defects. A person who gives in to temptation and prioritizes personal wealth over the legitimate claims of clients and customers is seen as a person of weak character, someone who has not developed a strong and stable disposition to do the right thing. An alternative circumstance approach has developed from experimental studies in social psychology, which indicate that aspects of a situation can have more predictive power in terms of right- or wrongdoing than information about the decision-maker's personality or character traits. Individuals may move from initial moral dissonance when facing an option that goes against their moral convictions, to acceptance of that option, through a process of moral neutralization. Circumstances, in terms of organizational climate and norms of communication among colleagues, can crucially affect whether a decision-maker either remains loyal to his or her moral beliefs or convinces himself or herself that it is acceptable after all to choose that option. The main instigators to this research stream have been Sykes and Matza (1957) and Bandura (1997), with more recent contributions from behavioral economics (Ariely, 2012; Mazar & Ariely, 2010).

The major ethical scandals in business (Enron, Arthur Andersen, Parmalat) have all involved not just moral but also criminal wrongdoing. Ethics in organizations can thus learn from criminological studies of why people engage in lawbreaking activities. According to Heath (2008, p. 611), individual decision-makers "do not commit crimes because they lack expertise in the application of the categorical imperative or the felicific calculus. They are more likely to commit crimes because they have talked themselves into believing some type of excuse for their actions, and they have found a social environment in which this sort of excuse is accepted or encouraged."

Organizations can set out to build a communication climate where it is normal to challenge colleagues' justifications and excuses and people are encouraged to express their moral concerns and stay loyal to their moral commitments. In doing so, familiarity with Immanuel Kant's categorical imperative and other ethical concepts may actually be useful in articulating a position and arguing beyond an appeal to a gut feeling that one particular option is wrong. Ethics offers a vocabulary in which to voice a concern and challenge a decision that seems to be morally questionable. Psychology and criminology helps to understand how people of reasonably strong character and ability to reason about their choices can nevertheless become involved in serious wrongdoing.

The academic and practical contribution of this book is to combine two research streams to create a platform for responsible conduct in organizations. Training in ethical analysis, focus on moral character, and integration of codes of conduct are important to maintain normative standards in organizations, but even people with superior analytical skills who are strongly committed to an adequate set of moral values and take guidance from a set of codes and principles can become entangled in moral wrongdoing. Studies in moral psychology and criminology enlighten how this may happen and provide input on how to avoid it. These reflections are relevant both for how to conduct systematic ethics initiatives in organizations and for teaching of business and organizational ethics to students.

It is not sufficient to make people familiar with ethical tools and principles and to attempt to isolate individuals of strong moral character to become the leading decision-makers. Insights from psychological disciplines indicate that collective justification processes can pave the way for wrongdoing. The main countermeasure can be to make it acceptable and normal to criticize moral neutralization attempts openly. When that happens, ethics in organizations move beyond compliance and fulfillment of external expectations to the serious everyday conversations about right and wrong.

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CHAPTER 2

Moral Dilemmas

Abstract Moral dilemmas are situations in which the decision-maker must consider two or more moral values or duties but can only honor one of them; thus, the individual will violate at least one important moral concern, regardless of the decision. This chapter draws a distinction between real and false dilemmas. The former are situations in which the tension is between moral values or duties that are, more or less, on equal footing. In a real dilemma, the choice is between a wrong and another, roughly equal wrong. The latter are situations in which the decision-maker has a moral duty to act in one way but is tempted or pressured to act in another way. In a false dilemma, the choice is actually between a right and a wrong.

Keywords Moral dilemma • Ethics • Morality • Real dilemma • False dilemma

Anne is the project manager for a large industrial project (run by a Nordic company) in a developing country. On a crucial day during the project, the entire plant's electricity suddenly went out. Large quantities of cement were beginning to congeal in their mixers, and it was crucial to quickly reactivate them. More than one thousand employees were unable to do their work. Anne contacted the local authorities to solve the problem. A bureaucrat turned up at the plant and explained that he could turn the electricity back on very quickly—on the condition that he be allowed to

Ø. Kvalnes, *Moral Reasoning at Work*,
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bring ten of the company's PCs back to the town hall, which had a desperate shortage of PCs that was preventing the bureaucrat and his colleagues from providing adequate service to the local community. Thus, he suggested a trade-off: PCs for electricity. In this manner, Anne and her company had the option to make a significant contribution to the local community.

Time was of the essence, and Anne had little time to dwell on the alternatives. There was no time to contact her supervisors in the firm's home country for advice or instructions. She had to figure the situation out by herself. If the cement were to congeal, that would mean a considerable delay in the project, and several operations would have to be redone, at a high cost. That cost would be much higher than that of losing ten PCs, which could be easily replaced. Anne also had sympathy for the local bureaucrats and (the population they serve), who she believed would probably make very good use of the PCs. On the other hand, the demand was blackmail, and if she gave in this time, then it may happen again at other crucial stages of the project. Anne faced a difficult choice. What should she do?

Anne wanted to honor not just the moral value of finishing the project on time and within budget but also that of not giving in to blackmail and corruption. One of these values had to give way. There was no way in which Anne could act in a completely moral manner.

Moral dilemmas such as Anne's are pervasive in working life. They occur in the public and private sectors and in organizations of all sizes. Any decision-maker can encounter them, whether at the executive level or below. In hectic working environments, people can become blind to their moral dilemmas, thus failing to see the moral dimensions of their choices. Understanding the nature of moral dilemmas is an important prerequisite to identifying them and finding ways in which to deal with them responsibly. Kidder (2005) suggested that, although there are myriad potential moral dilemmas, they tend to fall into four patterns: truth versus loyalty, individual versus community, short term versus long term, and justice versus virtue. Categorizing moral dilemmas in this manner can be a useful way to start addressing them.

Morality can be understood as a set of personal and shared beliefs about what is right and wrong in interpersonal interactions (Goodpaster, 1992, p. 111). Over time, individuals and groups form moral convictions and beliefs about how they ought to behave toward others. The universe of beings that people have moral obligations toward can include other animals. The concepts of morality and ethics are understood to be synonymous in many contexts. Indeed, at the outset, the concepts had the same meaning. The term *morality* has Latin roots, whereas the term *ethics* stems from classical Greek, but both words originally referred to respectable behavior in a given society. Gradually, however, these concepts have become labels for different phenomena. As noted above, morality can be defined as a set of beliefs and convictions about right and wrong; this concept applies to interpersonal interactions, as well as to people's obligations toward animals. Ethics, on the other hand, is the academic discipline of thinking systematically about right and wrong (Kvalnes & Øverenget, 2012). People learn morality and ethics in different ways. Moral beliefs and convictions are typically adopted through social interaction, whereas ethics is an academic discipline that must be learned by reading books, attending seminars, and such. There are ethics courses and exams, but there are no equivalent activities for morality; there are only moral tests, both in everyday life and in more extraordinary situations. A person's actions on these tests determine whether that person is living in accordance with his or her moral convictions.

Morality and ethics play different roles in decision-making. The core difference can be outlined in the following manner:

> A person facing a challenging situation can have a *moral intuition* about what would be the right choice, based on personal moral convictions, more or less shared in the community or culture. He or she can also engage in *ethical analysis* in order to clarify the issues at stake. (Kvalnes & Øverenget, 2012, p. 5)

This distinction is similar to the one that Kahneman (2013) draws between fast and slow decision-making processes. Kahneman divided these processes into System 1 thinking, which is quick and impulsive, and System 2 thinking, which is slow and analytical. When a person faces a morally challenging situation, he or she can draw upon the resources of both systems. There may not be time for a full-scale analysis of the options at hand, however, and the person may have to rely on a gut feeling or moral impulse. Kahneman documented how people are prone to making mistakes when they rely solely on quick thinking and what their hearts tell them in the moment (Kahneman, 2013). People can reap great benefits from activating the slower System 2 processes when weighing alternatives. However, those who rely too heavily on analysis can become passive and immobile in situations that call for rapid responses. In some cases, by the time that an action has been thoroughly considered, it is too late to take the correct course.

People have both System 1 and System 2 resources in place to think about and respond to moral dilemmas. On the one hand are moral intuitions and gut feelings about what should be done; these are based on moral beliefs and convictions. On the other hand are opportunities to engage in ethical analysis so as to identify alternative courses of action and test whether those options are justified.

A dilemma, in the most general sense, is a situation that requires a choice between two options that are (or seem to be) equally undesirable or unsatisfactory. There are nonmoral dilemmas, in which the choice is between options that are undesirable or unsatisfactory for reasons other than morality. For instance, if a person seeks to buy both a book and a shirt but can only afford to purchase one of them, choosing one over the other will inevitably lead to disappointment, in that it will fulfill only one of the two desires. There need not be any moral dimension to this decision for it to be a dilemma.

A moral dilemma is a situation in which the decision-maker has to give priority to one moral value over another (Brinkmann, 2005; Maclagan, 2003; Toffler, 1986). Such dilemmas "arise when, faced with a difficult situation (e.g. fair treatment for some versus job security for others), two or more such values conflict in the perception of a decision-maker, or when one is assessing another's moral choice" (Maclagan, 2003, p. 22). A person who faces a dilemma must decide which moral duty to prioritize; "whichever action is taken … will offend an important moral value" (Maclagan, 2003, p. 23).

In a moral dilemma, it is impossible to live up to all of one's moral convictions and beliefs regarding how one should behave in that situation. In the opening example, Anne was morally committed to both keep the industrial project on track and reject the blackmail attempt. In that situation, one of these moral commitments had to give way at the expense of the other. She did not have a clear System 1 intuition, and even after initial System 2 reflection, the dilemma and tension remained. Her supervisors in the company's home country were unavailable, so she had to respond to the bureaucrat's offer on her own.

A moral dilemma can occur because of a prior personal mistake. This is called a self-inflicted dilemma. A classic example is the Bible story about King Herod. On Herod's birthday, his stepdaughter Salome danced so well that he promised to give her whatever she wanted. Salome consulted her mother about what she should wish for, and she decided to ask for the head of John the Baptist on a platter. The king now had a choice between honoring the promise to his stepdaughter and honoring the life of John the Baptist. The king had inadvertently designed a moral trap for himself—a dilemma in which, whatever he decided, he would be acting immorally.

One contemporary and everyday instance of a self-inflicted moral dilemma involves double booking. Say that an individual makes separate and incompatible promises to two people she will be somewhere at 2:00. She cannot keep both promises and thus must choose which one to break. She may have good moral reasons to keep both promises, but she must choose between them.

In a narrow sense, a moral dilemma is a situation in which the moral values at stake are of equal importance. In this example, the two appointments have equally strong pull and significance. The individual's moral reasons for keeping the two promises are thus equally strong. Neither choice is less wrong than the other. This situation is one in which moral wrongdoing is inescapable (Gowans, 1994).

In a wider sense, there can be moral dilemmas in which a person has strong moral reasons to act in one way, as well as notable—but not equally strong—moral reasons to act in another way. When considering the nature of two promises, it may be reasonable to conclude that it is better to fulfill one rather than the other. Deciding to keep the former promise and break the latter means a loss of some moral value, but it is not really a hard moral choice, as no one will have reason to challenge or cast doubt upon the rightness of the decision. The choice, in other words, is between a lesser wrong and a greater wrong. If an individual double-books, but one meeting has a higher priority than the other, the person whose meeting is canceled will be disappointed and irritated but will likely understand the decision based on the priority of keeping the other promise.

In the Herod case, there is an imbalance in the moral weight of the two options. Herod, in his exuberance, made a questionable promise to Salome, and in turn, she took advantage of the situation and made a horrific request. Herod had stronger moral reasons to spare the life of John the Baptist than he had to keep his word to his stepdaughter. He would give up some moral value either way, but one option was morally superior. This situation can still be called a moral dilemma—although not in the pure sense of representing a decision between moral values that are on equal footing.

False moral dilemmas are instances in which it is clear what ought to be done but in which there is temptation or pressure to act in another way. In business ethics, the distinction between true and false dilemmas has also been described as the distinction between dilemmas and temptations (Brinkmann, 2005, p. 183; Kidder, 1995, p. 7). Later in the book, I discuss professional ethics and how the handling of conflicts of interest are at the core of professionals' moral responsibilities toward clients, customers, patients, students, and other users of professional services. For instance, lawyers and accountants can be tempted to prioritize self-interest over their clients' interests. The knowledge gap between the professionals and the clients is such that the risk that clients will detect such choices is minimal. The professionals may claim that they are facing moral dilemmas when, for example, opportunities arise to overcharge clients. In the vocabulary of this book, the most appropriate term for such a situation is *false dilemma*. This situation may resemble a real dilemma in that the decision-maker must decide between two options that are both undesirable in some way, as cheating the client feels wrong, but so does turning down a chance to earn extra money. However, the former feeling has a moral component that is lacking in the latter. Thus, conflict-of-interest situations are generally false moral dilemmas with only superficial similarities to real dilemmas.

In connection with the dichotomy between real and false dilemmas, the continuum between them needs to be acknowledged, as Maclagan (2003) suggested. On one side of the spectrum, there are situations in which there is perfect balance between the opposing moral values. For example, being compassionate toward another person and being honest with that person can have equal moral weight. On the other side of the spectrum are situations in which one option is clearly morally right and the other is clearly morally wrong, as when a professional must choose between self-interest and clients' interests. In some other cases that involve self-interest, however, the distinctions are not so clear-cut; for instance, pursuing self-interest on an organizational level can have some moral value. Concrete cases belong somewhere on the spectrum between purely real and purely false dilemmas.

Anne had to decide whether to get the plant's electricity back by giving in to the blackmail from the local bureaucrat, or to stand firm and allow for a costly delay. How exactly should this situation be classified: as a real or false dilemma? This depends on the details of the case. The analysis that

Anne had to make in preparation for her decision did not require her to precisely place the dilemma on this scale, but it did require her to acknowledge the nature of the situation in general. In Anne's case, she decided on a two-step response. First, she handed over the PCs so that the bureaucrat would turn the electricity back on, thus getting the project on track again. Second, she invited the senior bureaucrats from the nearby town to a meeting in which she explained that the company wanted to contribute to the local community—but not in such a haphazard way. Instead, she proposed a systematic plan in which the company would help the town to modernize its electronic equipment. With this initiative, Anne came to be on better terms with the local administrators, thus avoiding further blackmail situations.

The following case from Kvalnes and Øverenget (2012, p. 4) can serve to highlight how challenging a situation can be even when it is close to the false dilemma end of the spectrum:

> Ben is the manager of a small private banking unit within a large financial services group. Results have slumped recently, mainly due to a bitter conflict between one employee and some of his colleagues. They complain that he is rude and difficult to cooperate with. Ben has attempted to mitigate, to no avail. National legislation prohibits the option of firing the quarrelsome employee, at least in the short run. Key members of Ben's unit have become very upset by the situation and have started to look for work elsewhere. A recent turn of events is that the employee himself has applied for a job in a different part of the financial services group. Ben has agreed to serve as a reference person. He receives a phone call from the manager of the unit currently contemplating to hire the employee. She is particularly interested in the employee's social skills. "Does he function well with his colleagues?" she asks. If Ben gives an honest answer, he is likely to be stuck with the employee for a long time. If he is vague about the employee's social skills, he may get rid of a problem. He then runs the risk that his honesty will come up for questioning later. It also feels wrong to lie to another person in order to get rid of a problem at work. Lying in this case would be an attempt to transport one's own problem over to someone else, instead of taking responsibility and deal with it in one's own organization. How should Ben respond to the question about the employee's social abilities?

In this example, Ben had to choose between being honest about an employee's antisocial behavior and telling the truth, which would prevent the employee's ability to move to another organization. Like Anne, Ben acknowledged that, regardless of what he decided to do, it would be wrong.

At first glance, this appears to be an obvious example of a false dilemma. Ben's choice was between the moral value of being truthful to others and the selfish desire to get rid of a human resources problem. It was tempting for him to withhold information and thereby help the difficult employee move to a new job, but doing so would have violated Ben's moral duty to be honest in business dealings. Ben could have reasoned that the employee deserved another chance in a new work environment. By this logic, if the employee were allowed to start anew in his career, he might be better able to fulfill his personal and professional potential. That is all very well, but that consideration is relatively weak and clearly is meant to camouflage a violation of the moral requirement to be straightforward and honest when acting as a reference person.

The extent to which Ben's situation is a real or a false dilemma depends on the details of the case. I have used this case as a starting point when teaching ethics to both business managers and business-school students, as well as in research on moral psychology, the purpose of which was to map the extent that this situation creates moral dissonance, thus causing managers to engage in moral neutralization (Kvalnes, 2014). I return to this topic in Chap. 13.

People's responses to Ben's dilemma reveal their moral convictions. When I ask for justifications regarding the choice of whether to be truthful, the participants in my ethics courses have come up with a wide variety of reasons, thus expressing their individual loyalties and preferences. People's first responses are often based on their gut feelings, which cause one option to instantly feel right or wrong. These are from System 1, in which intuitions are dominant; my task as the facilitator is to introduce the participants to the slower System 2 type of reflection and analysis (Kahneman, 2013). Ethical reasoning involves slowing down to become aware of the moral issues at stake and progressing from a state of mismatching feelings to one in which the participants are able to recognize the ethical and moral foundations for their own choices.

Moral dilemmas are omnipresent in organizations. Situations on all parts of the scale, from acutely real dilemmas to false pseudo-dilemmas, constitute challenges that decision-makers should prepare for. The following four chapters describe analytical resources from moral philosophy and ethics. These principles and concepts can serve as tools for determining what one ought to do and for justifying one's choices regarding moral dilemmas.

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CHAPTER 3

Duties and Outcomes

Abstract The two main traditions in moral philosophy differ in their perspectives on the lengths we can go to in order to maximize the best possible outcome for the people affected by our decisions and actions. Utilitarianism maintains that the morally right option in every situation is the one that will create the best overall outcome for all concerned while duty ethics claims that there are important limitations to what we can do to others, even if the option generates the best overall outcome. It places particular value on respect and human dignity, offering individuals moral protection against treatment as mere means to maximize outcomes. The chapter uses the trolley problem, introduced by Philippa Foot, as a starting point for exploring the differences between utilitarianism and duty ethics in organizational settings. It explains how the Doctrine of Double Effect and the distinction between intended and foreseen consequences allow duty ethics to accept harmful outcomes in some cases.

Keywords Duty ethics • Consequentialism • Utilitarianism • Trolley problem

Consequentialism is the view that the morally right thing to do in a given situation is to create the best possible overall outcome for all concerned. The dominant version of this tradition in moral philosophy is utilitarianism, which measures consequences in terms of utility and the extent to

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which our choices generate pleasure, pain, or the realization of positive and negative preferences to the people affected by our decisions. Contemporary utilitarianism takes its lead from the classical texts of Jeremy Bentham (1970 [1789]) and John Stuart Mill (2002 [1859/1863]). A utilitarian decision-maker will attempt to maximize the sum of utility for all concerned, and act with the view of promoting the common good. In contrast, the duty ethics tradition developed from the works of Immanuel Kant claims that there are moral considerations more important than creating maximum utility for those we can affect through our conduct (Kant, 1998 [1785]). It proposes that it is never morally right to treat someone as mere means to achieve something, even if that something is the common good and total sum of well-being of others. The difference between the two traditions is that utilitarianism gives priority to outcome (the good) over conduct (the right), while duty ethics places conduct (the right) ahead of outcome (the good).

If Ben in the reference dilemma mentioned in Chap. 2 seeks advice from utilitarianism and duty ethics respectively, he will get different answers. A utilitarian will inquire about the difficulties the employee is causing at the current job, and the likelihood that he will cause more or less trouble if he gets a job in the other organization. Perhaps the potential employer has a better HR department and is better equipped to handle a quarrelsome employee. For a utilitarian, this would count in favor of Ben keeping information to himself, rather than sharing it. If, on the other hand, the other organization is vulnerable and badly staffed to deal with quarrelsome behavior, the utilitarian pendulum would swing toward the honest alternative. For duty ethics, these considerations of alternative outcomes are morally irrelevant. Ben should be honest in the reference situation, no matter what the consequences are, since he has a moral obligation not to lie. To be dishonest toward the person inquiring about the personal qualities of the employee would be disrespectful, in the sense that Ben would be using him as a mere means to get rid of a problem. Human dignity is at stake both for Ben and the person contacting him about the employee, and Ben owes it to both of them to be frank and forthright.

One significant source of tension between utilitarianism and duty ethics is their conflicting views on the moral protection of those affected by our decisions and conduct. One criticism from duty ethics directed toward utilitarianism is that it offers inadequate moral protection to individuals. It does not give sufficient moral weight to respect and human dignity, by approving the use of men, women, and children as mere means to promote the common good. Immanuel Kant provided a categorical imperative for analysis and contemplation of conduct, a way of thinking about right and wrong that he considered to be binding for any rational and moral human being, irrespective of cultural background. He expressed this imperative in different ways. The humanity formulation of the imperative addresses the topic of moral protection:

> Act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means only. (Kant, 1998 [1785], p. 429)

Kant does not claim that we should not use other people as means, and would accept that we pay someone to sweep our floor or bring a parcel to the other side of town. What he considers morally forbidden is to use someone solely as means to an end, where the ways we involve them put hindrances on their opportunities to live a meaningful life. A slave-owner uses the slaves as merely as means to an end. If Ben tells lies to get rid of the difficult employee, he is using the other person merely as means to achieve his own goal of creating a more harmonious workplace.

A utilitarian can argue that torture and other horrible acts under some circumstances are not only morally permissible, but also morally required, since they maximize utility. From a duty ethics perspective, conclusions like that expose the absurdity of the utilitarian outlook. The response from utilitarianism is to criticize duty ethics for providing too much moral protection to individuals, generating passivity in situations where lives can be saved, and societies protected. Utilitarianism embraces the concept of dirty hands (Walzer, 1973), or the idea that it is sometimes morally acceptable to perform actions that in and of themselves are horrible, in the name of the greater good for all those affected.

Moral reasoning and justification in organizations can show traces of utilitarianism and duty ethics, even when the protagonists have limited knowledge of the two traditions. Ethical theories tend to capture different kinds of moral intuitions and gut feelings about how one should act under given circumstances. We can explore the issue further, in the light of a fictitious story created by the British philosopher Philippa Foot (1967) It is the famous *trolley problem*:

> You are standing by the side of a track and see a runaway trolley coming towards you at great speed. The trolley brakes have clearly failed. Further

> down the slope you can see that five people are tied down to the track. The train is heading towards them, and it looks a certainty that the will be run over and killed. As it happens, you are placed next to a signal switch. You can send the runaway trolley down a side track by turning the switch. Unfortunately, one person is tied to the track in that direction. That person will be run over and killed if you turn the switch. Your choice is between turning the switch to save five lives and kill one, or doing nothing and letting the five people down the track be killed. All of the six people affected by your decision are innocent victims. They do not deserve to be in this horrible situation. None of them are friends, relatives or acquaintances of you. What should you do? (Foot, 1967, pp. 8–9)

The trolley case can be seen as a real moral dilemma in that you face a choice of either letting five people get killed, or causing one person to get killed. You have a moral reason to save other people's lives, but also a moral reason to respect the life of innocent people, in this case the poor victim who is tied to the side-track. One of these moral reasons will have to give way. It seems that you encounter a choice between doing something wrong and doing something else, which is also wrong.

Foot introduced the trolley problem in a paper where she discussed the moral dimensions of abortion. It has become one of the most eagerly discussed stories in moral philosophy, and has created an entire research tradition that goes under the heading of trolleyology (Edmonds, 2013). We can be skeptical of the practical dimension of the trolley problem, since it describes an artificial situation with few contact points to real life. However, the strength of such a clean cut example is that it is possible to isolate and discuss particular features of moral reasoning. We may not expect to encounter a trolley problem in real life, but the moral intuitions and reflections generated by it are nevertheless relevant for how we respond to less dramatic everyday situations.

When people are presented with the trolley problem, a majority answer that they would have used the switch to put the trolley onto the side-track (Greene et al., 2009). The pattern is the same in my ethics classes for master of science students, where around five hundred students participate annually. Their moral intuitions or gut feelings point them in the direction of doing what it takes to save five lives. Respondents of a utilitarian persuasion claim that it is not a moral dilemma in its purest sense, but rather a situation where it is painful to do the right thing. The outcome of the situation will either be that five or one person dies. The morally right thing to do from a utilitarian perspective is clearly to keep the number of deaths to a minimum. If you let the trolley pass and run over the five people down the track, you have done something wrong, in that you have failed to reduce the killings from five to one. According to this line of thinking, then, the choice is between right and wrong. A utilitarian can nevertheless acknowledge that the trolley problem is a moral dilemma in the wider sense, since something of moral value is lost by intervening and causing the death of one innocent person.

Duty ethics can also, to some extent, accept that you use the switch to save five lives. It does so by appeal to the Doctrine of Double Effect (DDE). This ethical doctrine allows a person to cause serious harm to somebody, on the condition that the outcome is not (1) intended by the agent, but only (2) a foreseen consequence. St Thomas Aquinas provided the first formulation of DDE in the thirteenth century, and it has remained an integral part of Catholic ethics ever since. The doctrine can legitimize the use of lethal doses of painkilling medicine for dying patients, where it distinguishes between (1) the intention to alleviate pain and (2) the foreseen death of the patient. As long as the intention is to kill pain and not to kill the patient, the alternative can be acceptable, according to DDE. The doctrine can also justify instances of abortion where the mother's life is under threat, and the intention is (1) to save the mother's life and (2) an unfortunate, foreseen consequence is the death of the unborn child. Going back to the Trolley problem, DDE can provide moral approval to use the switch since (1) your intention is to save the five, and (2) the unfortunate the death of one is only something you foresee. The ethical logic here is that you are primarily responsible for what you intend, and not for the foreseen, and in this instance, unfortunate effects of your conduct.

In organizations, DDE can provide justification for seriously harming individuals and groups in the name of commercial progress or other business objectives. The leadership of a fishing company in Iceland can decide to close down the fishing plant in a small community, arguing that (1) the intention is to make the organization fit for future market challenges, and that (2) the negative effects on the local community in the form of unemployment is only a foreseen side effect. For this and similar uses of DDE to work, it is a prerequisite that the good outcome in (1) cannot be reached in any other manner than the one also involving (2). The good effect of (1) must also be sufficiently good to compensate for the bad effect in (2). In the Icelandic case, the commercial restructuring of the fishing company to meet future market demands must be sufficiently good to compensate for job-losses and depopulation of rural areas.

DDE draws what from a utilitarian perspective is an artificial line between intended outcomes and merely foreseen outcomes. The decision-maker's moral obligation is to maximize utility for all concerned, and whether the consequences are intended or only foreseen side effects is of no significance for a utilitarian.

Judith Jarvis Thomson has discussed a second version of the trolley problem to put pressure on the utilitarian argumentation (Thomson, 1976, 1984). In this version there is also a runaway trolley hurtling down the track, and five innocent people tied down and facing death if you do not intervene. You are watching the event from a footbridge crossing the track. In front of you stands a fat man. The only way in which you can save the five this time, is by pushing this man down on the track. He will die from the fall, and the weight of his heavy body will suffice to stop the trolley. It is not an alternative to sacrifice yourself and jump ahead of the trolley instead of the fat man, since you are simply not heavy enough. Should you push the fat man?

For the utilitarian the conclusion here is the same as in the first version of the trolley case, since the central equation is the same. It is a matter of simple calculation: one life versus five lives. You should push the fat man in front of the trolley even if you thereby kill him, since that alternative will save five lives. Most people who encounter the experimental circumstances of the second trolley case disagree with this conclusion. Experiments show that people tend to reject the option of pushing the fat man (Cushman, Young, & Hauser, 2006; Greene et al., 2009). To the utilitarian this is irrational, since the relevant conditions and calculations are the same. All we need to know is that we can influence whether one life or five lives continue.

The alternative account can gather input from duty ethics, and claim that there is a morally relevant difference between the two cases. In the latter case, you would be using the life of one person to save the five. The fat man is an integral part of your plan to save them, while in the former case, the one person on the side-track unfortunately happens to be there. If, by some miracle he had managed to untie himself and get off the track before the trolley arrived, you would welcome that turn of events. If the fat man runs away, it destroys your whole plan. Duty ethics offers moral protection to the fat man. He can hide behind the principle that it is morally forbidden to treat another person as mere means, even if the overall outcome will be better that way. DDE does not come into play here, since by pushing the fat man you would be intending to harm him. His death would thus be more than the mere foreseen and unintended side effect of your conduct. Utilitarianism has the frightening feature that everybody can be sacrificed in one way or another, if it serves the purpose of maximizing utility for all concerned.

Neither utilitarianism nor duty ethics would describe the trolley problem as a pure moral dilemma, in the strict sense of presenting choices between two moral reasons, duties and values that are on equal footing. Both traditions would agree that something of moral significance will have to give way when you either choose to prioritize five lives over one, or not. Utilitarianism is not immune to the moral cost of doing something horrible for the greater good. Duty ethics is not immune to the moral cost of letting people die as a result of honoring moral duties. As such, the situation is a real moral dilemma, but both the utilitarian and the duty ethical approaches would describe the cases as choices between right and wrong, and not between wrong and wrong. For a person without a stake in any of the two traditions, the real moral dilemma involves a choice between a utilitarian and a duty ethics response to the problem. The decision-maker can sympathize with both ethical perspectives, but must decide which of them to prioritize.

To what extent are trolley problems 1 and 2 reminiscent of real life challenges? The British politician Gordon Brown was once confronted with the following scenario (Edmonds, 2013, pp. 10–11): You have received information about a tsunami and imminent flood wave, and can rush to alert people in one of two directions. You can go either to the hut where a family of five Thai people lives, or to the hut where one British citizen is staying. There is no time to alert people in both huts, and your intervention will save the lives of those people. Which hut do you run to? Unlike in the trolley cases, the decision-maker does not have an option that will cause death, but must prioritize between one live and five lives. The politician rejected the ethical challenge outright, and said he would use modern technology in the form of a mobile phone to save the people in both huts. From a utilitarian perspective, the correct answer would be to save five lives rather than one, as dictated by the principle of maximizing utility and well-being among those affected by the decision. A duty ethics person would be free to follow any course of action, since none of the alternatives involve being disrespectful in order to save lives. In such neutral circumstances, it seems likely that duty ethics is free to favor the option that generates the best outcome.

Automation of decision-making processes opens up for ethical challenges that are similar to the trolley problem. How should autonomous vehicles be programmed to behave in situations where they need to prioritize between human lives? In one scenario, the vehicle can either continue straight ahead and kill five pedestrians that have strayed onto the road or turn off the road, an alternative that will lead to the death of the one person inside it. Researchers have discussed the similarities and differences between the trolley problem and various autonomous vehicles scenarios (Bonnefon, Shariff, & Rahwan, 2016; Gogoll & Müller, 2017; Nyholm & Smids, 2016). We will return to the topic in Chap. 8, which is dedicated to automation and ethics more generally.

Moral dilemmas require a response, and something of moral value will be lost, no matter what we decide to do. In this chapter, we have seen that utilitarianism instructs the decision-maker to maximize utility for all those affected by the choice, while duty ethics introduces significant restrictions to how we can reasonably affect other people through our actions. For the former, the end of making the world maximally good can justify the means of sacrificing the lives or well-being of some individuals. The latter provides moral protection for the individual, insisting that we never use others merely as means, no matter how great the overall benefit is. These alternative ethical perspectives can sometimes generate the same conclusions about what we should do, but will often collide and provide opposite normative advice.

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CHAPTER 4

Moral Luck

Abstract The concept of moral luck appears to be an oxymoron, since it indicates that the right- or wrongness of a particular action can depend on the agent's good or bad luck. That goes against the reasonable assumption that the moral quality of our conduct, the praise- and blameworthiness of what we do, should only hinge on factors that are within our own control. It seems unreasonable to let the moral verdict of someone's decision and action depend on whether the outcome happens to be good or bad, particularly in situations where luck plays a significant part in how things turn out. In organizational life, moral luck nevertheless is a recurring phenomenon, in that actual outcomes do affect our moral evaluations of what people do. A reckless person can get away with his or her moral gamble if the outcome is good, but will get severe criticism in the likely event of a bad outcome. This chapter explores how moral luck connects to the normative theories of duty ethics and utilitarianism, and the extent to which moral evaluations based on actual outcomes are acceptable.

Keywords Moral luck • Act utilitarianism • Rule utilitarianism • Resultant moral luck • Situational moral luck • Relational moral luck

An entrepreneur needs backing from his investors to start a business venture in the far north of Norway. The venture will provide much needed activity in the local community, and create hundreds of jobs to people who

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have been unemployed for a long time. One key element in the story the entrepreneur has told his investors is that he will have a strategic relationship with a multinational customer from day one. The day before finalizing the investment, the customer announces that they are backing out. If the entrepreneur informs the investors about this negative development, they are likely to withdraw from the project. Should he nevertheless tell them now, or wait until the first board meeting, after the money from the investors is in the bank?

The entrepreneur can turn to duty ethics and utilitarianism for guidance in this situation. From a duty ethics perspective, to keep the investors out of the information loop is morally unacceptable. It does not help that the outcome is likely to generate work and be good for the local community. Duty ethics encourages the decision-maker to consider how he would want anybody else in a similar position to behave. Would it be morally acceptable if all entrepreneurs withheld information from their financial partners in such situations? No, is the answer coming from duty ethics, since no rational person can will that deception becomes the standard way to act in such situations, without becoming inconsistent, making exceptions for himself or herself. Furthermore, the act of keeping crucial information from the investors would be an example of using them as mere means to achieve financial success and create jobs, and as such, it would be morally unacceptable from the perspective of the humanity formulation of the categorical imperative.

A utilitarian can see things differently, and will take into account that the project will create important jobs and activity in a poor community. Keeping the information away from the investors might be necessary in order to maximize utility for all concerned, and promote the common good. However, the case can illustrate a split among the utilitarians. Some of them share the duty ethical concerns about universality. What if everybody in business started to keep information away from their own investors and business partners? That would create environments of distrust, and cause bad outcomes in the long term. Other utilitarians are not concerned about this aspect of the situation, and focuses instead on the here and now. The split in the utilitarian ranks is real. One fraction is called *rule utilitarianism*, and it proposes a two-step decision-making process: First identify the rule of action that will generate the most utility and common good in situations like these, and then act in accordance with that rule (Brandt, 1959). This utilitarian fraction agrees with duty ethics in the entrepreneur case, and advises him to be transparent and open with the investors, since that would be to follow the rule most likely to maximize utility in such situations. If every entrepreneur started to keep bad news from their investors, it is likely that it would have created mistrust in their relations, and the overall outcome would have been negative. The alternative theoretical fraction is called *act utilitarianism*, and it maintains that the simple principle to follow is to choose the available course of action that will maximize utility (Brandt, 1959). The entrepreneur should keep the information about the customer withdrawal to himself, since openness would jeopardize the project to create jobs in the far north of Norway. This should not be mistaken for an egoistic argument, since it is out of concern for the common good and the inhabitants of the local community that it would be right for the entrepreneur to keep the information to himself.

The story about the entrepreneur and his investors continues. He decided not to share the information about the loss of the customer to his investors, and the project gets underway. New customers arrive quite early in the process, and the project becomes a success, creating profits for the investors and new jobs for local people. The business venture was the starting point for social development and growth in the community. Hundreds of people now have a good income and can remain with their families in their local community. At the ten-year anniversary of the project, the entrepreneur drew attention to the opening incident, when he was in serious doubt about telling his investors or not about the customer withdrawal. Now he can look back and be relieved that he did not follow the moral intuition to be open and transparent with the investors. To this day, he is convinced that they would have taken their money elsewhere if he had told them about the negative development. The project would have collapsed, and there would have been no new jobs in the local community. He believes that the actual positive outcome justifies the decision to keep quiet. He thinks that the overall consequences in terms of benefits to the local community prove that he was right in doing so.

The extent to which we agree with the entrepreneur's evaluation depends on our stance on what we can call moral luck. The philosophers Thomas Nagel (1979) and Bernard Williams (1981) introduced the concept of moral luck, with the intention of identifying a tension in our moral reasoning. On the one hand, we believe that morality is immune to luck, in the sense that people are only morally responsible for aspects of their behavior that have been within their control. It seems unreasonable to blame or praise someone for actions and outcomes that largely have come about through a set of fortunate or unfortunate circumstances. On the other hand, the actual outcomes of what people do tend to color our evaluations of their conduct. Theoretically, we may be convinced about the moral irrelevance of luck, but in practice, we discriminate and judge based on actual outcomes (Lench, Domsky, Smallman, & Darbor, 2015).

One domestic example that has been used to illustrate moral luck is that of drunk driving (Hartman, 2017, 2018; Zimmerman, 1987). Two guests who have drunk considerable amounts of alcohol at a party may both foolishly decide to drive home in their cars. They are equally to blame for exposing other people to the risk of serious harm and death. One drunk driver gets home safely without hurting anybody, while the other hits and kills a pedestrian while driving on a red light at a street crossing. The former is likely to get off more lightly than the latter, both legally and morally. From a legal perspective, it makes sense to distinguish between the two cases, but morally it seems that both deserve equal amounts of blame and criticism. Both have put other people at risk, in exactly the same manner. In general, we can be convinced that there is no morally relevant difference between the two cases, but in reality, it is commonplace to distinguish between them, and even shrug at the former driver's behavior. There seems to be an unsatisfactory imbalance, then, between our moral theory and our moral practice.

Michaelson (2008) has studied moral luck in a business context, using as his main example the pharmaceutical company Merck and their development of medicine to cure river blindness, a plague affecting millions of poor people in river-dwelling communities in West Africa and Latin America. The company made the decision to invest in the development of the medicine under a cloud of uncertainty, not knowing if it would ever become profitable and of any help to the sufferers of the disease. The project has proved to be both profitable and effective in treating the disease. Since the program began in 1987, more than 40 million people annually, in 30 different countries, have benefitted from the medicine, and Merck have committed itself to manufacture and distribute it for as long as river blindness exists. The company and its executives have received praise and recognition for their efforts, although the outcome has depended upon factors well beyond their control. Due to good moral luck, the initial decision to invest and develop the medicine turned into a success story of business ethics and corporate social responsibility. With a negative outcome, the responsible executives would most likely have received criticism for wasting the investors' and the owners' money to no avail (Michaelson, 2008).

The research literature acknowledges three main categories of moral luck (Hartman, 2017; Kvalnes, 2017; Nagel, 1979). The most prominent one is resultant moral luck, where the entrepreneur story from the north of Norway and Merck and the river blindness medicine are examples. Then there is constitutive moral luck, which has to do with the elements affecting a person's character. Nature and nurture, genetic heritage and culture, can affect the extent to which a person is respectful, honest, kind, and benevolent in his or her interactions with other people. Good or bad luck play a significant part in the formative processes, yet we tend not to take it into account when praising or blaming people for the character traits they have. The third category goes under the name of situational moral luck, and concerns the moral tests a person faces or avoids, and the extent to which character traits become publicly exposed. A person can be morally fortunate to never face situations where her moral weaknesses are exposed, or morally unfortunate to never get a chance to demonstrate personal courage and honesty, since the situations she faces do not call for the application these moral qualities.

There is room for a fourth category of moral luck, not yet identified or discussed in the studies of this phenomenon. We can call it relational moral luck, and it concerns the social environment a person finds himself or herself in at the time of decision-making. At crucial points in the process of judging and reasoning about what to do, the decision-maker depends on feedback from others, in the form of support or opposition to the ideas that are on the table. In an organization, he or she needs colleagues who intervene and question the assumptions that are present in the reasoning. I return to the concept of relational moral luck in the final chapter of the book, where I dwell more explicitly on the nature of the thought processes that lead from contemplation of options and alternatives, to action, and the extent to which their quality depends on the social side of decision-making.

To what extent does moral luck pose a challenge to the coherence of our moral reasoning? Nagel and Williams thought that they identified a deep tension in the way we think about right and wrong when they introduced the concept (Nagel, 1979; Williams, 1981). Moral luck is no doubt a thought provoking concept and can serve as a reminder that success and failure often depends on factors beyond our own control. However, I do not think the philosophers who launched it actually managed to reveal any profound inconsistencies in our moral thinking. Rather, the examples of moral luck indicate that we sometimes mistakenly let actual outcomes affect our evaluations of character and conduct. These evaluations do not appear to survive careful analysis. The considered view we are likely to reach is that success does not justify lying to an investor, that the conduct of the two drunk drivers are equally morally wrong, and that we can judge the Merck initiative to cure river blindness independently of the actual outcome. Moral luck would have been much more troubling if there were tensions between what we take to be the correct evaluations of conduct, and the general assumptions we have about right and wrong. The main value of the concept is that it can serve as a reminder of how outcomes affect our moral judgments and that we have good reasons to correct them when they do.

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CHAPTER 5

Two Ethical Principles

Abstract This chapter presents two ethical principles that are helpful in analyses of morally challenging situations at work. The principle of equality states that equal cases should be treated equally and that a difference in treatment requires that we can identify a morally relevant difference. The principle is related to the Golden Rule and to the consistency formulation of Kant's categorical imperative. The principle of publicity states that the decision-maker should be willing to defend his or her decision face to face with relevant individuals and groups of people. In an organizational setting, this can include internal and external stakeholders like one's colleagues, leaders, customers, and suppliers. This principle is related to the universality formulation of Kant's categorical imperative, in that it invites a consideration of whether other rational agents would endorse the decision or judgment. From the outset, the two principles are neutral with regard to the tension between utilitarianism and duty ethics. Both traditions can acknowledge that different treatment requires the identification of a morally relevant difference, but will disagree about what constitutes such a difference. They can also acknowledge the transparency requirement inherent in the principle of publicity, but again part company when it comes to the applications of the principle.

Keywords Principle of equality • Principle of publicity • Categorical imperative

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Claire is a professor at a business school. She recently bid farewell to a very talented MBA student that she has supervised to an A degree. On the final day of term before Christmas, the student turned up at her office with a flat package wrapped in gift paper. He wanted to thank her for the excellent work she had done in supporting and supervising him during his studies. Now he was heading back to his home country in the Middle East. From the size and shape of the package, Claire assumed that it contained chocolate, and had no hesitation in accepting it. Two weeks later, she has friends over for a Christmas party and wants to share the chocolate with them. She unwraps the package and finds that what is beneath the gift paper is an iPad. What she had assumed to be a cheap and innocent chocolate gift was instead an expensive electronic device. She is devastated. What should she do now? Can she keep the iPad?

Claire's initial moral intuition is that the answer is no. She needs to locate the student and return the iPad. This gift is too valuable to hold on to. Then she slows down and starts to engage in ethical analysis. She can consult utilitarianism and duty ethics, but their doctrines seem designed for grander situations, where more is at stake. To maximize utility with or without treating others as mere means is not the core issue in the situation Claire faces. What she needs is a set of simpler ethical principles. One place to start is with the formal principle of equality (Aristotle, 2011; Kvalnes & Øverenget, 2012):

> Equal cases should be treated equally. A difference in treatment requires that there is a morally relevant difference between the two cases.

When the student turned up at Claire's office, she did not hesitate to accept the gift he handed her, since she assumed it was chocolate. Now the situation is different, but how might it be different in a morally relevant sense? The striking difference between a box of chocolate and an iPad is in the monetary value. The professor assumes that the former costs about 30 Euro and the latter about 700 Euro. Had she known at the time that the package contained an iPad, she would have turned it down, since she considers the value to be too high in relation to the work she has done for the student. A box of chocolate can be seen as a simple and symbolic gesture of gratitude, and Claire struggles to see the iPad in that light, due to the high price. Cost, then, appears to be a morally relevant feature, but is the difference between the assumed and the real price great enough to warrant either a process to locate the student and return the iPad or to find another way to dispose of it?

Claire faces a situation where she would be grateful for a concise demarcation between a gift and a bribe. Many transactions in organizational life occur in the gray zone between the white and innocent practice of exchanging gifts and the grim blackness of pure bribery. Equipped with the principle of equality, we can enter this gray zone with the intention of deciding where to draw the line between acceptable and unacceptable transactions. Five aspects seem particularly relevant:

A. Intention: What does the giver want to achieve?
B. Roles: What are the particular roles and positions of the giver and receiver?
C. Timing: When does the transaction take place? Before or after a decision?
D. Value: What is the value of the object changing hands?
E. Culture: Is it customary in this culture to offer gifts of this kind?

Claire can apply this list to her own situation, to clear her own mind for a decision on the matter:

A. Bribes are normally offered in order to gain an improper advantage. The professor is convinced that the student's intention was to show gratitude, and not to affect future decisions on her part. It is unlikely that she will ever see or hear from him again.
B. Claire has been a supervisor to the student and so has been in a higher ranking position than the giver. She has had power to affect the outcome of the grading, but that period ended when the student got the A grade, before she received the package.
C. Bribery occurs before a decision takes place, not after, unless the participants have agreed beforehand that a transaction will happen after the desired and agreed upon decision has been made. This does not hold in the professor's case, since the package came as a genuine surprise, on the right side of the timeline. She would not have accepted it if the student had offered it to her before the grading, even if she had thought that it only contained chocolate.
D. The value of an iPad is high, and a decision-maker would normally have to reject it, since one could reasonably think that the reception of such an object would have the power to affect a decision, on a

conscious or subconscious level. The receiver will normally feel that he or she owes the giver a considerable favor. An iPad creates indebtedness, but the professor can argue that she will probably never be in a position to repay the debt and so should be free to accept it.

E. The student comes from an area of the world where generous and valuable tokens of gratitude are accepted and expected. Turning them down can be interpreted as rude and impolite. On the other hand, such generous gifts are not part of the academic culture where Claire works, and it is not obvious which cultural norms should have the upper hand in the situation.

In sum, the analysis generated by the use of the principle of equality appears to support the conclusion that the professor can keep the iPad and consider it a pure and genuine gift rather than a calculated bribe. There may still be other arguments in favor of returning or giving up the iPad, but so far the reflections based on equality considerations give Claire moral reasons to hold on to it.

Another analytic test that flows from the principle of equality is one where the decision-maker can consider whether he or she would accept that his or her conduct became the norm for how to deal with situations of the same kind. Equal cases should be treated equally. If the professor thinks it is morally acceptable for her to keep the iPad, then presumably she must also believe that it is morally acceptable for anybody else to do the same, under the same kind of circumstances. The fact that it is Claire and not Clarissa that faces this situation is normally not a relevant difference.

The principle of equality is similar to the Golden Rule, or the principle that one should treat others the way one would want them to treat oneself. An early version is attributed to the Greek philosopher Thales: "Avoid doing what you would blame others for doing." The Golden Rule appears in many religions, philosophies, and cultures. It accentuates the idea that whether it is you or somebody else facing a particular decision situation is from the outset morally irrelevant. It therefore follows that you should behave toward others in ways that you would want and accept that others to behave toward you.

Immanuel Kant's consistency formulation of the categorical imperative appears similar to the Golden Rule and is often interpreted as a version of it:

> Act only according to that maxim by which you can at the same time will that it should become a universal law. (Kant, 1998 [1785], p. 422)

Kant thought that the Golden Rule lacked the universal and formal dimensions he sought to articulate in the categorical imperative. The Golden Rule is more of a hypothetical imperative, on his view. It encourages thinking of the kind that if you want people to be helpful toward yourself, then you should be helpful toward them. Presumably, if helpfulness is not something you particularly treasure in others, you have no moral obligation to be helpful toward others. Kant meant the categorical imperative to be stricter than a hypothetical one in that it is universally binding for all rational beings, and not contingent upon individual or cultural differences. It seems that he considered the categorical imperative to be an improvement on the Golden Rule in the sense that it avoided subjectivity and added universality as a requirement of moral considerations.

The principle of equality puts demands on the justification of choices. It requires that a decision-maker can back up a difference in treatment of two cases with an identification of a morally relevant difference between them, but does not single out one particular moral outlook or ethical foundation to be uniquely right. It does not favor duty ethics over utilitarianism, or vice versa, but remains neutral regarding the tension between them. As we saw in the discussion of the trolley problem, duty ethics considers the fact that a person is used as mere means to indicate that it is a morally unacceptable option, even though this option maximizes utility. Utilitarianism, on the other hand, considers consequences as the only morally relevant features of the situation and thus comes to different conclusions about what to do. Both traditions acknowledge the principle of equality, but part company on the issue of what constitutes a morally relevant difference.

Looking back on previous examples from this book through the lens of the principle of equality, we can see how the justifications can take the form of finding reasons to make exceptions in the application of ordinary moral norms. In the blackmail case, Anne can claim that she does not give in to blackmail or other kinds of pressure that can occur in a corrupt economy, but that she makes an exception in this case, due to the colossal economic stakes that are involved. In the reference case, Ben can argue that he normally is truthful toward others, but that he is making an exception in this case, since he needs to restore harmony in his unit, and can do so effectively by hiding truths about the employee's quarrelsome behavior.

In the second trolley case, a person can argue that he or she would normally not kill an innocent person, but that the current situation warrants an exception, since it is thereby possible to save five lives. Whether we accept these appeals to morally relevant differences depends on how well they fit with our moral convictions and beliefs.

Turning back to Claire and her decision regarding the iPad, she also has access to a second ethical principle, one we can call the principle of publicity (Kvalnes & Øverenget, 2012, p. 10). Formulated to fit an organization setting, we can express it as follows:

> You should be willing to defend your decision publicly, and be open about it to relevant people, that is to your leaders, colleagues, customers, suppliers, other business relations, and other relevant stakeholders.

At the core of this principle is an appeal to transparency. Decisions should withstand the light of day. By sharing the decision and talking openly and publicly about it, the decision-maker is seeking some sort of endorsement from his or her peers and from rational stakeholders. In Claire's case, the relevant people would primarily be her academic colleagues and students. The response from the latter group is particularly interesting. How would they respond to the information that Claire received and accepted an iPad from a student she supervised to an A? Accountants are a profession drilled in the use of a distinction that is relevant here. They learn to consider both how things are "in reality" and "in appearance." A client may actually have been in good faith when underreporting about an incident, but it might appear to the authorities that he has intentionally misled them. Both what we take to be the truth and how it may appear to others are relevant. In line with this way of thinking, Claire can be totally convinced that there is no link whatsoever between the good grade and the iPad and can also have no doubts that the student's intention was to show gratitude. Nevertheless, she also should consider how other people are likely to view the situation. If students start to connect the iPad and the A, it can create doubts about her integrity as a supervisor.

The principle of publicity addresses whether a decision will stand up to public scrutiny. The principle is a part of many versions in ethical guidelines in the professions, and in organizations' codes of conduct. It is sometimes called *The New York Times* test: Never do anything you would not want to see reported on the front page of *The New York Times*, or whichever newspaper you consider important (Trevino, Hartman, & Brown, 2000, p. 133). One American lawyer I have worked with calls it "the smell test": Does this particular action smell all right, or is there an unpleasant odor to it? I have heard an accountant refer to it as "the Aunt test." His rule of thumb is to ask himself whether his aunt, a person he perceives to have formidable integrity and wisdom, would have found his choice morally acceptable. One of my colleagues operates with a "blush test" and considers whether the course of action he is contemplating would make him blush if it became common knowledge.

One objection to the principle of publicity is that in business and elsewhere in society decision-makers may face situations where all the alternatives open to them have negative consequences. Real moral dilemmas have no painless solutions, and some people will have legitimate reasons to complain, no matter what the decision has been. Hooker (2010) gives the example of a CEO of a large corporation who decides that the most responsible option in the tough economic situation is to lay off several thousand employees. The individual consequences are severe, and the CEO would not like to see the stories enfold on the front pages of newspapers and websites. Nevertheless, what he did might be the most morally sound option available to him under the circumstances.

This objection is primarily relevant in relation to a version of the principle of publicity interpreted as a newspaper or media test. It may be painful for the CEO to experience detailed media exposure of the personal sufferings of the people he has laid off. That in itself is not enough to say that his conduct demonstrates a failure to act in accordance with the principle of publicity. It is likely that relevant stakeholders will understand his predicament and acknowledge the fact that no painless and harmonious options were acceptable to him.

A second objection to the principle of publicity is that it conflicts with the idea of having company secrets, in the form of strategies and plans the competitors should not know about. This objection stems from a misunderstanding of the principle. It is not a plea for you to spread your company secrets with the wind. It allows you to keep sensitive business information to yourself, but challenges you to consider how your decisions would look to the public eye. X out the names of the companies and persons involved, and contemplate what kind of response you would get from people close to you if you chose this or that option in a dilemma.

The principle of publicity invites reflection on the extent to which other rational agents would endorse our judgments and decisions. As such, it resembles the *universality formulation* of Kant's categorical imperative:

> Act as though the maxim of your action were by your will to become a universal law of nature. (Kant, 1998 [1785], p. 422)

We can interpret this formulation to address the issue of transparency, and the extent to which your decision stands up to public scrutiny from other rational agents.

To sum up the practical contributions from normative ethics, utilitarianism offers one ethical principle, claiming that the decision-maker should strive to maximize utility for all concerned and thus promote the common good. Duty ethics claims that there are limitations to what we should do in the name of promoting the common good, since we have a moral responsibility to respect other people and their human dignity. This ethical outlook comes to expression in the consistency, humanity, and universality formulations of Kant's categorical imperative. On a formal level, a utilitarian can actually accept the consistency and universality formulation, and say that he or she is consistently committed to the idea that one should maximize utility, even in a situation where that person would have to be sacrificed for the common good. The humanity formulation, however, is unacceptable to the utilitarian and marks the point where the two ethical traditions are in fundamental disagreement.

The two ethical principles presented in this chapter offer a way to structure practical moral reasoning that oversteps the conflict between utilitarianism and duty ethics. We can apply the principles of equality and publicity to concrete cases without evoking the traditional tensions in ethical theory. That makes it possible to engage in ethical analysis of moral dilemmas without prior commitment to either of the two ethical theories.

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CHAPTER 6

The Navigation Wheel

Abstract When people encounter moral dilemmas at work and have to decide on a course of action, they can respond intuitively or analytically. They can consider both utilitarian and duty ethics, as well as the principles of equality and publicity. This chapter introduces the Navigation Wheel, a tool that is designed to put ethics into a context that also includes the dimensions of law, identity, morality, reputation, and economy. The Navigation Wheel helps decision-makers to keep track of these six dimensions for each alternative. The relative priority of each dimension is open to discussion on a case-by-case basis.

Keywords Navigation Wheel • Ethical analysis • Facebook • Identity • Values

Moral dilemmas call for careful consideration and analysis. Ethics offer conceptual tools that can be used to engage in a systematic analysis of each course of action. The two main traditions of ethics emphasize conflicting aspects of a decision. Duty ethics focuses on respect and human dignity, whereas utilitarianism instructs the decision-maker to maximize utility and promote the common good—even when that requires using other people as means to that end. In addition, the principles of equality and publicity provide guidance for the evaluation of each alternative. These tools can be applied not just from the perspectives of duty ethics and utilitarianism but

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also from a perspective that is (more or less) neutral with regard to the tension between those theories. In other words, a decision-maker can consider whether there is a morally relevant difference between two options without being committed to a particular ethical theory.

This chapter adds to the decision-maker's toolbox by introducing the Navigation Wheel, which I designed along with Einar Øverenget (Kvalnes & Øverenget, 2012) as a new central component for organizational ethics training. The Navigation Wheel has been applied in ethics seminars and courses in a range of organizations in both the private and public sectors, as well as in organizations of various shapes and sizes. Its formative idea is to supply the participants with a simple tool that they can use in real-world settings in which they face moral dilemmas or other challenging decisions (see Fig. 6.1).

The set of questions presented in the Navigation Wheel belongs to a family of such analytic sets, from the simple ones such as: "Is it legal, is it fair, can I defend it?" (Blanchard & Peale, 1988), or "Why is this bothering me?—Who else matters?—Is it my problem?—What is the ethical concern?—What do others think?—Am I being true to myself?" (Rion, 1990).

Fig. 6.1 The Navigation Wheel

More complex approaches are described in van Luijk's 8-question list (2000), the 8-step list of Laczniak and Murphy (1985), the 12-step list of Nash (1981), and the 10-step list from the Markkula Center for Applied Ethics (Markkula, 2007).

The decision-maker can address the questions in the Navigation Wheel for each alternative, in no particular order. The proper weight of each item can vary based on the situation. Should ethical considerations trump economic ones in a particular case? Is morality more important than reputation in certain circumstances? What should one do if the choice is between going economically bankrupt and compromising one's values (and thus, one's identity)? The Navigation Wheel does not build on a particular theory of how to settle such issues. The tool's instructions do not indicate, then, that the decision-maker should apply a particular ranking or address these concerns in a particular order.

To illustrate the use of the Navigation Wheel, consider again Professor Claire and her decision regarding whether to keep the iPad that she got from her student.

Law: Is It legal?

We can assume that both of Professor Claire's options are legal. She will not be committing an illegal act by keeping the iPad, but may be obliged to report the gift on her tax return as an asset gained through work. The alternatives of returning the iPad to the student or donating it to a charity, of course, are perfectly legal.

In general, for organizational decision-makers, the question of legality involves both national and international law. If an action is not legal, then a professional person has a strong reason to refrain from performing that action. A society's laws, however, may not be perfectly matched with the decision-maker's personal morality—and may even be at odds with the common morality of ordinary citizens in that society. Nevertheless, employees are bound by those laws and will normally owe their employers a certain respect for the boundaries of applicable national and international legal frameworks.

The term *civil disobedience* refers to behaviors that involve breaking the law for moral reasons. Even people who tend to be law-abiding citizens may use civil disobedience if they find the relevant moral considerations to be more important than the legal ones. Civil disobedience is normally restricted to one's actions as a private individual, rather than as an employee. Nevertheless, in some exceptional cases, it is reasonable to sympathize with a person who decides to break the law at work. Consider the following situation, in which the leader of a nursing home faced a dilemma (Kvalnes, 2017). On a hot summer's day, a local fisherman provided the leader with an offer of free fresh mackerel to serve for lunch at the home. The leader saw this as a chance to arrange a barbecue at which she could serve the residents excellent local fish, straight from the sea. However, the law on the matter is clear: The residents should only receive food from registered suppliers. Legal mackerel is controlled, processed, and packaged in a standard way, and it arrives on the residents' plates as gray and harmless matter. In this situation, the nursing-home leader could decide to take a chance and break the law, as the illegal fish will contribute to a far better culinary experience for the residents than the legal alternative. She could have staff members check the fish for bones and other harmful materials so as to make sure that it will be safe to serve it. This action would nevertheless be a risk; it would involve committing civil disobedience at work. The leader may also depend on moral luck, as the outcome of her decision will affect whether people see that decision as justifiable.

The case is discussed in further detail in Kvalnes (2017), in the context of fallibility, moral luck, and risk-taking in organizations. The purpose of relaying it here is to exemplify a situation in which civil disobedience can be a viable option for a decision-maker, even within a society that features a reasonably good match between morality and law.

The introduction of the Navigation Wheel (Kvalnes & Øverenget, 2012) highlighted an interesting and important asymmetry with regard to legality. This asymmetry resides in the fact that the illegality of an action provides a reason to refrain from it, but the legality of an action does not provide a corresponding reason to act. Any person has access to plenty of legal actions that, for other reasons, are unwise. In other words, it is unconvincing to respond to the question "How could you do that?" by saying "Because it was legal."

Decision-makers should be aware of this asymmetry in the legal domain, but many fail to consider it. In a study of the causes of the financial crisis in Iceland, Salvör Nordal and I found that decision-makers in the financial industry justified their questionable behavior by claiming that they had not violated any laws (Kvalnes & Nordal, 2018). That may have been true, but a behavior being legal is a poor justification for engaging in it.

Identity: Is It in Accordance with Our Values?

Returning to Professor Claire's case, she could consider her options (keeping the iPad or returning it) in light of her organization's core values, as well as from a professional-values perspective. Perhaps her university has defined a set of core values to guide interactions both within the institution and between it and the outside world. Such values will typically include acting with respect, integrity, and openness. The latter value indicates that any decision she makes should pass the principle of publicity test (described in the previous chapter). She should be open about her decision and should not try to keep it a secret.

Professor Claire's decision may also be guided by the values she associates with being a professor, a researcher, and a supervisor of students. She received the gift in connection with her role as a supervisor, in which she is expected and required to be professional, acting with integrity and exhibiting dedication. Receiving a generous gift from a student at the end of a course may not, in itself, conflict with those values, but she should be prepared to explain her reasoning in light of these professional values.

This example illustrates how identity as it is defined in connection with the Navigation Wheel has two aspects, one connected to the core values of the decision-maker's organization and another connected to the core values of his or her profession. Since Collins and Porras (1996) documented that core values helped commercial organizations to flourish and remain stable, there has been a growing interest in the maintenance of identity in the organizational sense. Companies such as Sony, Disney, Volvo, and Nike have succeeded in staying loyal to their core values and thus have managed to establish easily recognizable identities that have benefitted them commercially.

The criticism of corporate misbehavior often involves pointing out a discrepancy between an organization's actions and its values. For instance, when Facebook encountered the 2018 scandal regarding its stewardship of user data, critics pointed to a conflict between the company's core value of openness and the ways in which the company secretly allowed third parties to access users' personal information (Granville, 2018). I revisit this example near the end of this chapter so as to illustrate how the Navigation Wheel can be used retrospectively, to analyze decisions and actions that have already been undertaken.

Morality: Is It Right?

In line with the definition provided earlier in the book, morality has to do with both personal and shared beliefs about right and wrong. Individuals' moral convictions are more or less shared with the people in their communities. When moving from one culture to another, as from an Asian country to a European one, people thus may be struck by the differences between these places' established moralities. For instance, residents' beliefs about the line between gifts and bribes may differ; thus, the moral responses to Professor Claire's choice between keeping and returning the iPad will differ from culture to culture.

Convictions regarding when it is morally acceptable (or even required) to openly disagree with one's peers or leaders also vary from one society to another. In decision-making, both moral beliefs and convictions affect one's gut feelings—moral intuitions about the relative morality of the various alternatives. As such, morality affects System 1 (immediate and quick) decision-making (Kahneman, 2013).

Reputation: Does It Affect Goodwill?

When considering how a given decision will influence one's reputation, it is necessary to consider whether information about that decision will become openly available. If the decision-maker knows that the decision will remain a secret forever, then there is no reputational risk. If Professor Claire evaluated her choice strictly from a reputational perspective, she could assume that her goodwill would remain intact even if she kept the iPad, as she might plan to use it only at home and to not tell anyone about it. As noted earlier, the reputational consideration is different from the ethical consideration generated via the principle of publicity, in which one must consider whether to defend the decision publicly, regardless of the likelihood of such a scenario.

Professor Claire could be convinced that the student gave her the iPad to express gratitude rather than as an exchange for an improper advantage at a later date. She would be wise, however, to consider not only her perceptions of the case but also how the situation may appear to reasonable other individuals. Her reputation among her students could suffer significantly if they hear about the iPad; this gives her a good reason not to keep it.

One of the main conclusions that Øverenget and I have drawn over many years of conducting ethics trainings with businesspeople is that they tend to be very concerned about their reputations (Kvalnes & Øverenget, 2012). Businesspeople consider reputation to be necessary in reaching their strategic and economic goals. A commonly held view in business communities is that a good reputation takes years to build but can be lost very quickly.

Business leaders protect their reputation—even if that means admitting to wrongdoing when they have actually acted responsibly and wisely. The initial paper on this topic drew attention to the oil company Shell's maneuvers in the so-called Brent Spar case (Kvalnes & Øverenget, 2012). When the company made plans to dispose of the Brent Spar oil-storage facility, which had become redundant, it consulted environment specialists. The specialists told Shell that the safest option, both environmentally and from the perspective of industrial health and security, was to dispose of the facility in deep Atlantic waters. British authorities accepted this plan as the best practicable environmental option (Zyglidopoulos, 2002). However, the activist group Greenpeace questioned the plan and started a campaign that led to a widespread boycott of Shell service stations in European countries. In response, Shell decided to abandon the plan for reputational and economic reasons. The company claimed that it needed to identify a better storage plan, even though its own studies had showed that deep-sea disposal off the coast Scotland was optimal from an environmental perspective. Later, Greenpeace had to publicly acknowledge that it had grossly overestimated the environmental damage that the proposed disposal of Brent Spar would cause. By that time, however, Greenpeace had won the fight with Shell, and the media was only mildly interested in the former's use of false numbers (Shell, 2008). Bowie and Dunfee (2002), in discussing such cases, questioned the wisdom of giving in to pressure so as to save reputation.

Economy: Is It in Accordance with Business Objectives?

This question can be relevant to decision-making involving individuals, groups, and organizations. When Professor Claire considered her options in the iPad case, economics were not the core concern, as none of the alternatives affected her economic standing in a significant way.

Øverenget and I have found that the inclusion of economy in ethical analysis raises eyebrows. Why are business objectives addressed at all, when the focus is supposed to be on ethics? Monetary concerns and ethics seem to belong to different spheres, and many people argue that profitability should not be considered in organizational ethical training.

The standard reply to this position is that many of the most significant moral dilemmas in business involve the balancing of economic considerations with other dimensions. As noted earlier, a company can face a choice between economic and identity bankruptcy. For instance, say that a food manufacturer holds quality as a core value and has a history of delivering food that uses high-quality raw materials. When facing economic hardship, the company can opt to switch to low-quality raw materials so as to keep costs down and increase profits. By choosing that option, the company, in a significant sense, ceases to be what it was before. The company may keep the same name and address, but if it breaks with its core value, then a transformation takes place. In a significant way, its identity is lost.

Ethics: Can It Be Justified?

This question invites a consideration of the alternatives in light of the ethical theories and principles from the earlier chapters. The decision-maker can analyze the available options by applying the principles of equality and publicity. For instance, Professor Claire could analyze her choices after receiving the iPad in terms of these ethical principles. However, an even more thorough ethical analysis can be undertaken by applying the theoretical tools of utilitarianism and duty ethics. The former theory places the decision into the context of utility (for all those affected by the decision), and the latter focuses on honesty, dignity, and respect (regardless of outcome).

Once a decision-maker has considered all the questions from the Navigation Wheel for each alternative, that person is prepared to make a decision and act upon it. The main purpose of the Navigation Wheel is to assist in the decision-makers' efforts to analyze the available options and to keep track of the relevant dimensions. It can also be used retrospectively, to analyze and evaluate previous decision-making.

As an example, in 2018, Facebook faced criticism regarding its improper protection of sensitive user information. All six dimensions of the Navigation Wheel are relevant to evaluations of the company's behavior. Facebook had assisted the consultancy Cambridge Analytica in gaining access to the personal user data of several million Facebook users without those users' knowledge or consent (Granville, 2018). Cambridge Analytica was thus able to use the acquired data to help politicians focus their communications with the electorate. Cambridge Analytica gained access to these users' personal data by recruiting individuals to use an app called This Is Your Digital Life that involved completing a survey. The survey data was meant to only be used in academic research. Facebook's design allowed Cambridge Analytica to gain access to not just the personal information of the app's users but also that of all the people who were in those users' social networks. Cambridge Analytica then used that information to create psychographic profiles of millions of Facebook users. With that in place, the consultancy firm assisted politicians in targeting particular user groups with tailored messages. When the information about these processes became public, Facebook was heavily criticized for providing insufficient protection of its users' privacy, and CEO Mark Zuckerberg was forced to testify at a Senate hearing about the company's policies (Granville, 2018).

From a legal perspective, it is unlikely that Facebook committed a crime when it made the user data available to a third party. The Facebook users had all agreed, in the fine print of the site's terms of service, to share the users' personal data in this manner. However, this case has led to a tightening of privacy laws, such as the General Data Protection Regulation that the European Union Parliament passed in 2018.

Regarding identity, Facebook has identified five core values (published on www.facebook.com) that are supposed to guide its employees' and leaders' decision-making:

- Focus on impact
- Move fast
- Be bold
- Be open
- Build social value

The collaboration with Cambridge Analytica appears to clash with Facebook's value of openness, as its users were not told about the sharing of their personal information until well after the fact. The relevance of the other four values is more difficult to assess. Sharing personal data with a third party did have a significant impact; it most likely did come about through fast decision-making; and it was a bold move. Nevertheless, this is likely not what Facebook's leaders had in mind when they introduced these core values.

A consideration of Facebook's moral behavior should focus on the shared moral convictions and beliefs that its actions activate in people. What are people's gut feelings when they learn about the privacy issues related to Facebook's interactions with Cambridge Analytica? Because Facebook is a global company, with more than two billion users across various countries and cultures, the answers will differ. At my business school, I asked young (20 to 25 years old) students from various countries about the case, and many of them were considerably less morally aggrieved than the politicians and experts who dominate the public debate on the topic. The students' stance is that a social media platform cannot actually be used for free. Users pay by providing their personal data; this may be hidden in the fine print and come as a surprise to inexperienced users, but it is rather obvious to those who have grown up in the digital realm.

Facebook's reputation took a hit after the Cambridge Analytica revelations but was quickly restored. Vocal initiatives to get people to boycott the company (#deletefacebook) eventually faded away without causing a dramatic impact on the site's core users. Users' loyalty and deeply ingrained habits appear to have helped the company through the crisis.

In terms of economy, Facebook's business model is based on earning money by profiling its users. Critical public scrutiny of privacy issues threatens that model. It remains to be seen how Facebook and other social media platforms will cope with this pressure to protect personal information. The question is whether companies can be reliable stewards of personal user data while simultaneously profiting from that information.

Finally, consider Facebook's involvement in the Cambridge Analytica scandal through the ethical lens by applying the principles of equality and publicity and viewing the situation from the utilitarian and deontological perspectives. When I have presented this case on exams, I have found that some students misunderstand utilitarian ethics. They think that utility applies only to stakeholders in the narrow sense, so they focus on the positives and negatives of the situation only for Facebook's owners, leaders, and employees. Utilitarian ethics, however, considers utility and impact for all stakeholders, so a proper utilitarian analysis should include the outcomes for society as a whole, rather than just the people who stand to gain or lose from a business perspective. If Facebook contributed to a weakening of democratic processes by making it possible to manipulate voting behavior, then utilitarian ethics would view that act negatively.

The most significant application of duty ethics to the Facebook case evokes the humanity formulation of Immanuel Kant's categorical imperative, which states that it is morally wrong to use others (in this case, Facebook users) as means only to achieve one's goals (in this case, Facebook profits).

This chapter discussed how the Navigation Wheel can serve as an instrument to analyze dilemmas and other decision-making situations. This tool's prime function is to guide decision-makers toward a systematic evaluation of the alternatives, in preparation for a decision. This chapter also included the observation that the Navigation Wheel can be applied in a context such as that of Facebook's privacy scandal, so as to evaluate the various aspects of decision-making that have taken place.

The goal of the Navigation Wheel (and its accompanying training sessions) is to prepare people to cope with moral dilemmas at work. The question is whether these people are less likely to engage in serious moral wrongdoing after learning to use the Navigation Wheel. There are limitations to what can be achieved simply by familiarizing people with the tools of ethical analysis. Chapters 12 and 13 in this book will highlight how decision-making is also affected by circumstances, to the extent that even people with high personal moral standards and excellent ability to perform ethical analysis are vulnerable to becoming involved in moral misbehavior at work.

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CHAPTER 7

From Responsible to Responsive

Abstract To what extent do companies and business leaders have responsibilities that go beyond looking after the economic interests of their owners and shareholders? This chapter investigates that question in the light of a story about the owner of an Icelandic fishing company, who has to decide whether to maintain activity on four locations in the country, or downsize to one location, which appears to be the best solution from an economic perspective. The owner can analyze his alternatives using the Navigation Wheel, or he can apply Archie Carroll's two models, one focusing on levels of corporate responsibility and another identifying corporate responsiveness. The former model distinguishes between legal, economical, ethical, and philanthropic dimensions of responsibility, while the latter conveys how a decision-maker in business can choose between four response levels: reaction, defense, accommodation, and pro-action. The Icelandic fishing story serves as an illustration of what these alternative perspectives can mean in a concrete and practical setting.

Keywords Corporate social responsibility • Corporate social responsiveness • Fishing

Hjalti is the CEO of Farsæll, a fishing company in Iceland. The fallen price of cod and haddock in the international markets and fierce competition from Norway and other countries are making it difficult for Farsæll to run

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the five fishing vessels and four fish processing plants located around Iceland. The company has activities in Djúpivogur in the east of the country, Húsavík in the north, Þingeyri in the west fjords, and in Grindavík in the southwest. Increasing demands from the buyers of fish products for a flexible product portfolio and shorter time to market is also hard to handle with the current business setup.

Hjalti is pondering the suggestion from the chairman of the board to close down three of the four fishing plants and concentrate on one location. It will give Farsæll more productivity and flexibility, as well as much lower labor cost. He also knows that their fish processing plants are vital to the local communities where they operate. If they close down the plants, up to 50% of the local work force will lose their jobs, not counting the related jobs his operations create in supporting companies.

This morning there was an article in the newspaper about another Icelandic fishing company that had just paid out high dividends to its owners. The reaction was very negative and the journalist accused the owners of running away from their social responsibilities. The company had received the fishing quota for free from the government, based on the national policy to support those companies and investors who promise to operate in small communities around the country and create jobs. Those jobs are very poorly paid, so the value of the quotas seems to go all in the pockets of the owners. The press is likely to be even more negative if Hjalti decides to close the Farsæll plants around the country, since that move will be even more dramatic than the one of not sharing profits with the low paid workers.

The situation reminds Hjalti of the words of his father, who never tired of telling him how he grew up in Þingeyri and took over the family fishing company after having lost his father, Hjalti's grandfather, at the age of 11. Hjalti's father always said that Þingeyri and the small communities are the heart of the company. They gave them short access to the fishing grounds and a steady and loyal work force. Hjalti knows many of these people by name and he knows that they will not have other income opportunities if he decides to close down the plants permanently.

Hjalti experiences considerable moral unease and dissonance at the thought of closing down the three fishing plants. The decision will negatively affect many people, and due to his personal history and the history of his company, he feels responsible for the outcome for the employees and the local communities. One alternative he considers is to sell the whole company to an investor. He knows that this investor immediately will close down the plants and downsize dramatically. The outcome for the population will be the same, but at least it will not be Hjalti's decision. He has to choose one of three alternatives: either continue as before with all four fishing plants, downsize to one plant, or sell the entire company to an investor, who will rationalize the setup and close three plants.

The Icelandic philosopher Ketill Berg Magnússon and I have designed the story about Hjalti and his company, and we have used it in the teaching of business-school students. We have asked the students to analyze Hjalti's alternatives using the Navigation Wheel, and in their eyes, the main conflict is between the company's values and identity and Hjalti's moral convictions on the one hand and the economic aspects on the other. There are no legal obstacles to stop Hjalti from closing down the plants, but that in itself does not equip him with a reason to do it. As we saw in Chap. 6, the fact that there are no laws against a particular course of action does not in itself constitute a reason for choosing it. Company values and personal moral convictions are closely entwined in this case, since Farsæll is a family enterprise that has developed over generations, based on shared family values regarding community and building up activity together. Hjalti is also likely to be concerned about his own reputation, both in the country as a whole, and in the local communities in particular, and in the short and long term. Of course, he does not want to be remembered and labeled as the person who put a stop to social life in the three affected locations. On the other hand, Hjalti must also take economic realities seriously. He has obligations toward family members to keep the company profitable and secure economic stability for future generations bearing his name.

Corporate social responsibility is also a dimension of the Icelandic story. To what extent are decision-makers in business responsible for the outcomes of their decisions, beyond looking after the shareholders' and employers' financial interests? One approach can be based on the dictum that the business of business is business, a claim attributed to Milton Friedman. There is insufficient textual support to claim that Friedman actually wrote or said this, but he clearly opposed the idea that business leaders should take upon themselves any other responsibilities than the ones of generating profitable activity (Friedman, 1962, 1970). He claimed that "there is one and only one social responsibility of business–to use it resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, 1970). From

Friedman's perspective, then, Hjalti should choose the economically best alternative, which appears to be to close down three fishing plants and concentrate the activity on one remaining plant.

Archie Carroll has presented two models to analyze the social responsibility of companies (Carroll, 1979, 1991). One of them distinguishes between economic, legal, ethical, and philanthropic dimensions of decision-making, and is similar to the Navigation Wheel in that it offers a framework for analysis of alternatives and options. One difference is that Carrol provides a ranking of his four dimensions, in that the economic and legal are required of the decision-maker, while the ethical is expected, but not required, and the philanthropic considerations are desired, but neither expected nor required. Applied to Hjalti's situation, the model indicates that he is required to respect the restrictions of law, and to make economically sound decisions, while he is only expected to take ethical aspects of the situation into account in his decision-making. If he decides to be philanthropic and place the concerns for society at the forefront, he acts in a manner that is desired from a societal perspective, but that goes beyond what is required legally and economically, and also beyond what can reasonably be expected of him (Carroll, 1991).

In a second model, Carroll distinguishes between four ways in which decision-makers in business can respond to social issues that occur in connection with their activities. Responsiveness has been identified as a more action-oriented conceptualization than the one focusing on responsibility (Clarkson, 1995; Frederick, 1994). Decision-makers in business can be in a position where they have identified a social issue, and their corporate social responsiveness can be reaction, defense, accommodation, and proaction (Carroll, 1979, p. 501). The first of these responses—reaction—is to deny any responsibility and claim that it is up to the government or other institutions to remedy the problem. The defense response consists of reluctantly accepting and taking some minimal responsibility, but mainly for reputational purposes, to demonstrate a societal concern that it can be beneficial to show toward other stakeholders. If there are no reputational benefits to reap from taking an initiative, the company should remain passive, according to this line of thinking. The third response is accommodation, and it involves listening to affected stakeholders in the situation, and to experts in the field of dealing with such issues, taking up their advice about how to deal with it. Finally, the pro-action response is one where the decision-makers go beyond industry norms and expectations, and shows innovation in coming up with unexpected and brilliant solutions to the challenges at hand.

Even Carroll's responsiveness model offers input to Hjalti and the decision he faces. He can choose reaction, and claim that it is not his responsibility as a business owner to uphold activities in remote parts of Iceland. It is the politicians and the local and national authorities who should address that issue. Hjalti can go for defense, and become minimally engaged in what happens in the local communities once his plants are closed down, or he can involve experts in an accommodation effort to identify how a company like his can contribute to social development in remote communities in Iceland, following their advice. Finally, he can choose pro-action, and explore ways to generate activities in those communities, making them less dependent on the fishing traditions of old. He can offer the fishing plant facilities for free or for a very low price to entrepreneurs and innovators who can generate other kinds on employment in the communities. He can collaborate with education providers, who can help his employees to identify and pursue alternative careers. All may not be bleak, even though the employment in fishing disappears.

It is worth noting that one of the alternatives Hjalti considers, that of selling the company and leaving the dirty work of closing down the plant to others, is another course of action where utilitarianism and duty ethics will offer conflicting advice to the decision-maker. The utilitarian focuses on the outcome of the alternatives, and since they in all relevant senses appear to be the same, it would not be better, or a lesser wrong, for Hjalti to sell and leave the unpopular decision to others. Whether he directly or only indirectly causes this painful outcome for the local community, is morally irrelevant from a utilitarian perspective.

An evaluation from a duty ethics perspective, on the other hand, can claim that there is a morally relevant difference between what a person does, and what he or she merely lets happen. We are primarily responsible for what we decide actively to do, and not so much for what we are passive witnesses to, even though we may have been in a position to stop that from happening. Duty ethics also gives emphasis to intention, and as noted in Chap. 3, the Doctrine of Double Effect distinguishes between intended outcomes and outcomes that are merely foreseen and unfortunate side effects of a decision or course of action. Hjalti can claim that his intention is to make sure the company is profitable, and not to hurt the local communities. Duty ethics, then, relieves Hjalti of at least some of the moral burden of either closing down the plants himself or leaving that to an investor. This ethical theory provides him with the opportunity to wash his hands, and claim that the negative outcome is merely foreseen and not intended. Utilitarianism offers a sterner perspective, since it dismisses both the active—passive distinction, and the distinction between intended and foreseen outcomes.

Corporate social responsibility and responsiveness are areas where business leaders and employees have to engage in moral reasoning, in order to clarify to themselves and others where their priorities should lie. It is one thing to agree in general that companies and individuals in business have social responsibilities, and another to agree upon concrete measures and activities in concrete cases. People who disagree in general about the scope and content of the social responsibilities of companies, may agree in particular cases about what a company should do. Furthermore, people who agree that corporate social responsibility matters and deserves to be high on the agenda, may disagree fiercely in particular cases about what a company should do under those given circumstances. It is by exploring cases like the one involving Hjalti and his decision about the future of his fishing activities that we can go from comparing personal moral intuitions and gut feelings to seeing the principled dimensions of the roles of business in society.

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CHAPTER 8

Automation and Ethics

Abstract Decision-makers in business can expect to face a range of new ethical challenges connected to automation and digitalization. One notable example is that of the programming of self-driving cars. It is likely that these cars can contribute to considerably safer traffic and fewer accidents, as these vehicles will be able to respond much faster and more reliably than fallible human drivers. However, they also raise ethical questions about how to prioritize human lives in situations where either people inside or outside the car will die. Here the reflections are similar to those we have encountered with regard to the trolley problem. Another set of ethical challenges arise in connection with automation and employment. Companies will be in a position to automate processes that have previously been handled by humans, with the aim of cutting costs and enhancing product quality. It will also make current employees redundant. This chapter introduces one conceptual distinction relevant to keep track of automation and ethics between proscriptive and prescriptive ethics, or between avoid-harm ethics and do-good ethics.

Keywords Automation • Artificial intelligence • Self-driving cars • Proscriptive ethics • Prescriptive ethics

What should autonomous, self-driving cars be programmed to do in a situation where five children have entered the road in front of the car and

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the choice is continuing straight ahead, killing the children, or steering the vehicle out of the road and into a concrete wall, with the result that the car is damaged and the one person inside it dies? These are the kinds of situations that car manufacturers and their programmers are pondering as they are paving the way for a time where humans will not need a driver's license, as the vehicles will drive themselves (Borenstein, Herkert, & Miller, 2017; Gogoll & Müller, 2017). There is a striking similarity to the trolley problems discussed in Chap. 3. Even here it is a question of how to prioritize lives, as well as whether one should follow the utilitarian doctrine of maximizing utility or bring in duty ethics considerations (Nyholm & Smids, 2016).

One study has found that a majority believe the cars should be programmed according to utilitarian ethics (Bonnefon, Shariff, & Rahwan, 2016). In other words, they should take all stakeholders into consideration and aim to minimize human suffering. In the case above, then, the car should sacrifice the one person inside it in order to save the lives of the five children.

A director of Mercedes-Benz made a statement that was interpreted to mean that the self-driving cars his company produces would not follow this pattern. Instead, they would give priority to the lives of those inside the car, every time. This statement had to be retracted, as car companies are not allowed to make these kinds of principled life-and-death decisions (Vijayenthiran, 2016). It is for the authorities to decide whether the cars should be made into utilitarian machines. However, internationally the situation is that authorities so far are silent on this issue. It remains to be seen whether there will be global agreement on how the cars should be programmed or whether there will be local differences.

The study by Bonnefon et al. (2016) points in the direction of a utilitarian solution to the ethical challenge of programming driverless cars but also identifies a paradox for this normative theory. Participants in the study were also asked what kind of car they themselves would buy, and here the majority answered that they would avoid getting a car programmed in the utilitarian way but would rather have one that promised security to those inside it, even when they are in the minority compared to those in danger outside it. So even though the majority thought that it made good ethical sense to minimize human suffering by saving the five children by sacrificing the person inside the vehicle, that was not the kind of car they would purchase. The authors point to a paradox for the utilitarian theory: From the perspective of maximizing utility, the introduction of self-driving cars is a phenomenally good thing, as it is likely to lead to a drastic reduction in traffic accidents. The sooner such a shift happens, the better, as while we are waiting, more people will die and get injured in traffic. However, if the cars are programmed according to utilitarian ethics, people are much less likely to shift to that kind of vehicle, so the transition will happen much more slowly, and utility will be lost. Paradoxically, then, the utility of safer traffic appears to depend on programming that goes against utilitarian thinking.

The tempo of the transition to automated solutions is also likely to be affected by the ways in which liability issues are treated. Who do we hold accountable if things go wrong in automated processes? When decision-makers in companies consider artificial intelligence solutions, all six questions in the Navigation Wheel are relevant, and the question about legality may be particularly difficult to answer, as there are few previous practices to compare the current situation with. There is limited legal tradition or precedent to appeal to. Researchers have started to address alternative models for distributing responsibility after accidents involving bots (Abbott, 2017; Headrick, 2014; Kessel & von Bodungen, 2018). One suggestion has been that as machines have the potential to significantly reduce the risk of accidents, the legal framework should encourage automation and protect the manufacturers against strict liability charges (Abbott, 2017). If the companies developing automated solutions face the risk of being held fully responsible for any bad outcome in the bots' behaviors, it may make them hesitant and slow in introducing those solutions. From a utilitarian point of view, this would be unfortunate, as the introduction of automation can improve the quality of services and make traffic and other potentially harmful activities safer. One way forward can be to introduce an alternative way of thinking about negligence and responsibility for bad outcomes, where the standard shifts from being based on what a hypothetical reasonable person would have done to what a hypothetical reasonable computer would have done (Abbott, 2017).

Automation raises ethical questions in a range of business areas. In finance, the use of autonomous trading agents is already prevalent, and with that activity come ethical questions that have still not been adequately addressed (Wellman & Rajan, 2017). High-frequency trading in stock markets occurs between bots, with hardly any human intervention. Davis, Kumiega, and Van Vliet (2013) argue that current disciplinary standards do not adequately deal with the ethical problems generated by these procedures and claim that the financial industry needs a cross-cultural ethical framework to address them. The current system is vulnerable, and both the regulators and the industry itself need to identify principles for reasonable distribution of risk and responsibilities (Davis et al., 2013).

Automation also raises ethical questions in the realm of employment. Mechanical minds are already outperforming humans in a range of activities, and this tendency is on the increase. Companies can cut costs and improve the quality of their products by introducing artificial intelligence solutions. Researchers disagree on the severity of the threat to human employment and the likely speed of the development. One pessimistic view is that as much as 47% of the current jobs in the United States are under high risk of being replaced by bots (Frey & Osborne, 2017), whereas more optimistic scenarios assume that automation will generate new jobs for humans to become involved in (Autor, 2015; Nokelainen, Nevalainen, & Niemi, 2018). The future for established professionals such as lawyers, auditors, doctors, and others with specialized knowledge is also open, as research points to the likelihood that the need for their traditional services will decrease due to rapid advances in automation (Laster, 2016; Susskind & Susskind, 2015, 2016).

One overarching ethical challenge for developers and users of automated systems is how to implement ethically sound decision-making procedures (Wallach & Allen, 2008). Artificial intelligence can absorb and use vastly more information than human beings are capable of at a dramatically higher speed. Earlier in this book we assumed that ethical decision-making is an example of Kahneman's System 2, where we slow down the tempo, in order to take the relevant factors into careful consideration. This is not so with the ethical decision-making of mechanical minds, with their vastly superior ability to handle information quickly. The difference in tempo aside, the automated decisions must be based on reasonable ethical principles and norms. How can we incorporate ethics into the complex algorithms and procedures that mechanical minds or computers perform?

Ethical principles can be integrated into the artificial intelligence through a bottom-up procedure, where the bot is designed to register and act in accordance with the aggregate moral convictions and beliefs it somehow encounters and registers in the society in which it operates. Alternatively, ethical principles can be programmed into the bot in a top-down process, where programmers and engineers dictate the content based on specific legal and regulatory boundaries (Allen, Smit, & Wallach, 2005; Allen, Varner, & Zinser, 2000; Baum, 2017; Etzioni & Etzioni, 2017; Wallach & Allen, 2008; Wallach, Allen, & Smit, 2008).

The bottom-up approach assumes that a bot can gradually learn ethics and integrate moral standards through interactions in a social environment (Allen et al., 2000, 2005; Wallach & Allen, 2008; Wallach et al., 2008). It can register information about what counts as good or bad and right or wrong behavior from observations of how people behave, as well as how they respond favorably or unfavorably to each other's actions. The ethical principles and moral standards or convictions of the bot can be updated and revised regularly after it has interacted with and learned from others. One challenge for this approach became evident with the launch of Microsoft's chat bot Tay, which was supposed to learn ethical principles and standards for morally acceptable behavior through communication with humans. Tay quickly started to speak vulgarities, even though this was not intended or wished for most of the people who interacted with it. Tay's training was dominated by a vocal minority who used vulgar language in its repetitive interactions with it (Baum, 2017). The bot needs to interact with the right people and in the right manner in order to integrate the right set of moral standards and behaviors, and it remains a challenge to establish the proper quality controls.

Etzioni and Etzioni (2017) argue that it is both impossible and unnecessary to implant ethics into bots. They reject both the bottom-up and the top-down approach. Instead they call for societies and authorities to set legal limits on what the machines are allowed to do. The scope of action for bots should in this view be regulated by the collective, democratic processes of lawmaking and regulations and would not leave room for ethical considerations to be taken by the machines themselves. There might be technological challenges in making the machines comply with the regulations, but that should not be confused with the task of making them into autonomous decision-makers operating from their own moral standards or ethical principles. A similar view has been expressed by Yampolskiy (2013) who rejects the idea that machines can be programmed to make ethical decisions. The primary decision-makers are the lawmakers who should decide the scope of action for engineers and programmers, whose role it is to develop safe and reliable engineering solutions. In this view, automated operations should be dictated so as to be in compliance with laws and regulations, and those should in turn be in harmony with the society's moral standards.

Reflections on the ethics of automation tend to focus on the dangers and threats of technological advances that create intelligences capable of outperforming human beings. It is worth noting that artificial intelligence can also make positive contributions, even when studied from an ethical perspective. The distinction between proscriptive and prescriptive ethics (Janoff-Bulman, Sheikh, & Hepp, 2009) is useful to bring out the full scope of the ethical dimension of automation.

Proscriptive ethics can also be called avoid-harm ethics, which brings attention to the possible pitfalls of behaviors and decisions. In the context of automation, it is an ethics that warns us against mass unemployment, lack of control over decision-making procedures, and the scary scenario where the bots are smarter than humans and begin to communicate with each other in ways incomprehensible to human beings.

Prescriptive ethics can also fall under the name of do-good ethics and concerns itself with how behaviors and decisions can improve and advance human conditions. It is important to keep in mind that there is a prescriptive dimension to the ethics of automation, in that bots can improve the services available to human beings through safer traffic; higher quality and precision in medicine; improved control over health, security, and environment issues in workplaces; and so on. It is not that research on automation has neglected the positive aspects, but it has chosen to place it outside the scope of ethics. My suggestion here is that the ways in which automation can potentially promote well-being for humans warrant an inclusion under the ethics heading, or more precisely as material for prescriptive ethics.

In an ongoing research project on automation and ethics, Miha Škerlavaj, Ketill Berg Magnússon, and I have asked EMBA students in Norway and Iceland about their perceptions and expectations in this area. These are students who already have extensive business experience. Most of them have already encountered automated solutions and mechanical minds in their jobs and point to how they enhance quality and efficiency, potentially disrupt employment structures, and potentially increase the gap between rich and poor populations, thus creating social tensions.

One surprising finding in our material is that several students point to how mechanical minds can reduce bribery, corruption, and other morally questionable behaviors in business:

> I consider that one of the most important advantages of electronic purchasing platforms is that they eliminate the risk of bribes or other forms of corruption to influence a decision after a bidding process.
>
> Student A, Oslo

> All this effort has the aim of increasing automation with new IT systems. The purpose is to meet growth and limit hiring as much as possible, increase service, and minimize fraud.
>
> Student B, Reykjavik

> The plus for the banking business will be the benefits from lower costs with the underwriting department and less fraud losses due to no judgement or human intervention in the process.
>
> Student C, Oslo

The common assumption in these claims is that automation can reduce the dependence on human interactions and social arenas where corruption currently takes place. It is not that the bots come along armed with a superior morality but rather that they can be programmed into sticking to the facts and figures and not be influenced by ingratiating behaviors or attempts to gain improper advantages through the use of improper business methods.

In this chapter, we have seen that when we study automation through the lens of ethics, it has a prescriptive, do-good dimension and a proscriptive, avoid-harm dimension. The emergence of artificial intelligence and bots in organizational settings introduces possibilities that transcend our current capacities for understanding. With this development come ethical challenges for decision-makers. The programming of autonomous vehicles has already received plenty of attention, and other issues will follow. To some extent, traditional ethical theories such as utilitarianism and duty ethics offer guidelines on how we can reason and reflect about those choices, but a richer set of concepts may be called for in order to keep track of developments in this area.

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CHAPTER 9

Ethics in Social Media

Abstract Facebook, LinkedIn, Twitter, Instagram, and other social media have radically changed the ways in which organizations, groups, and individuals spread, share, and discuss ideas and information. They provide platforms for expressing opinions very rapidly to a wide audience, without interference from an editor or a group of editors. With traditional platforms like newspapers, radio, and television, the steps from formulating a viewpoint to reaching an audience with it tend to be complex and slow. The sender will usually have to convince someone with editorial powers that the message is worth publishing. This is not so with social media, where each person can be his or her own editor and immediately release personal content to an audience. From an organizational perspective, the dramatic changes in publicity options create a range of ethical challenges. This chapter provides a preliminary categorization of ethical dilemmas for users of social media based on input from professionals who are engaged in digitalization processes in their organizations.

Keywords Social media • Facebook • Twitter • Instagram • Dilemma • Ethics

Social media introduce a range of new ways for individuals, groups, and organizations to spread, share, and comment on ideas, beliefs, and information. They no longer need to go through an editor to get their views

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published. This chapter explores the ethical dilemmas that can occur with social media use in everyday organizational settings. There are other ethical aspects of social media that will not be addressed, most notably those connected to the use of Big Data in research, product development, and marketing. These have already been under scrutiny in other research (Bender, Cyr, Arbuckle, & Ferris, 2017; Kosinski, Matz, Gosling, Popov, & Stillwell, 2015). The focus here will be on the concrete dilemmas that arise in workplaces adapting to a reality where Facebook, Twitter, LinkedIn, Instagram, and other social media have created a radically different environment for conversation and interaction.

The dilemmas discussed in this chapter will be constructed from input delivered by executive students who have participated in my ethics training sessions in a program on digitalization and leadership. For a number of years, I have invited students to share dilemmas they have encountered when working professionally with digital transitions within organizations, including the development from using traditional to digital and social media.

Based on the input from these sessions, I will outline a list of five categories of dilemmas that can occur when leaders and employees in an organization apply social media at work.

The following story exemplifies what we may call a *role dilemma*. Financial advisor Peter works for a local bank in the district where he grew up. Three of his former colleagues in the bank have left to join a competitor in the same district. Those three are still in contact with a range of former colleagues, even though they are now employed by a competitor. On Facebook, current and former colleagues have established friendships across the competitive divide and frequently share and like each other's content there. Facebook is an important platform for both banks and a place where they can interact with actual and potential customers and demonstrate their banking competence. They can also reach out to the public with information about new products and invite people to evening seminars, information meetings, and other arrangements.

Recently, Peter has noticed that some of his own colleagues in the bank even share, like, and put favorable comments on professional content published by their former colleagues. He is very critical of this practice of assisting former colleagues in spreading professional content from their new employer, who is a serious competitor making the effort to tighten its grip on the banking market in the district. He believes the colleagues doing this are confused about their roles in social media. They behave like friends and should instead realize that they are first and foremost employees of competing organizations.

When Peter brings up the topic with his colleagues, they argue that what they are doing is normal and right in a knowledge-sharing economy. Social media like Facebook, LinkedIn, and Twitter are designed to make information available to everybody. Knowledge hiding, where you try to gain advantages by guarding your own knowledge, is a thing of the past. Sharing is good for banking as an industry, they argue, as it means that the decision-makers have to be alert and ready to develop new services and products based on insights that are available to everybody. The kind of knowledge sharing Peter finds unacceptable actually triggers innovation and can be beneficial to all, they claim. It is an assumption based on their personal experiences, but it can also find some backing in research (Leonardi, 2017).

Peter disagrees and argues that his colleagues' sharing practices on Facebook provide the other bank with a competitive advantage that can lead to a decline in profits for their own employer and a gradual loss of the banking hegemony in the district.

A role dilemma occurs when the roles of the people who are active in social media are unclear or open to different and conflicting interpretations. Are these words the expressions of a professional or a private person, a colleague or a friend, a company owner or a concerned citizen, an expert or a non-expert, or a teacher or a dismayed employee? Dilemmas arise when the sender has one understanding of his or her role, whereas various receivers interpret the role differently, leading them to have conflicting perceptions of what should be the next step forward for the sender or receiver. From the sender's point of view, the dilemmas can occur in advance of a particular interaction. How will the message I am about to publish be interpreted? Am I entitled to express it? Based on one interpretation of what my role is, I should not post the message, but based on another, I am in my full right to do so. Will the receivers understand that I make this claim as a private citizen and not as an employee of this particular organization? Dilemmas can also occur in the aftermath of an interaction, when the sender realizes there can be more than one reasonable interpretation of the message, based on different understandings of his or her role. Then the choice can be made between remaining committed to the message and the way it was published and admitting that it was a mistake to put it forward.

There can also be role dilemmas where decision-makers in an organization create role confusion. One of my students worked as a journalist in a magazine and explained that the owners wanted to professionalize the use of their Instagram account by hiring an advertising agency to run it. Social media specialists from that agency would post photos on the account, accompanied by text to the effect that "we" will be on this location today, and you can meet "us" there, creating the impression that they were journalists from the magazine, when in fact they were hired externals. The real journalists were critical of this approach, as they felt that it would trick the readers and users of Instagram into thinking that the people on location were actually part of the magazine's own team.

It has been interesting to apply the principle of publicity, articulated in Chap. 5, to this dilemma in different teaching contexts. The principle claims that we should be willing to defend our decision publicly and be open about it to relevant people and groups. I have presented the dilemma to young students (20 to 25 years old) and to executive students (30 to 50 years old). In the first group, the majority sees no problem with hiring people from an advertising agency to run the Instagram account on behalf of the magazine. This is already happening with hired help in a range of contexts, they argue, and it makes no difference to them as users whether the people they meet are permanently employed by the magazine. In the second group, most people experience that the idea goes against their basic moral intuitions and is an alternative that would not stand up to public scrutiny, as it erases the difference between employed, professional journalists and hired nonprofessionals, who admittedly have more competence in the use of social media. Here we see an interesting example of a generation gap when it comes to moral intuitions and ethical analysis, one that may be indicative of an emerging change in people's perceptions of roles.

The second category of dilemmas in social media arises in connection with the speed in which the interactions tend to take place. We can call them *tempo dilemmas*. Things happen very fast in social media, and part of the attraction is to participate in a pulsating activity where intuitions are at play. In terms of the distinction between the fast System 1 and the slow System 2 of decision-making (Kahneman, 2013), this is clearly an arena where the former dominates. If you slow down and try to activate System 2, you are likely to miss out, as the discussion has moved on and your carefully crafted expressions are no longer relevant. Input from my executive students indicates that traditional leaders find the high tempo to be particularly challenging, making them wary of entering the social media arena. They are understandably concerned that they might lose control on a communication platform characterized by rapid exchanges of words but are also afraid to miss out on business opportunities by staying away.

Some dilemmas in social media can have both a role and a tempo dimension in them. Senders can be impulsive and join the fast timeline on Twitter and end up ignoring or forgetting their roles in the organization. This can be the case with the following:

- A CEO who uses the organization's account to express her personal views on the upbringing of children or on political matters—issues that lie far beyond her professional competence
- A researcher who uses his professional account to raise harsh criticism about a particular aspect of the welfare system in his country
- An engineer who publicizes sexually charged comments from a conference he attends on behalf of the organization
- A CFO who responds to reasonable criticism of one of the organization's products by going into a harsh and heated public dialogue with the sender

Other people in the organization may be witnesses to this kind of behavior and can then face the dilemma of choosing whether to intervene and give critical input to the sender or remain silent. In some cases, this will be a real dilemma, in that on the one hand it is really important to stop the sender from putting himself or herself and the organization into further trouble, and on the other hand it may be a bad career move or the last thing the observer does in this organization. In other cases, it will be a false dilemma, as clearly the right thing to do is to intervene, and the personal cost of doing so is not all that high, but it is nevertheless tempting to turn a blind eye to the situation so as to avoid personal trouble.

The third category can be called *integrity dilemmas*. Presence in social media can put the integrity of organizations, groups, and individuals under pressure, in that they can face situations where it is difficult to remain committed to one's principles and values. My executive students describe situations where the ambition to establish and maintain friends or followership in social media can make it tempting to

- like and share content that you actually find uninteresting, uninspiring, and even questionable or wrong, and

- refrain from speaking up against content that you disagree with or find appalling.

Both of these responses depend on putting your own moral convictions and beliefs aside in order to become and remain popular with actual or potential friends and followers. Organizations want to see the number of friends, followers, and likes in social media grow. To that end, they may expect their employees to keep personal convictions and values in check, even when these are well aligned with what the organization itself is supposed to stand for. As we saw in Chap. 6, being committed to a stable set of values can be instrumental to corporate flourishing (Collins & Porras, 1996). Sacrificing integrity for popularity in social media is risky business but can nevertheless be part of what corporations expect from those who run their social media outlets.

What kinds of opinions are acceptable to express in social media? This is the question behind the fourth category of ethical dilemmas in this area. We face a *speech dilemma* when one set of considerations supports the publication of an expression and another set of considerations goes against it. With traditional publication channels, the task of balancing those sets up against one another and making a decision rests both with the sender and with the editors who have the final say about publication. With social media, the editors are gone, and the senders, both of personal messages and messages on behalf of organizations, need to account for ethical aspects, including those who are in favor and those who go against publication.

Providers like Facebook and Twitter are also expected to moderate the flow of input on their platforms and to remove expressions of harassment, hate speech, trolling, and misinformation. The general ethical tension for them and the users is between promoting free speech on the one hand and being on guard against potentially harmful expressions on the other. To what extent should we accept aggressive behavior in social media and defend it in the name of freedom of expression or free speech? Political exchanges on Twitter can sometimes include rude and hateful expressions, and the platform struggles to point its users in healthier and more constructive directions. The importance of moderating the exchanges is underlined by research showing that trolling and harassing behaviors in social media are contagious. People who are normally well behaved will tend to become harassers if they are exposed to that kind of behavior (Cheng, Danescu-Niculescu-Mizil, Leskovec, & Bernstein, 2017).

The dilemmas my executive students identify in this area are often connected to role dilemmas. What is the scope of action for a leader or employee when it comes to speaking his or her mind in social media? Once the particular role of the sender has been established, and there is clarity about who he or she is in this particular context, it remains to be considered whether there are limitations to his or her freedom of speech. How active should a CEO or other leaders in an organization be in discussions about contested political topics like immigration and religion? What are the limits to what a teacher can say in a public discussion about the current leadership of the school authorities and the direction they are taking the educational system? These are open questions whose answers depend on further details of the situations. What the questions exemplify is how ethical considerations about free speech become particularly pressing in the era of social media, where people can easily publish and spread their opinions and no longer depend on external editors to get their messages across.

Speech dilemmas of a particular kind occur when an organization receives criticism from a customer, client, or other stakeholders and needs to find a reasonable way to respond. The criticism may be based on what the organization sees as a false representation of the facts of the matter, but presenting a truer picture may be problematic. One executive student described a situation where the bank he worked for had recently turned down an application for a loan to a local businessman, based on an analysis of the prospects of the project the loan was supposed to finance. The bank did not share the optimism expressed in the customer's presentation of the business case. The businessman became furious when he received the rejection and wrote a post on Facebook where he attacked the bank and encouraged his friends and contacts to boycott it. The version he put forward about the project, glossed over major weaknesses the bank found to be wanting. Now the bank faced the challenge of finding a response that would protect its own interests, without revealing the confidential details the businessman had chosen to hide from the readers of his Facebook post.

The final category in this preliminary list of ethical dilemmas generated by social media is that of *competence dilemmas.* Experienced users of social media build up competence in applying them and can meet customers, clients, and competitors who in contrast are novices. To what extent is it acceptable to exploit the competence gap to one's own benefit? In many cases, this will be ethically unproblematic, such as when you have gained an upper hand in social media competence in comparison to a competitor and use that to your own benefit. The dilemmas can occur in a professional–client relationship, where the former can exploit a competence gap in relation to the latter by offering services at a higher price and at a more sophisticated level than the client needs. The professional may be an expert on social media use and sell services that the client lacks the competence to evaluate, and the imbalance introduces the possible misuse of client trust.

Conflict of interest is at the core of ethics in professions (Nanda, 2002). Doctors, lawyers, auditors, and teachers all have specialized competence that makes them capable of delivering specialized services. There is typically a competence gap in place between them and the patients, clients, and students, making it difficult for the nonprofessional parts to evaluate the services at hand. Professionals more or less explicitly promise to give priority to the interests of those who require their services and to not give in to the temptation of putting their self-interest first. The situation is similar to competence dilemmas in social media. Even there we find conflict of interest. The social media novice can decide to trust the provider not to exploit the gap in competence in his or her favor. In line with the distinction between real and false dilemmas, introduced in Chap. 2, competence dilemmas as they are described here are actually false dilemmas, as the choice is between doing the right thing (looking after the client's interest) and doing the wrong thing (prioritizing self-interest).

To sum up this outline of ethical dilemmas in social media, we can distinguish between the following five categories:

- Role dilemmas: Who are we in social media? Professional, employee, friend, owner, politician, private individual, or more than one of these at the same time?
- Tempo dilemmas: What kind of information and opinions do we spread with the touch of a finger? What do we miss out on if we slow down and are more thoughtful?
- Integrity dilemmas: To what extent do we downplay our own principles and values in order to gain new friends and followers, and more likes?
- Speech dilemmas: What kinds of opinions are acceptable to express in social media? Where do we draw the line for free speech in the processes of expressing disagreement and defending oneself against unreasonable criticism?
- Competence dilemmas: To what extent is it acceptable to exploit competence gaps in your own favor?

The above categories can serve as a starting point for moral reasoning about activities in social media and may turn out to need further elaboration. There may be ethical challenges for organizational users of Facebook, Twitter, and other social media that the framework does not capture adequately. For now, it serves to zoom in on questions about right and wrong, permissible, obligatory, and forbidden in the use of social media in organizational settings.

One final remark is that the distinction from the previous chapter between prescriptive and proscriptive ethics, or do-good-ethics and avoid-harm-ethics, is relevant even in the context of social media. As is the case with automation, ethical explorations in this field can easily become preoccupied with the proscriptive dimension and on the harm and suffering that can result from improper use of social media. Trolling, harassment, and the spreading of fake news give cause for concern, but it is also worth noting that social media provide platforms for constructive conversation and collaboration. People who would otherwise remain strangers to each other are able to communicate and exchange ideas. Individuals can move out of isolation and participate in social activities. This prescriptive dimension is an integral part of the ethics of social media.

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Check for updates

CHAPTER 10

Loophole Ethics

Abstract Codes of conduct are statements that commit organizations, industries, and professions to particular moral values and beliefs and define appropriate behavior for employees and professionals. This chapter explores how codes of conduct can affect moral reasoning and behavior in the workplace. On the one hand, they clarify the scope of action available to decision-makers, but on the other hand, they can incentivize people to identify and exploit loopholes in the codes. When organizations structure ethics around a set of codes defining appropriate behavior, it can create an unforeseen and unwanted form of creativity. Loophole ethics is the activity of remaining loyal to the letter of the code of conduct and assuming that any action that the code is silent about is morally acceptable, or at least not required. An alternative to operating with codes of conduct of increasing complexity is to make the principles simpler and more general, thereby leaving more room for the use of personal and common judgment.

Keywords Code of conduct • Loophole • Ethics • Common sense • Rules • Principles

The sports arenas owned and administered by the city municipality of Bergen in Norway all have signs outside providing a code of conduct for users and visitors:

Ø. Kvalnes, *Moral Reasoning at Work*,
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- Dogs may not trespass.
- Use of bicycles, running wheels, and rollerblades not allowed.
- Use of chewing gum not allowed.
- Eating and drinking on the playing field not allowed.
- Climbing on the fence not allowed.
- All users are required to remove tape, bottles, and other litter. Use the litter bin.
- Smoking and use of fireworks not allowed.
- Consumption of alcohol and drugs not allowed.
- Use of litter bins as goalposts not allowed.

This is a rather detailed list of acts that people are forbidden or required to engage in when they are on the premises. It may work as intended in regulating the behavior of users and visitors, but one possible side effect may be that it provokes a particular kind of creativity. When people are presented with a long list of rules delivered in a strict and authoritarian manner, it can lead them to explore alternatives that are not mentioned in the list. This sports arena sign, for example, is silent about riding horses, setting up tents, or firing up a barbecue. The rule-makers cannot really complain if one pursues these options, as they have not articulated rules against them.

This chapter addresses the phenomenon of loophole ethics: the activity of responding to a set of codes, rules, and regulations by trying to identify and exploit loopholes in it. The assumption behind loophole ethics is that any action that the rules are silent about is acceptable. Loophole ethics occurs in a range of settings, particularly in social environments in which the rules and codes are comprehensive and specific. Rule-makers put considerable effort into defining what is allowed and outlawed in social behavior, and people who live in accordance with the rules can sometimes get the impression that further moral reasoning is not required from their side. Someone else has done the thinking for them and set out the scope of action for morally acceptable and required behavior. Loophole ethics also feature prominently in organizations that have a compliance approach to societal responsibilities. Here, people set out to comply with rules and regulations and consider themselves free to pursue activities not specifically mentioned.

Loophole ethics can occur prior to a decision to perform a particular action and afterward as justification for an action. An appeal to rule silence can be part of individual and group deliberations about what to do next.

Ex ante loophole ethics can start from the question, "Can we really behave in this manner in this particular situation?" An affirmative answer rests on the observation that the chosen alternative does not constitute a break with any code or rule. Therefore, choosing the alternative is still technically compliant with regulations. Ex post loophole ethics justify past conduct by issuing a similar appeal, that no deviation from the relevant code of conduct took place.

Loopholes in codes and rules can impact both acts and omissions. The signs in Bergen, for the most part, single out actions that visitors and users are forbidden to engage in, but they also include one requirement, which is that people must remove their litter. Loophole ethics can be based on what the code in question forbids or requires:

- Loophole ethics for acts: As the set of codes, rules, or regulations does not forbid this option, it is ethically permissible to pursue it.
- Loophole ethics for omissions: As the set of codes, rules, or regulations does not require this option, it is ethically permissible not to pursue it.

Loophole ethics with regard to omissions can take the form of not helping or supporting a colleague, not speaking up against an injustice at work, or not informing a client about particular defects in a product because the rulebook does not specifically require it.

Organizations that set out to formulate a set of codes, rules, or guidelines to define appropriate and expected behavior from employees should be wary of creating a loophole ethics mentality in the process. A code-based approach to organizational ethics has considerable merits, as everybody can, in principle, know up front what is morally required and expected of them at work. When they are in doubt, they can consult the code and find guidelines there about whether they can accept a particular gift from a supplier, invite a customer to a dinner and pay the expenses, participate in decision-making in which a friend or relative is one of the stakeholders, and so on. Codes of conduct can generate consistency in how members within an organization behave toward each other and toward outside stakeholders. An organization with an established code of conduct can reduce subjectivity and contingency in decision-making.

The code approach is nevertheless problematic. Detailed codes tend to signal that ethical issues have been considered and ruled upon, once and for all. What remains is to live by the codes, consulting them whenever one is in doubt. In reality, however, each new situation can potentially demand further moral reasoning based on the realization that the codes may be silent about particular aspects of it. There is considerable risk that people uncritically interpret the silence of a comprehensive code with regard to a particular option to mean that one is free to pursue it (loophole ethics regarding acts) or that it is acceptable to remain passive (loophole ethics regarding omissions).

Hemmestad and I explored how loophole ethics can occur in sports using a story about the U.S. ice hockey player Sean Avery (Kvalnes & Hemmestad, 2010). During a match between his team, the New York Rangers, and the New Jersey Devils, Avery placed himself face to face with the opposing goalkeeper, Martin Brodeur, and distracted him by waving his hands in front of his face. Even some of Avery's teammates saw this as unacceptable behavior and tried to stop him. An ice hockey player is not supposed to stand with his back to the play and block the goalkeeper from seeing the puck and player movements on the ice. It is a behavior that may increase his team's chances of scoring, but it goes against unwritten, common sense assumptions about fairness in ice hockey.

The problem for the referees in the match was that Avery did not break any specific rules; thus their hands were tied when it came to sanctioning his behavior. The rule-makers responded swiftly. On the day after the event, they met to formulate and introduce a new rule to prevent further episodes of improper screening of the goalkeeper. Colin Campbell, National Hockey League Director of Hockey Operations, said in a statement that:

> An unsportsmanlike conduct minor penalty will be interpreted and applied, effective immediately, to a situation when an offensive player positions himself facing the opposition goaltender and engages in actions such as waving his arms or stick in front of the goaltender's face, for the purpose of improperly interfering with and/or distracting the goaltender as opposed to positioning himself to try to make a play. (Caldwell, 2008)

The new rule provides a detailed description of what Avery did and establishes that such conduct is not acceptable. With the new rule in place, the loophole Avery had found no longer existed. From now on, any player who engages in this activity will get a two-minute sending off. The new rule was quickly baptized the Sean Avery Rule.

In response to the rule introduction, Michael McGeough, an experienced ice hockey referee, claimed that he could and would have penalized Avery even without the new rule (Paumgarten, 2008). In his eyes, what Avery did was unsportsmanlike. This is a very general category normally applied with appeal to experience and common sense. A less experienced referee may have thought that he has no scope of action to sanction Avery's distractions in the absence of a concrete rule. The ice hockey authorities also seemed to share this view, as they found it necessary to introduce a new rule. Hemmestad and I argued that authorities could have been more in line with McGeough's claim and maintained that, even without a specific rule, it was possible to penalize Avery's action. That way, they could have signaled that the participants in their sport—players, referees, coaches, and others—cannot expect the code of conduct to provide explicit answers in every case. Each participating individual needs to make his or her own judgments and should not use the absence of explicit rules as justification (Kvalnes & Hemmestad, 2010).

Curling is a sport that has integrated the application of personal judgment and wisdom. When two teams match up and compete, they do so without the active presence of a referee. The players settle minor disputes between themselves using common sense. In the unlikely event of a major dispute, the players can call upon a referee from the stands, but the normal situation is that the match takes place without any interference from a referee. Other sports can take note of how curling has placed the exercise of personal judgment at the core of its activity. A more comprehensive discussion of practical wisdom in sports can be found in Hemmestad, Jones, and Standal (2010).

In the wake of apparent moral misbehavior not covered by the existing rules or codes, rule-makers often find themselves under pressure to respond with a revision and expansion of the rules. This was the case for the Norwegian Armed Forces in the aftermath of an incident during a winter exercise in 2010. A female soldier was ordered against her will to undress and bathe and wash naked in icy water while other soldiers watched. The soldier complained and received support from higher-ranked officers and from politicians and other public figures. The lieutenant who ordered the soldier into the water first received a reprimand, but it was later withdrawn. The Chief of Defence, Haakon Bruun-Hanssen, maintained that no soldier should be ordered to bathe naked against his or her will in front of fellow soldiers. He also explained the decision not to expand on the rules and regulations:

> We believe that the road to our goal does not go through an even more fine masked set of rules, but through good routines and good attitudes, in line with the Armed Forces core values: Respect, responsibility, and courage. We need leaders who are reflective, and who can make good decisions based on a sound set of values. (Bruun-Hanssen, 2016)

In contrast to the ice hockey authorities who introduced a new rule after the Avery incident, the Norwegian Armed Forces expressed trust in their own decision-makers' common sense. It is also likely that the decision not to add more specific rules about conduct in winter exercises reduced the risk of creating loophole ethics among soldiers and officers.

Ethical rules and regulations do not necessarily lead people to look for and exploit loopholes. However, there is a considerable risk that comprehensive rules may create incentives to perform actions that, according to the rule-makers themselves, are regrettable. Pogge (1992) has suggested that people should ask themselves, "Have we organized our moral commitments in a way that reflects, and helps effectively achieve, what by their own lights matter?" (p. 80) If the answer is "no," then they should reconsider their approaches to ethics and figure out how to revise them. In organizational contexts, in which comprehensive codes of conduct appear to generate loophole ethics, there are reasons to rethink this strategy.

Another setting in which loophole ethics can occur is in the relationship between insurance companies and their customers. Customers may distrust dense, small-print provider contracts and look for loopholes in response (Kvalnes, 2011).

In a study of the events leading up to the financial crisis in Iceland in 2008, philosopher Salvör Nordal and I found a range of examples of loophole ethics. People in the financial industry justified their dubious decision-making by highlighting that they were not breaking any specific financial or professional regulations (Kvalnes & Nordal, 2018). Pension funds in Iceland participated in financing many of the high-risk investments that were made prior to the crisis during the expansion years. After the crash, pension fund decision-makers were criticized for gambling with public money, going fishing, traveling abroad, and participating in excessive partying with bankers and CEOs. The fundamental problem was that they were too closely involved in social activities with individuals with whom they should have had detached professional relationships. When pressed for justification, they could more or less correctly claim to have breached no rules (Kvalnes & Nordal, 2018).

As noted in Chap. 6, a loophole mentality is also present when people justify their decisions by appealing to the fact that they have not acted illegally. The asymmetry in the legal domain is that when an act is illegal, there is a strong reason to refrain from performing it; however, when an act is legal, there is not a strong reason to perform it (Kvalnes & Øverenget, 2012). Reflections on the phenomenon of loophole ethics point in the direction of a similar imbalance in the ethical domain. The fact that an act is singled out as unethical in a code of conduct provides people with a strong reason to refrain from performing it. However, in cases in which the considered alternative is not explicitly identified in the code as unethical, this does not provide people with a strong reason to perform it or indicate that it is ethically acceptable.

When the American company Enron and the accounting firm Arthur Andersen collapsed at the beginning of this century, many of the decisions and behaviors leading up to it appeared unwise without actually being in violation of the code of conduct for the professions involved. In the aftermath, financial authorities and organizations for accountants and lawyers added ethical rules and regulations to cover up the loopholes that had been exposed. A former Enron accountant has admitted that the loophole mentality was dominant in their work environment. The professionals made sure to comply with the rule-based framework, but they found creative and dubious solutions not mentioned as unacceptable in the rules. “All the rules create all these opportunities. We got to where we did because we exploited that weakness” (McLean & Elkind, 2003, p. 142). Sims and Brinkmann (2003) have used the Enron collapse as an example of why organizational culture is more important than codes.

Organizations, professions, and authorities face a common challenge in taking steps to avoid loophole ethics. One alternative can be to follow the example of the Norwegian Armed Forces in response to the winter bathing incident by relying less on detailed rules and more on personal judgment and practical wisdom. This approach does not allow the decision-maker to justify his or her actions simply by pointing to the fact that there are no rules explicitly defining the choice as wrong. In accounting, the strategy of adding new rules to make the overall code more comprehensive appears to have had the unfortunate side effect of practitioners believing that relevant, moral thinking has already been performed by the rule-makers. In the post-Enron years, there has been a discussion within accounting about the merits of a detailed, rule-based approach and a more general principles-based approach (Bailey & Sawers, 2018; Braun, Haynes, Lewis, & Taylor, 2015).

Moral reasoning in organizations needs to strike a balance between written rules and codes on the one hand and wise personal and communal judgment on the other. Shorter and more general codes leave more room and flexibility for individual decision-makers to apply their own judgment to the case at hand. Such codes signal to decision-makers that they need to use their common sense and professionalism to figure out what is right and wrong in the situation they face. The problem with this approach in many contemporary organizations is that, apparently, common sense is not so common anymore. Morality tends to be more fragmented and disparate than it used to be, and codes of conduct are seen as the best tool to compensate for that. It cannot be taken for granted that people interpret and judge situations similarly and consider the same aspects of it to be morally relevant. Cultural, generational, and gender difference can add to the moral uncertainty. When top management in organizations have doubts like these, codes appear to offer the most promising solution. However, eagerness to compensate for an apparent lack of common sense and judgment can then create a foundation for loophole ethics, both in the ex ante sense of influencing deliberations about what one should do now and in the ex post sense of leading to dubious justifications and excuses for what one has already done.

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CHAPTER 11

Conflict of Interest

Abstract At the core of ethics in professions is the ability to cope with conflict of interest situations. The professional has a primary duty to look after the interest of the client, and a secondary duty to serve his or her personal interests. The client is normally not in a position to evaluate the quality of the service on offer. Due to the knowledge gap, a lawyer, accountant, consultant, doctor, or teacher can be in a position to give priority to self-interest over the interest of the person who receives the services, without detection. Some professions operate with more or less explicit pledges to the clients not to do exploit their advantage in knowledge: "Trust me; although my own self-interest might dictate other actions, I undertake to serve in your best interest." A conflict of interest situation is different from a real moral dilemma in that it does not constitute a choice between moral values that are on more or less the same equal footing, but are instead false dilemmas, in the sense of being temptations to choose the morally wrong option at the expense of the morally right one.

Keywords Conflict of interest • Self-interest • Client interest • False dilemma • Professionalism

When the international partners of one of the world's leading consultancy firms met for a seminar some years ago, a facilitator asked them to consider

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the following situation: Their company has agreed to do a project for a client for the price of 1,000,000 Euro, based on an hourly price and an estimated use of working hours. As the project comes to a close, the project manager can see that the hourly price multiplied with the actual number of working hours will give a total price of 700,000 Euro. Due to some wise decisions and clever thinking underway, the company will deliver a quality project with lower input in terms of working hours. The project manager is uncertain about how this should affect the invoice she sends to the client. She considers three options:

A. Send an invoice for the agreed 1,000,000 Euro.
B. Send an invoice for 700,000 Euro.
C. Add extra work useful for the client, so the working hours add up to 1,000,000 Euro, and send an invoice for that amount.

When the consulting firm partners heard this story, they stood in the middle of a room, with no furniture. They were told to think individually about the decision for a brief moment, and then decide to move to one of three corners of the room, each representing the three options the project manager faced. The outcome was that all three options received considerable support, as the partners placed themselves evenly in the three available corners.

The participants in this exercise had to make a decision without full information about the situation, and the differences in their behavior may be due to variations in how they interpreted it. It is unclear what sort of contract the company had with the client, whether it was a fixed price contract or one where the price would be calculated retrospectively, when the actual number of hours was known. Those who moved to the A corner may have interpreted the situation to be of the former kind, while those who moved to corners B and C may have interpreted it to be of the latter kind. In the ensuing discussion, it became clear that the company could face situations of this nature, where there was ambiguity in the contract and in the expectations from the client. There was also disagreement about how openly they would and should share information about working hours with the client. What should the project manager say to the client if she sent a 1,000,000 Euro invoice and the client later inquired about the number of working hours? One partner claimed that this provided an opportunity to demonstrate client loyalty. A combination of transparency and an invoice for the lowest sum could generate more work for the same client at a later stage. In terms from the Navigation Wheel, it made good economic and reputational sense to share information with the client and invoice for 700,000 Euro.

The project manager in the example faces a conflict of interest situation, where she must choose between prioritizing the client's interest or her company's interest. As a provider of professional services, the company has a primary duty to look after the client's interest, and a secondary duty to serve its own interest. Typically, the client will not have the knowledge or insight necessary to judge whether his or her interest is at the forefront when the provider performs its services. It is difficult for a non-professional to determine whether an accountant, a lawyer, a teacher, a doctor, or a financial advisor delivers work of the required quality and puts client interest first. Due to the knowledge gap, the professional can often give priority to his or her own interest, without much fear of detection.

Nanda (2002) places conflict of interest at the core of ethics in professions, and emphasizes how information asymmetry and knowledge gaps can create temptations to give priority to self-interest over client interest. It is one thing to be transparent and open when the client has the resources critically to evaluate what you are doing, and quite another thing to be so when the client is wholly lacking in professional knowledge. The pattern is present in private as well as public services, and is a pervasive feature whenever someone with a specialized and superior knowledge offers to look after less qualified people's interests and needs. Some professions operate with more or less explicit pledges to the clients not to do exploit the knowledge gap. "Trust me; although my own self-interest might dictate other actions, I undertake to serve in your best interest." Doctors and lawyers are among the professions who have institutionalized pledges of this kind. In other professions, there is more of an implicit expectancy that the client gets what he or she needs, and that professional decisions are not dictated by the professional's self-interest.

Accountants are supposed to look after not only their clients' interest, but also the interest of other stakeholders who depend on correct financial information from the clients. In the Enron case, the accountants in Arthur Andersen assisted their client in hiding financial losses, by using mark-to-market accounting (McLean & Elkind, 2003). By applying this accounting method, Enron could hide losses and appear to be a more profitable company than it actually was. In the aftermath of the collapse of both Enron and its accounting firm, new legislation forced the companies to implement stricter and more reliable accounting practices. What remains unchanged, however, is a system where accountants are supposed to control and be critical of financial information coming from clients who pay their fees to do so. The system can be likened to one where athletes pay their own doping controllers, and have the freedom to sack them and hire new ones if they are not satisfied with the service they get. In sports, a system of this kind would be unacceptable, since it would lead to doubt about the reliability and objectivity of the controls. The doping controllers would be under pressure to look the other way when the athletes were preparing for competition, since they otherwise risked losing their jobs. With the principle of equality in hand, we can challenge the accountants to identify the morally relevant difference between their own relation to clients, and that of doping controllers' relation to athletes under such a system. If the system is unacceptable in sports, it is equally so in finance, unless there is a morally relevant difference between them. I have yet to hear an adequate explanation of how accounting is different from the hypothetical sports system outlined here.

Ethics training with professionals and with students who are preparing to become professionals generally take the form of teaching them ways to analyze moral dilemmas. They become familiar with the Navigation Wheel and other tools to weight and consider the alternatives open to them in a moral dilemma. I contribute to such learning processes, and see the practical use of teaching the participants to think clearly about their options, in the light of ethical concepts and theories. However, the most challenging situations individual professionals or groups of professionals meet may not be ones where it is intellectually hard to identify the right choice. It may instead be situations where they have to recognize and deal with conflicts of interest, as when the client demands that an accountant accepts a dubious form of financial reporting, and threatens to go to another accountant if he does not get his way. These situations are not real moral dilemmas, since they do not constitute a choice between moral values that are more or less on equal footing. Instead, they are false dilemmas, temptations to do wrong rather than right.

The financial sector has been under scrutiny for dubious handlings of conflict of interest. To what extent can the client of a financial advisor expect to receive services that put his or her interests at the forefront? Greg Smith added fuel to the criticism of the financial sector when he quit his job as an executive at the investment bank Goldman Sachs and published his resignation letter in the *New York Times* (Smith, 2012a). Smith had been an employee at the bank for twelve years, and wrote that he had "always taken a lot of pride in advising my clients to do what I believe is right for them, even if it means less money for the firm." It had gradually become more difficult for him to work in accordance with that principle, as the company culture became more toxic and destructive. In the published resignation letter, he wrote:

> I attend derivatives sales meetings where not one single minute is spent asking questions about how we can help clients. It's purely about how we can make the most possible money off of them. If you were an alien from Mars and sat in on one of these meetings, you would believe that a client's success or progress was not part of the thought process at all. It makes me ill how callously people talk about ripping their clients off. (Smith, 2012a)

Smith eventually released a book with his story of why he quit Goldman Sachs (Smith, 2012b) and it generated renewed public skepticism about the handling of conflicts of interest in the financial sector.

Smith's own motivation for going public also came under critical light, as it appeared that he had recently been turned down for promotion and pay raise at the company. Former colleagues claimed that his criticism was unfounded, and that it merely was an expression of frustration over the slowness of his own career movements at the bank. It seemed that he would have been able to tolerate the alleged company culture of ripping off clients, if only his pay and position in the company had been high enough (Schatzker & Ruhle, 2012). Although Smith's motives for publicly criticizing his former employer can be questioned, he did draw attention to how easy it can be for financial advisors to prioritize self-interest over client interest, without fear of detection.

The crucial issue when it comes to conflict of interest, in finance and elsewhere, is incentives. My own impression based on a range of dialogues with financial advisors in Norway is that there is a tension between the official claim that client interests come first, and the practical incentives in the industry. Top management in the banks claim that things have improved after the financial crisis in 2008, and the documentation of sales of dubious financial products to clients. Post-crisis I have had sessions with financial advisors and asked them if they would ever advise someone to make a financial transaction that is best for him or her (the client), and only second best for the financial institution. The question promotes hesitancy and reflection, and I try to be more concrete, by using the example from the first chapter in this book: A client has recently inherited

200,000 Euro from a relative, and comes for financial advice. The considered opinion of the financial advisor is that the smartest thing this person can do is to use the entire sum to reduce her debt. This option generates no income to the financial institution, and not personal bonus to the advisor. The pressure is on to get the client to buy a financial product and it is likely that the advice will be to do just that, particularly if the client is a financial novice and will be unable to evaluate the professional quality of the advice.

If top management in professional services organizations really want to signal that client interest comes first, they need to go over incentive systems in detail, and make sure they do not generate temptations to prioritize self-interest over client interest. They also need to demonstrate a willingness in concrete situations to forgo company and personal profits at the expense of what is best for the client. Another option in the financial sector is to change the label on the individuals who are in dialogue with clients about what they ought to do with their money from financial advisor to financial salesperson. That would make it clear to people who turn up to have a conversation about their economy that they cannot expect client-oriented behavior from the person on the other side of the table, but instead a presentation of financial products that person has an interest in selling.

I have discussed conflict of interest with a range of professionals, among them dentists. In 2011, the Norwegian Consumer Council cooperated with the Faculty of Odontology at the University of Oslo to test the professional advice given by dentists in the Oslo area (Forbrukerrådet, 2011). Four patients first had their teeth analyzed by professors of odontology, and then went to 20 different dentists (five each) to ask for analysis and a written recommendation for treatment. The results showed considerable differences in the treatment suggested by the dentists. Patients experienced pushy professionals, dentists who wanted to start treatment immediately, even if the problems were of the sort that according to the prior analysis should be treated at a later stage. Dentists failed to distinguish clearly between tooth issues that must, should and could be treated, three categories that the health authorities require dentists to operate with. One of the patients got recommendation from one dentist to nothing with her teeth, and recommendation for treatment costing 3000 Euro from another. Only three of the 20 dentists passed the test of giving adequate recommendations for treatment.

In ethics sessions with dentists I have asked them to identify situations where conflict of interest can be a challenge for them (Kvalnes, 2015). One of them answered: "For someone who is good with the hammer, everything looks like a nail." His point was that a dentist will prefer to use the method he or she prefers, rather than the method best suited to remedy the particular patient's problem. Dentists in the private sector have economic incentives to change old fillings, and may suggest doing that even in situations where the best thing for the patient is to leave them as they are. Dentists in the public sector do not have incentives to over-treat their patients, but may instead have a personal interest in undertreating a patient. The patient may be uncooperative and difficult, and the dentist can be tempted to say that there is nothing wrong with his or her teeth. Even in this profession, the knowledge gap creates situations where there is a discrepancy between the professional's interest and the client's interest, and the former can prioritize as he or she chooses, without being found out by the latter.

How can business schools and other educational institutions prepare students for conflict of interest situations? How can they create awareness of the moral obligation to prioritize the client's interest over self-interest? Integrating ethics in professions in the curriculum can be one significant step, but may not be sufficient. Sumantra Ghoshal has argued that business schools need to revise radically the theories about human nature that students hear in the auditoriums (Ghoshal, 2005). He is critical of what he calls the basic assumption of mainstream economics, which is that human beings are self-interest maximizers. The teachers at business schools tell their students that a rational human being will analyze each situation in terms of "what's in it for me?" and choose the option that they believe will serve their self-interest. Repeated mentions of the so-called Homo Economicus assumption can make it come true:

> If a theory assumes that the sun goes round the earth, it does not change what the sun actually does. So, if the theory is wrong, the truth is preserved for discovery by someone else. In contrast, a management theory—if it gains sufficient currency—changes the behaviors of managers who start acting in accordance with the theory. A theory that assumes that people can behave opportunistically and draws its conclusions for managing people from that assumption can induce managerial actions that are likely to enhance opportunistic behavior among people. (Ghoshal, 2005, p. 77)

Theories about human beings, then, can actually have an impact on the object of research. They can become self-fulfilling. Empirical studies show that business-school students do indeed tend to live and decide in accordance with the theory that human beings are self-interest maximizers (Ferraro, Pfeffer, & Sutton, 2005; Gandal, Roccas, Sagiv, & Wrzesniewski, 2005; Molinsky, Grant, & Margolis, 2012). The educational systems need to take this tendency seriously. Ghoshal argues that adding ethics courses to the curriculum is not sufficient, since faculty keeps the Homo Economicus assumption alive in the standards courses in economics. His contribution sparked a debate about the effects of teaching and theory on business-school students (Gapper, 2005; Hambrick, 2005; Kanter, 2005). Here we can add that students who learn that it is always rational to prioritize self-interest will be badly equipped to decide and act responsibly in conflict of interest situations.

The behavioral psychologist Dan Ariely tells an interesting personal story about conflict of interest in a public talk on honesty (Ariely, 2012). He was badly burnt in an accident many years ago, and his story about conflict of interest is about what happened when he went to the hospital to see a physician who has treated him over a long period of time. On this visit, the physician introduced him to a new treatment that he thought would be ideal for Ariely. It consisted in using technology to tattoo artificial stubbles on the blank parts of his facial skin, making him look more symmetrical. The physician showed him pictures of two patients who have taken the treatment already, and demonstrated the likeness between the real stubbles and the artificial ones. After careful consideration, Ariely decided not to go for this treatment. His answer provoked a shocking response from the physician, who verbally attacked his patient and tried to instill guilt in him. Ariely could not understand the fierceness of this response. He asked a hospital deputy about it, who explained that the physician was working on an academic paper about the treatment, and urgently needed a third patient to take it in order to make the paper publishable in a prestigious journal. That was his motivation for putting pressure on his asymmetrical patient. Ariely sees this as an example of how an excellent physician and a wonderful human being can become a prisoner of his own conflict of interest, trying to coerce his patient into doing something that is good for physician and not for the patient (Ariely, 2012).

A traditional approach to ethics in organizations is that people of weak moral character are the primary cause of misbehavior in the workplace. In the category of moral culprits at work, we find the financial advisor who sells products to a client who would have been better off reducing her debt, the dentists who deliberately either over- or undertreat their patients, and the physician who tries to coerce a patient to tattoo stubble on his cheeks. One view, then, is that these people are morally deviant and weak, lacking the personal moral fiber to withstand temptations. In the next chapter we shall see that this character approach comes under pressure from experimental studies in social psychology and behavioral economics, which indicate that circumstances have at least as much predictive power as character. The people who are guilty of wrongdoing at work can be ordinary leaders and employees, with ordinary moral standards and convictions. Experiments in this research stream give us reasons to doubt that weak moral character is the most plausible explanation to moral misbehavior in organizations. Rather, moral wrongdoing at work is something anyone can become involved in, if they are unfortunate with the circumstances they encounter, and the support, encouragement and critical feedback they get from colleagues in their working environment.

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CHAPTER 12

Character and Circumstances

Abstract In the tradition of virtue ethics, moral wrongdoing at work and elsewhere is explained in terms of weakness of character. In this view, a person who prioritizes self-interest over client interest and engages in other kinds of moral transgressions exposes him or herself to be someone of dubious moral character. A response within this tradition to ethical scandals in business has been to call for authentic leadership exercised by individuals who consistently embody firmness of character. Experimental studies in social and moral psychology have put the virtue of ethical assumptions regarding moral wrongdoing under pressure and have suggested that circumstances affect decision-making and conduct to a high degree. An empirically oriented ethics in organizations should take into account that character and circumstances both affect conduct. When morally questionable behavior in professions and organizations is exposed, it is not enough to simply sack the culprits and replace them with morally clean and authentic individuals. Earmarking leadership for morally strong and authentic individuals may be an outdated construct. Circumstances, often in the shape of incentives and decision-making structures, are significant causes of wrongdoing, and revising them appears to be the most promising measure to encourage responsible and fair decision-making within organizations.

Keywords Character • Circumstances • Authentic leadership • Honesty

Ø. Kvalnes, *Moral Reasoning at Work*,
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All members of an organization frequently face decisions, from real to false moral dilemmas. In some cases, it can be a struggle to decide what is the morally right or the least morally wrong option, as all available options involve a sacrifice of considerable moral importance. In other cases, it is obvious to the decision-maker what he or she should do from a moral point of view, but it is tempting to do act in another way so as to enhance self-interest in some way. The financial advisor needs another big sale before Monday's meeting with her supervisor, and the client who just walked in the door is both rich from a new inheritance and blind to economic realities.

As a client, customer, or patient, you hope that professionals provide advice based on what is in your best interest, and not necessarily in the professional's own interest. In this chapter, I explore two alternative approaches to what that hope of experiencing responsible conduct in organizations can build upon. The first approach maintains that the foundation for such conduct is the character of decision-makers: Professionals and their leaders need to consistently embody the principles of integrity, responsibility, compassion, and forgiveness to behave decently at work (Kiel, 2015). When a person fails or struggles to live in accordance with these principles, it is a sign of personal moral weakness. Such a person must work on his or her moral constitution or, alternatively, find work elsewhere in a position in which his or her personal moral shortcomings cannot lead to serious moral wrongdoing. The second approach claims that people should be less concerned about character and more concerned about circumstances. A range of studies in social psychology and behavioral economics document that aspects of the situation have a strong impact on whether a person engages in moral misconduct (Ariely, 2012; Baron, 1997; Doris, 2002; Isen, 1987; Mazar & Ariely, 2010). The social environment and events within it affect decision-making and conduct to a stronger degree than what the character perspective typically acknowledges.

Virtue ethics has identified the central, individual factor concerning ethical decision-making to be a person's moral character or set of stable and reliable virtues. A person of strong character can withstand temptations to engage in wrongdoing, while a person of weak character is unreliable in this sense. In the aftermath of recent scandals of corporate moral wrongdoing, virtue ethics has influenced significant developments in organizational ethics and leadership studies. Concerned scholars and practitioners have responded to the widespread examples of immoral behavior among leaders and professionals by promoting ideals of authentic leadership (Avolio & Gardner, 2005; Gardner, Cogliser, Davis, & Dickens, 2011).

One basic assumption in this research field is that great leadership requires great character (Kiel, 2015). In this view, leaders need to consistently embody virtuous character traits in their everyday dealings with employees and other stakeholders. By doing so, they can serve as good role models within their organizations and contribute to normalizing responsible workplace behavior. Kiel (2015) suggests that leaders of morally strong character generate more income for their companies. However, this causal relationship may go the other way as well. The study in question documents that companies with leaders who are perceived to be morally strong outperform those with leaders who are perceived to be morally weak; however, it may be easier to embody virtuous character traits when you are in charge of a successful company rather than a struggling one in which you can have economic incentives to cut corners.

Authentic leadership is another concept used to identify what organizations should look for when recruiting leaders to top positions (Avolio & Gardner, 2005; Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008). Authentic leaders have been defined as "those who are deeply aware of how they think and behave and are perceived by others as being aware of their own and others' values/moral perspectives, knowledge, and strengths; aware of the context in which they operate; and who are confident, hopeful, optimistic, resilient, and of high moral character" (Avolio, Luthans, & Walumbwa, 2004, p. 4).

I have previously discussed authentic leadership in the context of how leaders respond to the dilemma of providing a reference for an employee who has caused conflict within the organization, in which lying or being economical with the truth can strengthen the likelihood that the employee will get a new job (Kvalnes, 2014). This chapter expands on the reflections in that study, which defined the authentic person as someone with a high degree of self-awareness who acts in accordance with his or her true self by expressing what he or she genuinely thinks and believes. Authenticity in this sense can be linked to Aristotelian virtue ethics with its emphasis on self-realization and well-being—eudaemonia—as a state of happiness where the person acts and lives in accordance with who he or she really is. The central component of eudaemonia is the exercise of virtues. Only people who possess virtues, like courage, honesty, and loyalty, will truly flourish and be happy in the eudaemonian sense. The virtuous person has a particular mind-set, a deeply entrenched set of dispositions to act and respond to situations in a particular way that is guided by virtue.

A truly honest leader does not lie in the reference situation, even though he or she has strong, self-interested reasons to do so. When this leader tells the truth, it is not out of blind habit, because it is the best way to make a good impression on others, or out of fear of the consequences of being caught in a lie. Rather, this leader believes that truth is a particularly strong—if not always overriding—reason for honesty. Although he or she understands that a lie may increase the likelihood of unloading a problem employee, virtue overrides such reasoning. Similarly, a virtuous financial advisor considers "this is the impartial and honest advice for my client" to be a particularly strong reason for providing that particular advice to the client, overriding self-interest and other considerations. The smartest action that the client can take is to reduce personal debt, so that is what the virtuous financial advisor suggests, even if it is not necessarily a profitable option for the advisor or for his or her employer.

Virtue can come in degrees. Aristotle distinguished between full virtue, in which an honest person tells the truth without experiencing any trace of a contrary temptation to lie, and less than full virtue, in which the person telling the truth has to overcome a desire to do otherwise (Aristotle, 2011). The latter is also an honest person as long as the reasons for telling the truth are not opportunistic but based on a conviction that telling the truth is the morally right option. Immanuel Kant considered the act of overcoming one's desires so as to behave in the right way as more worthy of praise than acts in which there is full harmony between reason and inclination and in which the decision-maker behaves correctly and without inner struggle (Kant, 1998 [1785]).

A virtue in the Aristotelian sense has four elements, in that it affects a person's intellectual, emotional, motivational, and behavioral responses to a particular situation (Alzola, 2015; Aristotle, 2011). When faced with an opportunity to get rid of a quarrelsome employee by lying, the virtuous leader is capable of understanding that it would be wrong to lie (intellectual element), is not tempted to do so (emotional element), stands firm against any pressure to deviate from this understanding (motivational element), and responds in the appropriate manner when the situation arises (behavioral element). The behavioral element builds on the other three elements in guiding the virtuous leader's decision-making.

Various accounts of authentic leadership share with virtue ethics an assumption about firmness of character. How will the leader respond to an opportunity to earn quick money by acting against his or her moral convictions? The standard answer from virtue ethics is that it depends on the stability and robustness of leader's character. If he or she is an authentic leader, or so the contributors to this field of research argue, internal moral standards will guide his or her decisions and conduct. The intellectual, emotional, motivational, and behavioral elements of virtue steer the decision-maker in the morally right direction.

Empirical research in social psychology and behavioral economics indicates that the character-oriented approach has underestimated how circumstances affect decision-making. Situational circumstances often appear to override character in affecting a person's response to a moral challenge. A range of experiments has demonstrated that circumstances influence what people actually do when they face a moral test. One study demonstrated that helping behavior toward strangers in a supermarket, in the form of retrieving a dropped pen or providing change for a coin, increased when the decision-makers were exposed to pleasant fragrances (Baron, 1997). A range of studies have indicated that honesty levels can be manipulated by making changes to the circumstances (Ariely, 2012). For example, students who have recently been reminded of the Ten Commandments are much less likely to cheat than those who have not (Mazar & Ariely, 2010). Doris (2002) has outlined how these and similar studies indicate the need for more empirically informed ethics that give appropriate weight to what empirical research has shown regarding the influence of circumstances on decision-making.

From an organizational perspective, one of the most optimistic tendencies in the research is that moral reminders can serve to encourage ethical behavior. That is the conclusion Mazar and Ariely (2010) drew from their study of honesty among students. Similarly, Desai and Kouchaki (2017) explored how exposure to what they call moral symbols can serve as "a necklace of garlic" against unethical behavior in organizations. In traditional horror stories, garlic serves to keep vampires at a distance. The authors set out to determine whether encounters with symbols that are designed to activate moral awareness, such as a cross, quotes, icons, and photos of moral prototypes, like Mahatma Gandhi, can influence decision-making. More specifically, they were interested in whether subordinates can use moral symbols to discourage their superiors from asking them to perform unethical tasks. Their bottom-up perspective deviates from most other studies of superior-subordinate relationships, which are top-down and tend to focus on how superiors affect the decision-making of subordinates. Their main findings from five laboratory studies and one organizational survey study is that exposure to moral symbols dissuades superiors both from engaging in unethical behaviors themselves and asking their subordinates to engage in unethical behavior (Desai & Kouchaki, 2017).

Circumstances seem to have a more profound influence on conduct and decision-making than character approaches typically acknowledge, and moral symbols can serve as activate considerations about right and wrong. Some of the participants in my ethics training sessions have reported that they have taken photocopies of the Navigation Wheel and distributed them among colleagues. They use it as a moral symbol, an activator of moral awareness and concerns, in line with the definition of Desai and Kouchaki (2017). It seems that such an initiative can serve a positive purpose beyond being a tool for ethical analysis. Seeing the Navigation Wheel on one's desk or on the wall in the office may serve as a modest reminder of the normative dimensions of decision-making and, as such, be a circumstantial component in a work environment where employees are expected to behave responsibly. The cognitive purpose of the Navigation Wheel and similar tools is to assist analysis of complex situations; its emotional and motivational purposes can be to serve as a moral reminder and as an activator.

In a study of the financial crisis in Iceland, Nordal and I reflected on the consequences of adapting a character or a circumstance approach to moral wrongdoing (Kvalnes & Nordal, 2018). In that country, a character approach has dominated the responses to the misbehavior that produced the crisis, leading to an apparently permanent sidelining of people who made moral mistakes and misbehaved in the processes leading up to it. A handful of bankers and politicians have been labeled as permanently untrustworthy due to their involvement in questionable behavior. With this approach, the dominant remedy against further wrongdoing is to dismiss those individuals and replace them with new ones while keeping the system more or less intact. A circumstance approach would suggest that it is crucial to explore how organizational procedures and structures affected the decision-making that led to the financial crisis. Simply substituting the people who were responsible for the collapse and only making cosmetic systemic changes is not likely to prevent further trouble in the Icelandic financial sector (Kvalnes, 2017; Kvalnes & Nordal, 2018).

Tensions between character and circumstance approaches to wrongdoing have also been a featured in criminology. Criminals have traditionally been identified as "insane, inadequate, immoral, impulsive, egocentric" despite a lack of evidence to support such assumptions (Coleman, 1989, p. 200). The criminologists Sykes and Matza (1957) developed an alternative model for understanding criminal activities. Their main hypothesis was that criminals were committed to more or less the same moral standards and norms as their fellow noncriminal citizens. The difference was that the criminals had managed to convince themselves that breaking the law was acceptable through processes of what the authors called moral neutralization.

In the next chapter, I argue that organizational ethics can benefit from adopting a similar way of understanding wrongdoing. By doing so, the field can move beyond the call for authentic leadership and firm character by providing supplementary emphasis on how people can shape organizational cultures to be alert against attempts of moral neutralization.

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CHAPTER 13

Moral Neutralization

Abstract The criminologists Sykes and Matza developed a conceptual framework for explaining and understanding juvenile delinquency. They challenged the virtue ethical assumption that criminals are primarily morally deviant individuals and instead suggested that crimes can be the result of processes in which individuals with ordinary moral beliefs and convictions were able to convince themselves that their actions are morally acceptable. This chapter adopts a similar approach to moral wrongdoing in organizations and explains how it can be a process in which initial moral dissonance gives way to acceptance through a process of moral neutralization. Sykes and Matza defined five techniques juvenile delinquents applied to overcome the queasiness of acting against their moral convictions: denial of responsibility, denial of injury, denial of victim, condemnation of condemners, and appeal to higher loyalty. All these techniques can be employed in workplaces where people experience dissonance between their moral beliefs and what they are tempted or ordered to do. A significant dimension of ethics in organizations is being alert to neutralization attempts and being ready to challenge and question them.

Keywords Moral dissonance • Moral neutralization • Reflective equilibrium • Moral licensing

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The concept of moral neutralization derived from criminology can contribute to the understanding of wrongdoing in organizations. Heath (2008) has argued that straightforward criminality has been at the core of the dramatic events that sparked renewed interest in business ethics:

> (A)ll the talk of "ethical scandals" in the early years of the twenty-first century has been very misleading, since what really took place at corporations like Enron, Worldcom, Parmalat and elsewhere was, first and foremost, an outbreak of high-level, large-scale white collar crime. (p. 595)

Heath goes on to argue that business and organizational ethics can learn from criminology in trying to understand the reasoning and motivation of people who have been involved in wrongdoing.

In this chapter, I pursue Heath's suggestion and apply concepts from criminology to highlight how moral misbehavior in and from organizations can come about. Its main assumption is such behavior arises from a process in which the decision-makers initially discover that the alternatives they contemplate are in conflict with their moral convictions but nevertheless go on to find excuses and justifications for going ahead with them. Once they have convinced themselves of their actions' rightness, it can lead to further activities of the same kind. The process can include three steps:

1. Moral dissonance: The alternative under consideration conflicts with the decision-maker's moral beliefs and convictions.
2. Moral neutralization: The decision-maker seeks release from moral dissonance by challenging the initial conflict between the general moral beliefs and the present alternative by finding excuses and justifications that place the decision in a more harmonious light.
3. Normalization of questionable behavior: Once the decision-maker has neutralized the moral dissonance and chosen the alternative that caused it, a new pathway for dealing with such situations can be put in place and set the context for further misbehavior.

I previously applied the three-step model in a study of customer behavior in insurance (Kvalnes, 2011), an investigation of leader behaviors in reference situations (Kvalnes, 2014b), a study of moral fallibility (Kvalnes, 2017), a conceptual account of honesty issues in projects (Kvalnes, 2014a), and with Nordal in work on the causes of the financial crisis in Iceland

(Kvalnes & Nordal, 2018). In the current chapter, I build on and develop the conceptual groundwork from those studies.

The three-step pattern can occur in a range of settings. In business contexts, it occurs among suppliers and their individual and organizational customers. Some of the most celebrated and valued products of this era depend on production methods that initially create moral dissonance. Cobalt used in smartphones' and electric vehicles' lithium batteries is mined under socially and environmentally hazardous conditions in the Democratic Republic of the Congo and other countries (Frankel, 2016; Sadof, Mucha, & Frankel, 2018). Child and adult miners entering the cobalt mines are exposed to extreme working conditions that pose a serious threat to their health and security. The pollution of the local environment is also considerable. These facts can create moral dissonance among suppliers and customers, but people skillfully maneuver out of that condition by finding excuses that neutralize their discomfort, thus paving the way for the normalization of questionable behavior.

Normalization of questionable behavior is a concept derived from Donaldson's study (2012) of the root causes of the 2008 financial crisis. He likens it to the phenomenon of normalization of danger, in which people who live with and experience dangerous conditions gradually come to see them as a part of their everyday environment and cease to be bothered by them (Donaldson, 2012). In the financial crisis context, he states that "bad practices can become institutionalized, and initial queasiness gives way to industry-wide acceptance" (Donaldson, 2012, p. 6). "Queasiness" in this quote is equivalent to what I call moral dissonance.

Sykes and Matza (1957) introduced the concept of neutralization in connection with studies of juvenile delinquency. They interviewed young criminals to map and investigate their moral reasoning. Through this process, they identified five categories of techniques offenders use to neutralize and deny their actions' wrongness: denial of responsibility, denial of injury, denial of victim, condemnation of condemners, and appeal to higher loyalties. I will present them in more detail below.

A person can face a situation in which he or she is either tempted or ordered to act in a way that conflicts with his or her moral convictions and therefore experience moral dissonance. The concept of moral neutralization depicts the cognitive process of convincing oneself that choosing that alternative is morally acceptable after all. It has been adapted in a range of research contexts, in studies of justifications of tax evasion (Thurman, John, & Riggs, 1984), normalization of corruption (Ashforth & Anand, 2003), insurance customer dishonesty (Brinkmann, 2005), software piracy (Bhal & Leekha, 2008; Siponen, Vance, & Willison, 2012), consumption of counterfeit luxury goods (Bian, Wang, Smith, & Yannopoulou, 2016), misconduct in marketing (Vitell & Grove, 1987), and unethical behavior intended to benefit one's own organization (Umphress, Bingham, & Mitchell, 2010). The basic assumption about moral neutralization in the tradition after Sykes and Matza is that "people do not ordinarily engage in reprehensible conduct until they have justified to themselves the rightness of their actions" (Bandura, Barbaranelli, Caprara, & Pastorelli, 1996, p. 365).

Moral dissonance occurs when a conflict arises between a particular course of action and the decision-maker's moral convictions. In music, dissonance is the simultaneous emission of two or more disharmonious sounds. The general term of cognitive dissonance applies to the discomfort of holding conflicting cognitions. Festinger, Riecken, and Schachter (1956) introduced it in their exploration of the cognitive struggles of a UFO cult whose members believed in an impending apocalypse and had to take in a reality in which it did not happen. Their general apocalyptic belief did not match their perceptions of what actually took place in the world.

Moral dissonance can occur in a range of social settings in which the decision-making takes place on an individual, group, or organizational level:

- A morally conscientious athlete faces an opportunity to use illegal drugs to improve performances. Her coach recommends that she take it. Should she do it?
- Socially and environmentally conscious parents hear from their daughter that she is now alone among her friends in not having a smartphone, a product based on dubious cobalt production in the Democratic Republic of the Congo. Should they buy one for her?
- Your favorite social media platform has been exposed as sharing user data with third parties, making it possible to manipulate information for political and marketing purposes. Should you ignore this information and continue to use it?
- You have agreed to be the reference person for a quarrelsome colleague who has applied for a job elsewhere. Your boss has instructed you to keep quiet and if necessary lie about the employee's social abilities to increase the chances that the colleague disappears from your organization. Should you obey?

- The board of a football club can bolster the ambitious plans to win competitions and titles by accepting an offer of a fresh influx of cash from powerful and wealthy people based in a country with a poor human rights record. Should they accept it?
- Executives at a bank see that they are lagging behind competitors because of a reluctance to use more aggressive sales methods designed to exploit the customers' limited understanding of financial affairs and consider a change in practice in the direction of what the competitors are doing. Would that be appropriate?
- A car manufacturer has ambitions to enter the American market with a new car equipped with a diesel engine. Leaders in the company are concerned that the engine will not meet the strict emission standards and order their engineers to find a solution. A group of engineers comes up with a plan to design an engine that will meet the emission standards during laboratory testing but create 40 times more pollution during real-world driving. Should they pursue that alternative?

In these examples, the decision-makers are likely to experience moral discomfort or dissonance at the thought of pursuing the alternative and acting against their own moral convictions. They also fit under the description of false dilemmas, discussed earlier in this book. If the decision-makers are guided by their moral convictions in responding to these alternatives, what they ought to do is clear. However, aspects of the situation encourage them to act against those convictions.

Moral dissonance occurs in the absence of what Rawls (1971) calls reflective equilibrium. His assumption is that, when people make moral judgments about a particular issue, they compare actions to a general standard of what is morally right and wrong in such situations. People seek coherence between moral beliefs about a particular situation and general moral beliefs about how to behave in such situations. The principle of equality guides reflections of this kind as people try to achieve internal balance and equilibrium. When a breakdown occurs in this attempt to reconcile the particular and the general, people experience moral dissonance.

Temptation to act in ways that conflict with one's moral convictions generates moral dissonance. However, moral dissonance can occur without temptation, as in one of the examples above in which a superior instructed an employee to lie in a reference conversation. Participants in Milgram's experiment on obedience to authority experienced an intense moral discomfort in obeying orders to inflict pain on another human being (Milgram 1963). They, too, faced moral dissonance, a clash between their moral convictions and the moral aspect of what they were ordered to do. Similarly, in business settings, employees can receive orders from their superiors to engage in sales and marketing practices that go against what they consider morally acceptable.

Who normally experiences moral dissonance? In teaching sessions, Nigel Krishna Iyer and I have approached this question by placing them in the middle between two kinds of people who are not bothered by this particular kind of cognitive dissonance (Iyer & Kvalnes, 2012):

- The moral saint: A person who hardly ever acts immorally and frequently goes beyond moral expectations to be of service to others.
- The moral cynic: A person who regularly shows a disregard for moral considerations in the pursuit of his or her goals and shows minimal concern for other people's well-being.

In between these extremes, then, there is the following:

- The moral doubter: A person who strives to live in accordance with his moral beliefs and convictions but can experience temptations to do otherwise.

Wolf (1982) has highlighted the problematic aspects of being a moral saint, in which being supremely moral is the main life project and overshadows all other projects. Moral saints seem to belittle the activities that others enjoy simply for the sake of doing them, although they do not contribute to others' well-being. Neither the consistent moral saint nor the consistent moral cynic are bothered much by moral dissonance—the former because the morally wrong alternatives seldom or never occur as real options, and the latter because he or she lacks qualms about acting in opposition to ordinary moral considerations. The moral doubter is primarily genuinely uncertain about whether to act against his or her own moral convictions and can experience moral dissonance.

When people experience moral dissonance, the two main options available are to side with moral convictions (and thus to dismiss the alternative that causes the dissonance) and to attempt to neutralize the discomfort. When people choose the latter, their moral reasoning can follow the pattern outlined in the five neutralization techniques that Sykes and Matza (1957) identified.

Denial of Responsibility

The decision-maker claims that one or more of the conditions for responsible agency are absent. Forces beyond his or her control rule out genuine decision-making and the freedom to choose. The decision-maker sees himself or herself as "helplessly propelled into new situations" and "more acted upon than acting" (Sykes & Matza, 1957, p. 667). In business, this technique can take the expression of the person presenting himself as a pawn on a chess board, moved around by his or her superiors. The truly responsible people are making the decisions. When employees in a Norwegian waste management company were confronted with the fact that they had allowed industry clients to dump hazardous waste in nature, one of their responses was that they had simply been following orders from their superiors and therefore were not responsible (Kvalnes, 2017; Serafeim & Gombos, 2015).

With this neutralization technique, people claim that it is senseless to be morally critical of what they are doing. Behavior can be seen as a natural phenomenon, similar to a gushing storm, a tsunami, or a fight among animals. In the Iceland study, Nordal and I found that bankers who came under criticism for their behavior leading up to the collapse of the banks compared their working conditions to being out in a boat during a storm, when people will instinctively do whatever they can to survive. Forces beyond their control dictated the events (Kvalnes & Nordal, 2018). Even in this material, some decision-makers excused their own behavior by claiming that they had only been following orders from their leaders.

Leaders who defend lying in reference situations do not appeal to natural forces but more to necessity and business logic. It is what everybody in a competitive market would do, so it makes little sense to point a blaming finger at them or hold them morally responsible (Kvalnes, 2014b).

Denial of Injury

With this neutralization technique, the decision-maker attempts to minimize or deny the fact that the act in question will create any harm. An individual can claim that whether he or she buys that particular smartphone will not make a discernible difference to anyone. The impact of that small and isolated act is minimal. One particular act's negative consequences can be spread so thinly onto a very large number of people that it makes little sense to talk of causal infliction of injury.

In moral philosophy, Parfit (1984) discussed the prevalence of denial of injury justifications at length. He claims that people are morally responsible for the sum of the negative consequences they bring about, even when those consequences are individually imperceptible to those affected by people's conduct. A driver may argue that the negative consequences of the pollution coming from his or her car are spread very thinly over a large number of people. No one will notice a positive change if this particular car user decides to walk or use a bike to work instead of driving. Thus, the car user may argue it is pointless from a pollution perspective for him or her to quit driving. A similar argument can be made by someone who buys a smartphone containing lithium batteries made with dubiously mined cobalt. If he or she decides not to purchase such a phone, it will not make a discernible difference to any particular individuals, so refraining is pointless.

Parfit (1984) challenges this line of thinking and argues that people are responsible for the sum of their actions' negative consequences irrespective of whether they are thinly or heavily distributed to other people. An individual can cause a considerable amount of injury, even in cases in which no one will notice that he or she stops performing the actions that have caused such injury.

Denial of Victims

When using this neutralization technique, the decision-maker can acknowledge that his or her actions will have some negative impact but claim that the injured party does not deserve moral protection. Those affected have only themselves to blame. Either they were the ones who started it or they engage in similar conduct themselves or would have done the same if they had been in a position to do so. Employees who experience poor treatment from their employers often employ this technique when they convince themselves that they are not really being immoral when they act against the employer's interest; rather, they are restoring justice (Hollinger & Clark, 1983). Ariely (2012) has identified a similar phenomenon when informants who participate in experiments are deliberately treated with some degree of disrespect. When they get a chance to cheat, they do so and seem to think that they are entitled to do it to restore moral balance and order.

In the study of lying in reference situations, this argument proved to be prevalent. Participants argued that any representative of a competitive company would do his or her best to offload a quarrelsome employee and therefore would be ready to lie about the person's social abilities. The excuse for doing so was the assumption that he or she would have done the same and thus is not a victim—and does not deserve moral protection (Kvalnes, 2014b).

Even with denial of victim, Parfit's (1984) argument regarding distribution of negative consequences is relevant. It is tempting to say that because nobody will notice that one quits driving, refrains from buying a smartphone, or more generally stops performing some other action that has negative consequences that are imperceptible to the individuals experiencing them, there can be no real victim. In Parfit's line of thinking, there can be numerous victims, even if none of them will notice when someone decides to leave a car in the garage or refuse to buy a new smartphone.

In Kvalnes (2014b), I used one of Parfit's (1984) examples to illustrate the combination of the techniques of denial of injury and denial of victim: In the bad old days, each of a thousand torturers inflicted severe pain on one particular victim. If one of them stopped, one particular victim would experience a complete freedom from pain. In the vocabulary of this chapter, each of the torturers had to live with moral dissonance, the discrepancy between a general moral belief that one should not inflict pain on others and their professional, everyday duties.

Parfit (1984) proceeded to describe what can be called the "good new days," in which the setup is designed to eliminate moral dissonance for torturers. They are still one thousand in number, and they have one thousand victims. Each torturer now presses a button, thereby turning a switch once on each of a thousand torture instruments attached to the thousand victims. If every torturer does his or her job properly, then each of the victims suffers the same severe pain as the victims in the "bad old days," even as none of the torturers makes any victim's pain perceptibly worse. Each of them can claim with credibility that it would make no perceptible difference to any victim if he or she suddenly refrained from pressing the button. Each can therefore deny that he or she is causing injury and has a victim. Parfit (1984) argued against this line of thinking, claiming that the modern torturers are no less culpable or responsible for causing pain than their predecessors. The new setup is admittedly more sophisticated, but each torturer is responsible for the total amount of pain generated by his or her behavior, irrespective of how it is distributed among victims (Parfit, 1984, p. 80).

Condemnation of the Condemners

This neutralization technique consists of criticizing one's critics with the argument that they fail to understand the dynamics of a particular social practice. The rationale from the decision-maker's perspective is that "by attacking others, the wrongfulness of his own behavior is more easily repressed or lost to view" (Sykes & Matza, 1957, p. 668). The decision-maker can also raise doubts about the condemners' motives for expressing moral condemnation in the first place. Moral concerns thus deflect back onto the condemners. They are the ones with a dubious ideological or moral agenda. This technique can be employed when one faces real critics or an imaginary foil.

Iceland's banking sector had some critical voices in the time leading up to the crisis, but they were silenced or chose to quit their jobs. Their motivation and understanding of the situation was put in doubt, in line with the condemnation of condemners technique (Kvalnes & Nordal, 2018).

Appeal to Higher Loyalties

This is a neutralization technique in which the decision-maker denies that self-interest motivates the decision or act. He or she instead claims to be honoring some other important moral obligation. In business, it can typically be loyalty to one's company, colleagues, employer or employees, or the shareholders. The decision-maker considers them more important in the current context than honesty, fairness, or other moral values. Leaders who are willing to lie in a reference situation typically argue that they owe it to their employer to make sure the difficult employee disappears from the organization (Kvalnes, 2014b). Icelandic bankers claimed that their motivation for engaging in hazardous transactions was to save the organization from bankruptcy (Kvalnes & Nordal, 2018). Waste management employees who offered industrial clients cheap and unsustainable ways to get rid of hazardous waste argued that it generated good business for their employer (Kvalnes, 2017; Serafeim & Gombos, 2015).

In their initial study, Sykes and Matza (1957) identified five neutralization techniques. Other researchers have added to the list. Heath (2008) suggested two more techniques that he thinks are not captured properly by the initial list, calling them "claims of entitlement" and "everyone else is doing it." In the Iceland study, Nordal and I found that many decision-makers neutralized their dissonance by finding ways around existing rules and regulations (Kvalnes & Nordal, 2018). We named this technique the "claim of having breached no rules" and tied it to the concept of loophole ethics discussed in Chap. 10 of this book. Another phenomenon that can be linked to neutralization is that of moral licensing, which occurs when past good deeds liberate people to misbehave, on the assumption that the behaviors balance each other out (Merritt, Effron, & Monin, 2010; Shalvi, Gino, Barkan, & Ayal, 2015).

With each suggested addition to the list of neutralization techniques, it is relevant to question whether it overlaps with one or more techniques on the original list. Kaptein and van Helvoort (2018) have delivered the most comprehensive and systematic suggestion for categorizing neutralization techniques to date. They distinguish between four main categories (distorting the facts, negating the norm, blaming the circumstances, and hiding behind oneself) and have operationalized each of them into three techniques, each of which consists of four subtechniques. The present discussion does not rely on a precise demarcation of the available techniques of moral neutralization. Here it suffices to establish that decision-makers in organizations can overcome initial moral dissonance by engaging in moral neutralization, an activity that can explain the emergence of morally questionable and unacceptable behavior in the workplace.

Processes similar to moral neutralization fit under headings like "moral disengagement" (Bandura et al., 1996) and "self-serving cognitive distortion" (Barriga & Gibbs, 1996). Ribeaud and Eisner (2010) present an overview of the various approaches and discuss the extent to which they are overlapping conceptions dealing with the same phenomenon. The general question uniting them is "Through which cognitive processes can an individual who is generally rule-abiding and compliant with moral standards minimize cognitive dissonance, threats to self-concept, and experiences of moral self-sanction when he or she transgresses those standards?" (Ribeaud & Eisner, 2010, p. 300)

The process in question is different from rationalization because it occurs prior to the action. Ex ante moral neutralization is the cognitive process that lowers the threshold for misbehavior, allowing the person to act against his or her original moral convictions, and ex post rationalization is the person's later attempt to justify the decision to act that way. Sometimes, data about rationalizations can serve as indicators of initial neutralization. In the Iceland study, Nordal and I depended in part on interview material from the time after the financial crisis to reconstruct the neutralizations that most likely enabled people in the financial sector to go beyond moral dissonance in the first place (Kvalnes & Nordal, 2018).

The concept of moral neutralization can help explain how morally upright people in organizations can overcome moral dissonance and end up acting against their initial moral convictions. Ariely (2012) has a name for what happens when the original moral misgivings concerning a particular option disappear: the what-the-hell-effect. Once the moral resistance is gone, the road lies open for new routines and practices. The concept is an adaptation of one originally used in research about eating to describe people who succumb to temptations to violate a particular diet (Baumeister & Heatherton, 1996; Polvy & Herman, 1985). One violation leads to further ones as it changes the baseline for what one can do.

As mentioned earlier, doping in sports can create moral dissonance in athletes. They can apply moral neutralization techniques to overcome any initial moral misgivings about going down that path. Those who do can end up with a mind-set in which any traces of a bad conscience seem to have disappeared. The cyclist Tyler Hamilton was a member of Lance Armstrong's team. He wrote a book about his experiences in an environment in which doping and deceiving the doping controllers was an everyday occurrence. One quote illustrates the mind-set that enables normalization of questionable behavior:

> I've always said that you could have hooked us up to the best lie detectors on the planet and asked us if we were cheating, and we'd have passed. Not because we were delusional—we knew we were breaking the rules—but because we didn't think of it as cheating. It felt fair to break the rules, because we knew others were too. (Hamilton & Coyle, 2012, p. 95)

It is not known whether Hamilton and his teammates ever experienced significant moral dissonance before engaging in doping. In this quote, any traces of moral doubt about competing under the influence of illegal performance-enhancing drugs have disappeared. Hamilton and the others felt that is was fair to break the rules.

This chapter showed that those in organizations who are responsible for (and concerned about) ethics should take heed of how (1) moral dissonance can disappear through processes of (2) moral neutralization, which can pave the way for a (3) normalization of questionable behavior. People can be familiar with the Navigation Wheel and the whole array of ethical theories, principles, and concepts and still be vulnerable to developments of this kind. Excellent analytical skills do not offer sufficient protection against becoming involved in neutralization processes. Maybe some individuals of firm and stable character are better equipped to resist invitations to use moral neutralization techniques than others. In an organization, the main countermeasure against the development from (1) through (2) to (3) is encouraging people to speak up and confront colleagues who appear to be engaged in moral neutralization.

To be the one providing resistance to a leader or a colleague's neutralization attempts takes courage and can be unpleasant. In many instances, people will interpret it as an unwanted disruption of a process that is in flow. Why spoil the path toward higher profits and better margins for the organization? When a person has been brave enough to voice his or her moral concerns in such a context, all eyes will be on that person for some time. Colleagues will be eager to see what happens next in that person's career. Was it a wise move or one that the person receives punishment for in the form of remaining on the same step on the career ladder or having to take steps down? The answer exposes the organization's communication climate for stopping moral neutralization in its tracks. The next and final chapter of this book discusses more broadly the organizational climate for addressing and discussing ethical issues at work.

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CHAPTER 14

The Invisible Gorilla

Abstract Concentration on a particular task can take away our ability to attend to important nuances of a situation. Aspects that are very vivid to outsiders can be invisible to the hard working and deeply absorbed insiders. This chapter argues that moral blindness in organizations can occur when people develop routine ways of looking at things and gradually fail to see moral aspects of their own conduct. They may also be blind to their own moral blindness. Workplace incentives have a significant impact on how employees see reality in their organizations, and can make moral dimensions of the activity become blurred and invisible. Generous bonuses can speed up moral neutralization and make initial misgivings about goals and methods at work disappear from view. Even people with excellent abilities in ethical analysis and with the most dependable and stable character traits are vulnerable in this respect. A crucial element in ethics in organizations should therefore be to establish communication climates that encourage people to speak up when they observe what appears to be morally dubious conduct in their own working environment.

Keywords Moral blindness • Aspect blindness • Moral muteness • Invisible gorilla

On a day when I was working on this book, I got a phone call from a woman who wanted me to contribute with a presentation on an ethics day

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in her organization. Her idea was to make leaders and employees in the organization familiar with the Navigation Wheel and other ethical tools and principles. I was willing to contribute, but had to check my calendar first. It turned out that I had an appointment for that particular day, to hold an ethics talk in another organization, so regrettably I had to say no to the invitation. When the woman heard this news, she hesitated for a brief moment, before she said: "What if we pay you a bit extra to come to us?" To my astonishment, she offered to pay me for breaking the promise of giving an ethics talk in one organization, in order to come and give an ethics talk in her workplace instead. I responded by asking her to think through that offer one more time, and consider whether she meant it seriously. It did not take her long to realize how inappropriate her suggestion was, particularly in the light of the topic of the seminar day. She had just been so eager to get the program for the day in place, with me as one of the contributors. For a moment, she had been blind to the moral aspect of the situation, and suggested something that she realized on second though was out of the question.

Moral blindness is something that can strike any decision-maker in an organization. People are engaged in absorbing and complex tasks and are supposed to deal with them quickly in order to be ready for further challenges at work. In the heat of the moment, they can become blind to important aspect of the situation. The perception psychologists Christopher Chabris and Daniel Simons have made a short film to illustrate how people's attention in a given situation is selective and vulnerable to manipulation (Simons & Chabris, 1999). The film shows six people, three of them in white clothes and three of them in black clothes, walking around in circles while they are passing basketballs to each other. Each team has one basketball, and the team members pass it among each other while they are constantly on the move.

The assignment to the film's audience is to count the number of times the team wearing white manages to pass the basketball to each other. Those who really concentrate on the task come up with the correct answer, which is 15. A facilitator then asks if they noticed anything else during the film. Some report that they have glimpsed a black figure walking across the screen. To check this observation, the film runs one more time, and on this occasion, everybody can see the big gorilla figure walking slowly into the frame, stopping in the middle of it, banging its chest, and then moving slowly out of the picture. The gorilla takes up a lot of space, and the people who are blind to it on the first showing find it hard to believe that it can be the same film. Those who fail to spot the gorilla the first time around are typically very surprised by their inability to do so, and this has led Kahneman (2013) to reflect that they are not only aspect blind, but also blind to that particular blindness. The gorilla experiment challenges the assumption that all people need to do in order to figure out what is happening in a particular part of their surroundings, is to turn their faces in that direction and take a look.

The invisible gorilla can function as a symbol of the significant aspects of people's own working environment that they can be blind to during their efforts to perform complex tasks with a tight time schedule. Some of these aspects can be morally significant. People can be morally blind due to the complexity of the situation and the demands that are put on them, and also as a result of economic and other incentives. Bird (1996, p. 85) defined moral blindness in the following way: "People are morally blind when they fail to see or recognize moral concerns and expectations that bear upon their activities and involvements."

Moral blindness is a different form of blindness from the one mentioned in first chapter of this book, where the decision-maker deliberately adopts the position of willful blindness, deciding to turn a blind eye to the case at hand, not wanting to know details. Gorilla blindness occurs involuntarily, as a result of our limited perception capacities. Conflict of interest issues can typically become invisible to professionals, when high personal ambitions can make self-interest overshadow client interest. Airely's physician, mentioned in Chap. 11, appears to have become morally blind in this manner, in his efforts to recruit the third patient he needed in order to move forward with an academic paper. Financial advisors in many countries appeared to lose sight of client interest prior to the financial crisis, making it possible for them to recommend and sell questionable products, without experiencing moral dissonance. Moral blindness can occur in any organization, including institutions where people research and teach on the topic of ethics in organizations. In line with Kahneman's remark that people are blind to their own aspect blindness, it may also be that leaders and employees in organizations are blind to moral aspects of what they are doing at work, and also blind to that particular blindness.

One of the paths to moral blindness goes through the process of moral neutralization, where the decision-maker convinces himself or herself to leave behind initial moral misgivings about a particular option. Once a person or an environment has crossed that hurdle, it seems difficult to return to the state where the option in question seemed morally dubious.

The moral aspects we could see from the old perspective are now invisible, like the gorilla in the film. As noted in the previous chapter, Hamilton and Coyle (2012) have described how individuals in a tight and loyal collective like the cycling team of Lance Armstrong, can strengthen each other's firm beliefs that their cheating behavior is beyond reasonable reproach.

Organizations that are serious about ethics depend on a communication climate where the normal response when an employee has moral doubts about a particular course of action, is for him or her to speak up and address the issue. When deciding to voice a moral concern, the employee should ideally not experience fear over what comes next in terms of possible negative sanctions from colleagues and leadership. Moral muteness (Bird, 1996) can be a feature in organizations where people are afraid to speak their minds on moral matters: "Many people hold moral convictions yet fail to verbalize them. They remain silent out of deference to the judgments of others, out of fear that their comments will be ignored, or out of uncertainty that what they might have to say is really not that important" (Bird, 1996, p. 1). Individuals in organization can have the impression that they are alone in having moral misgivings about how their workplace operates. They can be unaware that colleagues in the same unit actually share their moral concerns, since they never raise the issue and address the topic collectively.

It is in this context that the category of relational moral luck, briefly introduced in Chap. 4, makes good sense. A decision-maker can be fortunate or unfortunate with the people who are in the social surroundings at the crucial moment when he or she is about to respond to a moral dilemma—whether it be a real or false one. That particular social environment can be one where people normally challenge and support each other critically in such situations, or one where nobody lifts an eyelid when a colleague enters into morally questionable territory. It is not merely due to luck whether you are in one or the other of these kinds of surroundings, as we do make decisions about the kind of organization we want to work in and belong to. However, the communication climate of the workplace might be something that we only gradually become aware of, and coincidences and luck can play a part in deciding whether we end up with colleagues who care enough to intervene, or not.

Two phenomena identified in social psychology highlight how crucial it can be to establish a constructive communication climate in organizations. They are relevant for judgment and decision-making in the workplace beyond ethics. *Confirmation bias* is the tendency we have to notice and seek information that confirms our beliefs, and to be inattentive to information that provides us with reasons to change our beliefs. The phenomenon is well documented in research (Nickerson, 1998), and produces formidable challenges in many professions. Police investigators can make up their minds about which person has committed a crime, and only pursue and notice information that confirms that conclusion. Teachers can have preconceptions about the intelligence and abilities of their pupils, and fail to see upward and downward spirals in their developments. Researchers can be so satisfied with their hypotheses and explanations of phenomena that they become blind to glaring counterevidence and reasons to revise them. In these and other professions, knowledge about confirmation bias is part of the professional training. This is nevertheless a pervasive decision-making trap, and one that emphasizes the need to have communication climates where colleagues look out for each other and intervene when someone at work stubbornly holds on to one belief or viewpoint rather than revises it in the light of new and relevant information.

The other psychological phenomenon that can slow down a process of identifying and addressing morally relevant aspects of behavior in an organization is *the bystander effect*. Research on human behavior in real situations and in experiments show that the greater the number of bystanders to an event where somebody needs help, the less likely is it that any one of them will actually help (Darley & Latané, 1968; Greitemeyer & Mügge, 2015; Latané & Darley, 1976). One cause for this effect seems to be what Darley and Latané (1968) called diffusion of responsibility. People consider their responsibility to help in a situation to be one unit that they share evenly with the other people at the scene. If they are one hundred bystanders to a critical situation, they seem unconsciously to split responsibility into one hundred tiny pieces, leaving each of them with one hundredth of a responsibility to intervene and help. That is a very small piece of responsibility for one individual, who can turn his or her back to the situation, without experiencing bad conscience. If there instead are 50 bystanders, the responsibility is double that of in the previous situation, but one fiftieth of a responsibility is still very little. This way of thinking is what Parfit (1984) labeled mistakes in moral mathematics. People do have individual responsibilities to help, no matter how many others are present. It is unreasonable to consider responsibility to be one cake people share evenly in thin slices. Each individual has his or her own cake of responsibility.

Another cause for the bystander effect is pluralistic ignorance, or the fact that each of us tend to interpret the inactivity of the others as a sign that nothing serious is going on, and that there is no reason to engage (Darley & Latané, 1968). From my perspective, it looks like the man is hurt and needs help, but nobody else in the crowd appears to think so. My initial judgment of the situation appears to be wrong, since everybody else is passive. I might be too sensitive in my interpretation, overdramatizing the situation in my head. It looks like a gorilla, but nobody else shows any sign of seeing it, so perhaps it is an illusion. The strength of this tendency to doubt one's own evaluations tends to be proportionate to the number of bystanders.

The bystander effect is relevant for ethics in organizations in that the number of people who perceive that there is something morally wrong with the setup of a particular project, with the relationships with the suppliers, or with the new products or sales methods, affects the likelihood that anybody will take initiatives to be critical of them (Beu, Buckley, & Harvey, 2000; Zhu & Westphal, 2011). Even here, it is probable that the higher the number of bystanders, the lower the likelihood of an intervention. It may be that knowledge about the bystander effect can weaken it, as suggested by Mele and Shepherd (2013). It is thus worthwhile to make leaders and employees in organizations aware of it, for reasons that go beyond ethics. It is also possible to counter the effect by delegating responsibility to particular individuals. If you need help and are surrounded by bystanders, you should point to one person and ask for help, rather than shout for help in the general direction of everyone. Addressing one person directly with a call for help has the positive double effect of both (1) disrupting the mistake in moral mathematics of splitting responsibility up in tiny pieces, and of (2) avoiding pluralistic ignorance, or the misperception that everything is as it should be.

Maria Gentile has developed the concept of Giving Voice to Values (GVV) as a method for individuals at work to stand up for their moral beliefs and values, even when they are under pressure from colleagues, leaders, customers, and other stakeholders not to do so (Gentile, 2010, 2012). GVV has generated considerable research interest (Edwards & Kirkham, 2014; Gonzalez-Padron, Ferrell, Ferrell, & Smith, 2012) and also inspired practitioners in organizations. It encourages people to overcome moral muteness and speak their minds when they observe decision-making and conduct that goes against their moral values. It also provides concrete action plans and scripts for people who want to become better at giving voice to their values at work. In many ways, GVV seems designed to address the needs identified in this book, to intervene when colleagues engage in moral neutralization and gradually become blind to moral aspects of their own behavior.

There is much to commend and admire in Gentile's approach, but it is problematic in one important respect. The subtitle of the GVV book is "How to speak your mind when you know what's right" and the tone of actually knowing what is right is prevalent in the text. Gentile offers practical advice to individuals who clearly see how things stand, and what it will mean to stand up for one's values in the situation, and need to go from conviction to enactment. Research on the bystander effect and similar phenomena indicate that people are often in situations where they do not know what is right, but have doubts about how to interpret what is enfolding in front of them. They somehow need to give voice to that doubt, and not remain passive. The starting position of being a person who knows full well what is right and true does not invite dialogue or attention to how other people see the situation. It is not the position of listening to other perspectives and being open to revise one's beliefs and assumptions.

The label for an alternative approach can be to give voice to doubt rather than to value. Uncertainty and doubt appears to be a more realistic and constructive starting point for conversations about right and wrong than one where people have made up their minds in advance. One frame of reference can be that of Socratic dialogue, where the aim is to engage in inquiry and questioning in order to reach consensus on an issue. Brinkmann, Lindemann, and Sims (2016) have suggested a design inspired by the idea of Socratic dialogue, where people engage in collaborative search for truth regarding a particular normative question. In essence, the Socratic design invites respect for the myriad of perspectives that deserve a hearing when people try to reach a common understanding of how to act in a particular situation.

The aim of this book has been to suggest ways to rethink and restructure ethics in organizations. Decision-makers in organizations, both leaders and employees, face moral dilemmas where they need to give appropriate weight to legal, ethical, moral, reputational, economic, and value based aspects of the situation. They cannot rely solely on moral intuition or gut feeling—Kahneman's System 1 thinking—but also need to be able to analyze the situation carefully—Kahneman's System 2 thinking. The combination of good analytical skills and stable character can make an individual well equipped to meet moral dilemmas, but studies in behavioral economics, social psychology, and criminology show that more or less anybody can become entangled in moral wrongdoing, depending on the circumstances. In organizations, people depend upon colleagues to intervene and stop them when ambition and other factors tempt them to take moral shortcuts. It can be enough that they raise doubts about the path colleagues are contemplating, since that gives them reasons to rethink and reconsider. Ethics in organizations can build on a rich array of research and knowledge, from well beyond the traditional sources of moral philosophy. Doing so can make the workplaces less vulnerable to the unpredictable and erratic activities of invisible gorillas.

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Index

Ø. Kvalnes, *Moral Reasoning at Work*,
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