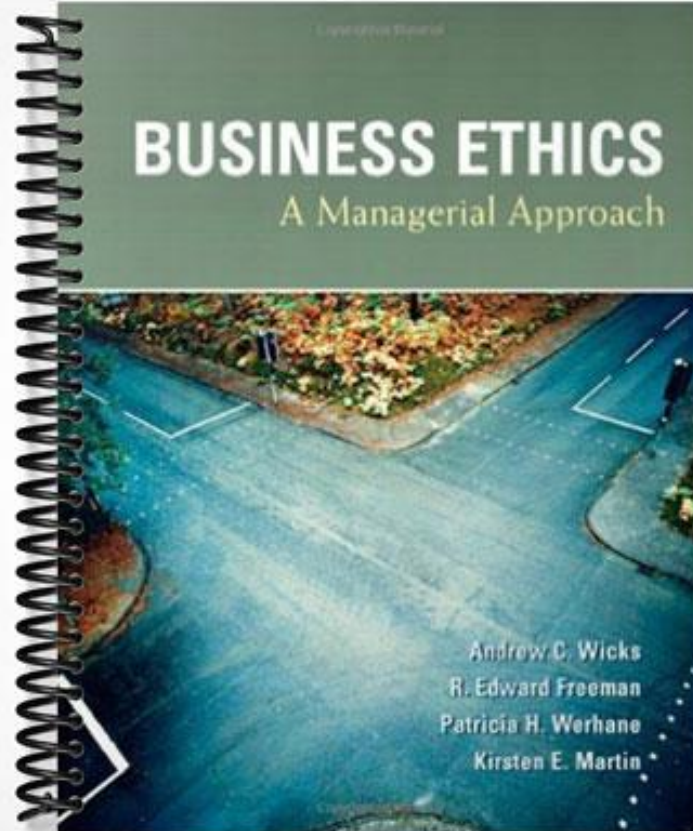


SOLUTIONS MANUAL



BUSINESS ETHICS

A Managerial Approach

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Chapter 1: The Language of Ethics

Sample Discussion Answers

These answers should be treated as supplemental to your own thoughts and analysis and are by no means comprehensive. Feel encouraged to include your own experiences and points of disagreement with the chapter should you find any.

1. Why are managers uncomfortable discussing ethics? Relate both the answers provided in the chapter and your own ideas based on your experiences. (Page 2)

There are many reasons why managers may feel uncomfortable discussing ethics – see p. 2 for the list summary of the findings of Bird and Waters: i) managers believe they lack the technical ability to discuss ethics; ii) managers see ethics as about blaming and they don't want to blame others; iii) managers see ethics as soft and idealistic when they need to be hard-nosed and focused on results. All these factors mitigate against discussing ethics.

Whether or not managers are uncomfortable discussing “ethics” may depend on how one defines the term. Many people may actually feel quite comfortable discussing certain ethical issues without realizing that they are talking about ethics. This brings us to our next question.

2. What is ethics, and what does it mean to “put business and ethics together”? From your vantage point, what would it mean for a company to do this well? (Page 4)

Ethics is about human welfare, both our own and that of others, Ethics in this sense includes not only an imperative to not inflict harm upon others, but also entails a prescription for excellence. Such excellence may be manifested in any number of ways (actions, goals, codes conduct, etc), and those manifestations may likewise have any number of justifications.

Whether we admit or not, we all “do” ethics; the real challenge is whether or not we can do ethics well. In this sense, business and ethics are necessarily linked – all businesses allocate harms and benefits for stakeholders, take actions that both express and shape their character, and observe certain standards of conduct. This fact is true both for our personal life and for activity in business. The key question in both cases is whether one can justify their behavior. This is a major challenge and it will involve getting into more detail about the nature of business to better understand points of tension within and across each of the decision-guides.

Students will have their own ideas about how much of a tension exists between business and ethics and where these tensions are most prominent.

3. What are the three traditions of ethics, and how do they provide guidance to help inform your managerial decision making? (Page 5)

There is a tremendous amount of literature from throughout history exploring issues of ethics. That literature can be broadly categorized into three large themes:

1. The actions or “means” people use to achieve their goals. This dimension of ethics is concerned with identifying the intrinsic moral value of particular actions. For example, many philosophers will agree that the act of lying, by itself, is morally wrong while the act of halting the exploitation of small children for sweatshop labor can be considered morally virtuous.

2. The agents or “persons” who are acting in the situation. This tradition of thought sees ethical behavior and ethical people as one in the same: people who behave ethically and virtuously are people of good character. This branch of ethics explores what it means to be a good person – to not only practice ethics, but to live it.

3. The ends or “goals” that are outcomes of actions. This branch of ethics evaluates the moral value of an action in terms of the consequences of that action. Under this analysis, for example, lying to a mass-murderer may be considered a virtuous act if lives are saved as a consequence of the lie; and banning child labor in sweatshops may be considered a deplorable act if the lack of sweatshop employment forces the children to work in mines or prostitution.

These three themes are each facets of ethics that can be considered when evaluating ethical justifications. Each tradition brings with it certain insights that can help guide managerial decision making.

The actions-based tradition is probably the tradition of thought most people immediately associate with ethics, possibly because it is a constant presence in daily life. Social norms, standards of conduct, legal systems, and religious beliefs all shape what people believe to be virtuous or immoral actions. Very likely, these institutions have already shaped your own beliefs as to what constitutes ethical actions – beliefs that guide your decisions on a daily basis. Do you apply those same precepts within the workplace as you do in life outside of work? Why or why not?

The agent-based tradition can further help one evaluate an ethical decision by considering how the decision will affect one’s character. One way to benefit from this tradition is to ask oneself what kind of manager one wants to become and what kind of actions will lead to becoming that kind of manager. (i.e. what would <insert personal hero> do in this situation?) Likewise, some could argue that, just as the actions of an individual determine that individual’s character, the actions of a company determine that company’s ethical culture. As a manager, what kind of corporate culture do you wish to foster? How is that

reflected in your decisions? Conversely, when making a decision, you can try to foresee what kind of corporate culture those actions will facilitate.

Finally, the ends-based tradition serves to remind that, good intentions aside, good ethical decisions require a consideration of the consequences of an action. One can use this dimension of analysis as a manager to evaluate how one's decisions align with one's goals. What are the consequences of this action? What are the consequences of those consequences?

Note that this line of reasoning can lead to conclusions that counter the prescriptions of actions-based and agent-based traditions. If lying in a certain circumstance results in a better outcome than not having lied in that situation (e.g. lying to the mass-murderer who asks for directions to the children's hospital), then the result would justify the act. Lying, in this example, could be considered the morally justifiable (perhaps, even virtuous) thing to do. Some fear that this sort of reasoning can devolve into an excuse for any number of objectionable acts. So long as the ends are desirable, are any and all means justifiable? If different means could provide the same end, could one select from among the means one that provides the most good/least harm? If so, one would need to consider what it means to find an optimal balance of good and harm and what it means for an act to be good or harmful. This brings us full circle: in order to discern a morally good end, one needs to talk about morally good means, and vice versa.

From the issues raised above, it should be evident that no one theme can be used as a sole criterion for assessing the myriad of possible ethical judgments. Indeed, it would be fairly silly to try to follow only one of these traditions fully to its logical consequences. But when taken together, these ethical traditions can offer insights on how to approach an ethical dilemma.

4. Discuss the three guides to avoid rationalizations and provide your own examples to illustrate how they may help you make better decisions. (Page 16)

Three tests that could be used to help avoid rationalizations include:

1.) The Publicity Test

Could you defend your decision if it appeared on the front page of the Wall Street Journal?

2.) The Reversibility Test

If the situation were "reversed" and you had to bear the burden of the negative consequences of your decision, could you still endorse the decision?

3.) The Generalizability Test

Is there a consistent, general rule that underpins your decision? For example, if you decide to fire an employee, are you doing so for potentially biased personal reasons, or is there an underlying rule that supports your decision?

Personal examples will vary by the individual.

5. What is reflective equilibrium? How does one get into reflective equilibrium, and what is it that tends to take people out of it? (Page 17)

Reflective equilibrium reflects a state where one's moral intuitions are congruent with one's moral principles: practice re-enforces theory and vice versa. An idea underlying this concept is that one should not place too much faith solely in moral theory at the expense of moral intuition, or vice versa. When one's theories of how one should behave do not actually reflect how one actually behaves, then that person(s) is said to be out of reflective equilibrium. In such situations where one's practices do not agree with one's ideals, one or the other has to change. The reason why one should not "place all one's eggs" behind either practical intuition or moral theory is that either one may need to be amended from time to time. For example, throughout much of American history the practices of slavery and segregation were blatantly incongruent with the idea that "all men are created equal." In this case, the moral practices had to change in order to better match up with the moral theory. Throughout the 1950s, a generation of women in America had been raised to fulfill a particular set of moral ideals and expectations. A woman in the 50's, according to the ideal, was supposed to be a subservient housewife to her husband. She was supposed to be eager to have 2.5 children, bear no intellectual curiosity or desire to enter "male" professions, and have the roast ready by suppertime. Many women found their actual lives to be utterly miserable and incompatible with the moral ideals of the time. Here, the moral ideals have changed over time to accommodate moral intuition.

Today, one can look at any number of issues and see areas of reflective disequilibrium: the legalization of marijuana, immigrant labor laws, same-sex marriage, torture and security. These are all questions of ethics and social values that arise from a lack of reflective equilibrium.

6. Why do your decisions, particularly as they relate to ethically charged issues, matter? Please draw from both what the chapter suggests and your own ideas. (Pages 19-20)

Responses should vary by individual, but here are some points that the book mentions:

Accountability to the Stakeholders

Whatever decisions you make ultimately affect the stakeholders and you will be held accountable for them. Being able to make good decisions and defend those decisions will be crucial to your success as a leader.

Ethics Talk is Helpful

Regardless of what some people might say, ethics does matter to people. Being able to talk about ethics and understand ethical concerns and problems will help you more effectively work with employees, the public, customers, suppliers, the media, and the

government. Managers must be able to understand and communicate the moral dimensions of their decisions in order to gain moral ground and win hearts and minds.

Ethical Decisions Are Part of the Job

A manager must be prepared to make difficult decisions. Your ability to make sound, ethical decisions depends on your familiarity with ethics. Since you will ultimately have to be responsible for difficult and complex decisions, it makes sense to be well-informed about your options.

Personal Integrity Is Important

While many aspects of our lives are determined by external circumstances and dumb luck, the kind of person you are is determined by your choices. The decisions that you make are reflections of your character. If you value anything about yourself, your person, or your integrity; take care to ensure that the decisions you make are the right ones.

Legal Reasoning Is Necessary, But Not Sufficient

Obviously, working within the boundaries of the law should be a given. But a good manager should go beyond merely following the letter of the law, and understand that the reason why laws are made is to encourage good behavior.

Perhaps an analogy could be useful here. Suppose an individual is trying to learn good manners. That individual could read every etiquette book ever published and commit to memory every rule concerning everything from “how to use a fish knife” to “how to properly excuse oneself to the bathroom in Swahili.” Or that individual could take to heart one simple idea: care for the well-being of those around you and you will always have good manners. Likewise, just as one can follow every rule concerning etiquette and not have good manners, one can strive to follow every code and statute governing business, and miss the point altogether.

Competitive Advantage

Teaching Notes

Synopsis

Alex Franklin, project manager for APEX computer software company, is put into a difficult situation. He is the lead rep for his company on this project and his main contact with the potential client (First Street Bank), Sean McBride, has just provided him with information that may set him up for either a huge opportunity or a giant mistake. Franklin has to sort out which it is and make a decision that could well define his career and the reputation of his company. There is a lot at stake for him personally and for his firm. If he wins the bid with this client his star is on the rise and he will likely move into a senior management position in the near term – if he doesn't get the contract, he will likely have trouble moving up the corporate ladder and will need to go elsewhere to be promoted. The firm is also under financial pressure, so winning the contract could be a big positive turn of events while losing out to the competition could mean layoffs for APEX. A major factor as well is First Street Bank (FSB) and how to interpret Sean McBride's actions. From the case it appears that FSB plays things close to the vest and does business by the book. In this case they have asked for secret bidding among competitors – so is McBride's offer of the folder (which appears to contain the bid of APEX's main rival) a trick designed to test Franklin's integrity, the act of a rogue employee intent on getting the best deal for his company, or a pressure tactic from FSB to see how badly APEX wants to do business with them? All these, and other motivations, are possible.

Objective

This case provides a great starting point for your discussions and a chance for students to get their feet wet in thinking about ethics in business. It is also a great opportunity to start to explore students' conceptions of what is acceptable in business, particularly as it relates to "fair competition". You may want to compare this case to examples of competition from other venues, including sports, to see if what is being offered here is "cheating" or "stealing", or a perfectly acceptable act that needs to be accepted in order to be a responsible manager (or something in between).

Questions for Discussion

1. How many of you are tempted to look at the folder? How many of you would actually look? [VOTE] Give a one sentence answer for why you would or would not look?
2. What is being offered here? Do I know this, or if not, what do I know? How does that impact what I should do?
3. What is at stake here? How much should that matter to my decision?
4. Is there anything wrong with looking? Is it stealing or cheating? If so, why would you say that?

5. Isn't business competition about doing your best to look out for your organization within the terms set by those running the competition? Given that FSB has given us access to this information, isn't that reason enough to look?
6. Does your answer about whether it is OK to look at the folder change if you knew that your competitor would look at your folder if they were given the chance? What about if you knew your boss supported you looking (or was strongly opposed to you doing so)? What if the context changes and now this kind of activity is a fairly common practice in bidding? How much, if at all, should that matter to your decision?
7. Is time a factor here? Particularly if I care about not looking, and being seen as having not looked, what do I need to do and how soon do I need to do it?
8. Make the best case for your decision here – why is your choice (look or don't look) the best one?

Suggested Lesson Plan (85 minutes)

1. **Question 1 (10 minutes):** This provides a chance to see how many folks really think about this as an attractive option and then to really hold their feet to the fire and ask who would look. Chances are, if they are honest, most of the students would be tempted; probably a third or more would look. If not, it is likely they are either making some strong (and negative) assumptions or they are trying to appear more “ethical” than they really would be if in the actual situation.
2. **Questions 2 & 3 (20 minutes):** this is a chance to step back and think about the context and what is going on – do I know what is in the folder? No. Do I have some sense about this? Probably. Again, for the purposes of having a good discussion, you may need to alter some of the features of the case to create more controversy – perhaps if most say don't look, you may want to make it appear that McBride is acting clearly on behalf of management at FSB and that the information would help APEX make a stronger bid.
3. **Questions 4-6 (25 minutes):** here is a chance to dig further into why students may have discomfort with looking as well as why some may feel it is perfectly fine. You may want to push them on some parallel cases here – is this act like taking money from someone's pocket (a case where we know the answer is that it is wrong) or is it more like having someone from another team lose control of the basketball during a game and having it bounce into your hands (a case where we know taking advantage of this opportunity is right)? Push students to get specific and try to defend their claims about what kind of action this is (e.g. unfair, theft, taking advantage of a legitimate opportunity).

4. **Question 7 (10 minutes):** time may matter a great deal in some cases. One could argue that time is critical here, particularly if you care about being seen as having not looked. If McBride makes it out the door and closes it, chances are he (and others who learn of this) will assume you did look – regardless of whether you did or not. Explore this and the need to have the ability to make “snap” judgments. Here is a place where “character” matters a great deal. If we have developed the right habits and intuition, and the right values, chances are better that we will make a good decision even if we have little time to reflect on what we should do.
5. **Question 8 (20 minutes):** here’s a chance to let the debate rage. Push students to think about the kind of argument they are making, and whether they are picking up on the kinds of arguments used by others. Is it about deontology and the rules or is this a debate about consequences? Or is character the driver? If one is caught up in deontology (and Standards of Conduct), chances are that arguing for a more positive set of benefits will not only have little power to persuade, but may be viewed as an insult. If stealing is wrong, then learning that I might be made wealthy in the process would seem to only compound the problem. Help the students think about where they are disagreeing, where they are agreeing, and to really explore their differences.

Yahoo! and Customer Privacy

Teaching Notes

Synopsis

In the summer of 2004, the Chinese government requested that Yahoo! disclose to them the name and address of the Yahoo! subscriber “houyan1989@yahoo.com.cn.” The government did not divulge their reasons for wanting that information; and in the political climate of China at the time, employees at Yahoo! feared that the Chinese government was seeking the information for political purposes. There were concerns that revealing the name and address of the subscriber might put his or her welfare in danger. At the same time, Yahoo! was beginning to gain a foothold in what could potentially become the largest and most lucrative internet market in the world. Upsetting the Chinese government could potentially result in greater restrictions on all online companies and freedom of speech in China.

Objectives

The case of Yahoo’s operations in China present us with an interesting opportunity to explore ethics and business in a context where ethical norms are not clearly defined. More specifically, Yahoo is operating in a country with a different political and social setting than that found in the U.S, raising some direct issues for the firm about how it will conduct business globally. Questions of the privacy rights (and expectations) of its users, its’ policies in complying with government requests for information, and the relevance of Yahoo!’s values are all central to this case. This case provides a great opportunity for students to think through their decisions using some of the tools and techniques introduced in this chapter.

Questions for Discussion

1. What is your gut reaction to whether Yahoo! should comply or push back?
2. Why do you believe that action to be the right thing to do? What guides you choosing that particular decision?
3. Assuming that you follow through with this line of action, how would this decision shape Yahoo! as a company? What kind of precedent is set by pursuing this act? What values are at stake for you and for Yahoo!?
4. What are the consequences of this action? Who stands the most to gain or lose by your decision? Could better outcomes have been achieved through different means?
5. Imagine that your decision were reported on the front page of the New York Times. Would you still abide by that decision? Would your answer be different if it was The China Daily or Der Spiegel (or some other international newspaper)?
6. What does this case suggest about doing business globally?

Suggested Lesson Plan (85 minutes)

1. **Question 1** (10 minutes): There are valid arguments for either position (to disclose or to not disclose). What's more important is the justification for either position. Whether one justification should trump another will depend on what values one holds. We will explore those values in the next few questions. Keep answers fairly short here, focusing more on getting reactions and issues on the table – you can dig into themes in more depth later.
2. **Question 2** (15 minutes): Is the act moral under the actions-based tradition of ethics? What sources of moral guidance do students use in making their decisions? This is a chance for students to think about what is driving their decision and to link that back to the Decision Guides from Chapter 1.
3. **Question 3** (15 minutes): If Yahoo! decides to acquiesce to the Chinese government's demands now, what kind of example would that set for future decisions of the company? What kind of company will Yahoo! become if it continues to make similar decisions? How would this decision affect future interactions with the Chinese government?
4. **Question 4** (15 minutes): It is hard to know the consequences of our actions in advance, but we can try to think about possible outcomes to possible actions. For example, would it be possible that, by surrendering the name and address in question, Yahoo! could build up its internet base, become more firmly entrenched in China, and from that vantage point be a force for gradually improving human rights in China? Taking time to think through who all has a stake here, and especially who stands to be especially impacted, is important for making a good decision.
5. **Question 5** (10 minutes): This is the publicity test. It brings us to an interesting point. It may be possible that an action a student may consider to be the right action may also be the unpopular one. If that is the case, we have to reevaluate why we believe that action is the right one to take. Of course, part of what is interesting here is the answer to the publicity test may vary depending on where we "take it" – in the US, China, Europe, or some other context. How should that factor into the decision.
6. **Question 6** (15 minutes): This provides an opportunity to step back and think through more about what it takes to compete internationally and what broader lessons to draw from this case. Do we need a set of universal values to apply the same in all contexts, no values at all since we have to adapt to each context, or some third alternative? Take some time to think this through and anticipate where

this might go the rest of the course – no need to have final answers yet, but to start thinking about it early is important.