Sixth Edition

An Introduction to Business Ethics

McGraw Hill Education

Joseph DesJardins

AN INTRODUCTION TO BUSINESS ETHICS

Sixth Edition

Joseph DesJardins

College of St. Benedict/St. John's University

McGraw Hill Education

AN INTRODUCTION TO BUSINESS ETHICS, SIXTH EDITION

Published by McGraw-Hill Education, 2 Penn Plaza, New York, NY 10121.

This book is printed on acid-free paper.

1 2 3 4 5 6 7 8 9 LCR 21 20 19

ISBN 978-1-259-92266-4 (bound edition)
MHID 1-259-92266-9 (bound edition)

ISBN 978-1-260-68738-5 (loose-leaf edition)
MHID 1-260-68738-4 (loose-leaf edition)

Product Developers: *Alexander Preiss*
Marketing Manager: *Nancy Baudean*
Content Project Managers: *Lisa Bruflodt, Danielle Clement*
Buyer: *Sandy Ludovissy*
Designer: *Beth Blech*
Content Licensing Specialist: *Beth Cray*
Cover Image: *©Rancz Andrei/123RF*
Compositor: *Lumina Datamatics, Inc.*

Library of Congress Cataloging-in-Publication Data
Names: DesJardins, Joseph R. author.
Title: An introduction to business ethics / Joseph DesJardins, College of St. Benedict.
Description: Sixth edition. | New York, NY : McGraw-Hill Education, 2020. |
Includes bibliographical references and index.
Identifiers: LCCN 2018056961| ISBN 9781259922664 (bound edition : acid-free paper) | ISBN 9781260687385 (loose-leaf edition)
Subjects: LCSH: Business ethics.
Classification: LCC HF5387 .D392 2020 | DDC 174/.4—dc23
LC record available at https://lccn.loc.gov/2018056961

About the Author

Joe DesJardins holds the Ralph Gross Chair in Business and the Liberal Arts and is Professor of Philosophy at the College of St. Benedict and St. John's University in Minnesota. He is past president and former executive director of the Society for Business Ethics and has published and lectured extensively in the areas of business ethics, environmental ethics, and sustainability. His other books include *Business Ethics: Decision Making for Personal Integrity and Social Responsibility* (with Laura Hartman and Chris MacDonald); *Environmental Ethics: An Introduction to Environmental Philosophy*; *Contemporary Issues in Business Ethics* (co-editor with John McCall); and *Business, Ethics, and the Environment*. He received his B.A. from Southern Connecticut State University and his M.A. and Ph.D. from the University of Notre Dame.

To Linda

Contents

Mc Graw Hill Education
5011222

Preface to the Sixth Edition

My overarching goal in the sixth edition of this text remains what it was for the first edition: "to provide a clear, concise, and reasonably comprehensive introductory survey of the ethical choices available to us in business." This book arose from the challenges encountered in my own teaching of business ethics. Over the years I have taught business ethics in many settings and with many formats. I sometimes relied on an anthology of readings, other times I emphasized case studies. I taught business ethics as a lecture course and in a small seminar. Most recently, I taught business ethics exclusively to undergraduates in a liberal arts setting. It is difficult to imagine another discipline that is as multidisciplinary, taught in as many formats and as many contexts, by faculty with as many different backgrounds and with as many different aims, as business ethics.

Yet, although the students, format, pedagogy, and teaching goals change, the basic philosophical and conceptual structure for the field remains relatively stable. There are a range of stakeholders with whom business interacts: employees, customers, suppliers, governments, society. Each of these relationships creates ethical responsibilities, and every adult unavoidably will interact with business in several of these roles. A course in business ethics, therefore, should ask students to examine this range of responsibilities from the perspective of employee, customer, and citizen as well as from the perspective of business manager or executive. Students should consider such issues in terms of both the type of lives they themselves wish to lead and the type of public policy for governing business they are willing to support.

My hope was that this book could provide a basic framework for examining the range of ethical issues that arise in a business context. With this basic framework provided, individual instructors would then be free to develop their courses in various ways. I have been grateful to learn that this book is being used in a wide variety of settings. Many people have chosen to use it as a supplement to the instructor's own lectures, an anthologized collection of readings, a series of case studies, or some combination of all three. Others have chosen to use this text to cover the ethics component of another course in such business-related disciplines as management, marketing, accounting, human resources. The book also has been used to provide coverage of business-related topics in more general courses in applied or professional ethics. I take this variety of uses as evidence that the first edition was reasonably successful in achieving its goals.

NEW TO THE SIXTH EDITION

The primary goal of this new edition is to update cases with more contemporary examples and to continue to revise the text for the sake of clarity and accessibility for students. To those ends, readers will note the following major changes for the sixth edition:

- Every chapter begins with a new discussion case. Highlights include new cases on such topics as: Social Media and Political Advertising, Digital Marketing, Consumer Privacy, Freedom of Expression in the Workplace, Sexual Harassment and Gender Identity, Life–Work Balance, Global Climate Change, and Obesity and Opioids. The new cases include such well-known companies as: Wells Fargo, Facebook, Google, and Volkswagen.
- Beyond these new case discussions, new coverage has been included on virtue ethics, freedom of expression in the workplace, consumer privacy, a duty of national loyalty, the Ruggie Principles, and critical reflections on sustainability.

As always, a new edition provides an opportunity to not only update material, but to present it in a more accessible style. It has been gratifying to learn that readers have found the book clearly written and accessible to students unfamiliar with the field. In continuing to strive for these goals, I have rewritten some sections, deleted some outdated cases and dated material, and worked to improve the clarity of the more philosophical sections.

Readers of previous editions will find a familiar format. Each chapter begins with a discussion case developed from actual events. The intent of these cases is to raise questions and get students thinking and talking about the ethical issues that will be introduced in the chapter. The text of each chapter then tries to do three things:

- Identify and explain the ethical issues involved;
- Direct students to an examination of these issues from the points of view of various stakeholders; and
- Lead students through some initial steps of a philosophical analysis of these issues.

The emphasis remains on encouraging student thinking, reasoning, and decision making rather than on providing answers or promoting a specific set of conclusions. To this end, a section on ethical decision making at the end of chapter 1 provides one model for decision making that might prove useful throughout the remainder of the text.

ACKNOWLEDGMENTS

As with previous editions, my greatest debt in writing this book is to those scholars engaged in the academic research of business ethics. I tried to acknowledge their work whenever I relied on it in this text, but in case I have missed anyone, I hope this general acknowledgment can serve to repay my debt to the business ethics community. I also acknowledge three members of that community who deserve special mention and thanks. My own work in business ethics has, for over 35 years, benefited from the friendships of John McCall, Ron Duska, and Laura Hartman. They will no doubt find much in this book that sounds familiar. Thirty-five years of friendship and collaboration tends to blur the lines of authorship, but it is fair to say that I have learned much more from John, Ron, and Laura than they from me. Some material on the decision-making model, digital marketing, and the Volkswagen case is developed from sections I wrote for another McGraw-Hill book co-written with Laura Hartman and Chris MacDonald, *Business Ethics: Decision Making for Personal Integrity and Social Responsibility*. I would like to thank Laura and Chris for their kind permission to re-use that material here.

Previous editions have also benefited from the advice of a number of people who read and commented on various chapters. In particular, I would like to thank Norman Bowie, Ernie Diedrich, Al Gini, Patrick Murphy, Denis Arnold, and Christopher Pynes. The normal disclaimers of responsibility apply.

I owe sincere thanks to the following teachers and scholars who were gracious enough to review previous editions of this book for McGraw-Hill: Dr. Edwin A. Coolbaugh—Johnson & Wales University; Jill Dieterlie—Eastern Michigan University; Glenn Moots—Northwood University; Jane Hammang-Buhl—Marygrove College; Ilona Motsif—Trinity College; Bonnie Fremgen—University of Notre Dame; Sheila Bradford—Tulsa Community College; Donald Skubik—California Baptist University; Sandra Powell—Weber State University; Gerald Williams—Seton Hall University; Leslie Connell—University of Central Florida; Brad K. Wilburn—Santa Clara University; Carlo Filice—SUNY, Genesco; Brian Barnes—University of Louisville; Marvin Brown—University of San Francisco; Patrice DiQuinzio—Muhlenberg College; Julian Friedland—Leeds School of Business, University of Colorado at Boulder; Derek S. Jeffreys—The University of Wisconsin, Green Bay; Albert B. Maggio Jr.—bicoastal-law.com; Andy Wible—Muskegon Community College; Christina L. Stamper—Western Michigan University; Charles R. Fenner, Jr.—State University of New York at Canton; Sandra Obilade—Brescia University; Lisa Marie Plantamura—Centenary College; James E. Welch—Kentucky Wesleyan College; Adis M. Vila—Dickinson College; Chester Holloman—Shorter College; Jan Jordan—Paris Junior College; Jon Adam Matthews—Central Carolina Community College; Bruce Alan Kibler—University of Wisconsin-Superior; Carla Johnston—St. Cloud State University; Martha Helland—University of Sioux Falls; Jessica MacManus—Notre Dame; David Levy—State University of New York—Geneseo; Barbara Barresi—Capital University; Kenneth Ferguson—East Carolina University; Michael Shaffer—St. Cloud University; Wake Maki—University of North Carolina-Greenboro; and Richard McGowan—Butler. University

The sixth edition benefited from the thorough and thoughtful reviews by:

- Kapp Johnson, California Lutheran University
- Michael Hartford, Morehead State University
- Aaron Butler, Warner Pacific College ADP
- Paul Disney, Western Oregon University
- Kenneth W. Gained, East-West University
- Summer Zwanziger Elsinger, Upper Iowa University
- Jonathan Krabill, Columbus State Community College

Joe DesJardins

For Students

©Shutterstock/wavebreakmedia

Effective, efficient studying.

Connect helps you be more productive with your study time and get better grades using tools like SmartBook, which highlights key concepts and creates a personalized study plan. Connect sets you up for success, so you walk into class with confidence and walk out with better grades.

"I really liked this app—it made it easy to study when you don't have your text-book in front of you."

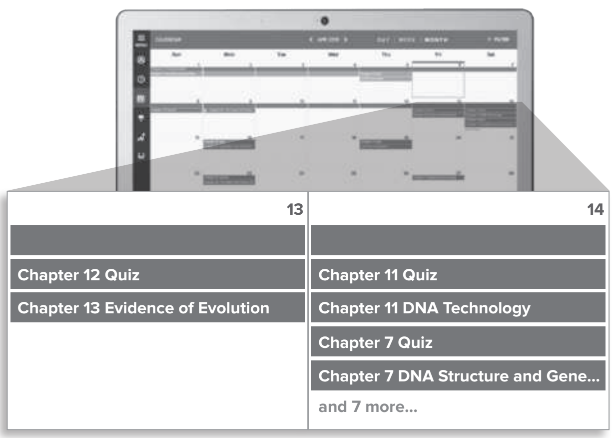
- Jordan Cunningham,
Eastern Washington University

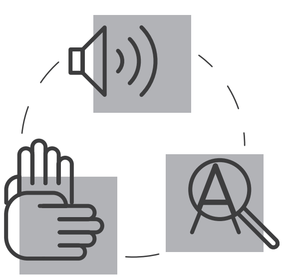
Study anytime, anywhere.

Download the free ReadAnywhere app and access your online eBook when it's convenient, even if you're offline. And since the app automatically syncs with your eBook in Connect, all of your notes are available every time you open it. Find out more at **www.mheducation.com/readanywhere**

No surprises.

The Connect Calendar and Reports tools keep you on track with the work you need to get done and your assignment scores. Life gets busy; Connect tools help you keep learning through it all.





Learning for everyone.

McGraw-Hill works directly with Accessibility Services Departments and faculty to meet the learning needs of all students. Please contact your Accessibility Services office and ask them to email accessibility@mheducation.com, or visit **www.mheducation.com/about/accessibility.html** for more information.

This page intentionally left blank

1 CHAPTER

Why Study Ethics?

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- Identify why the study of ethics is important;
- Explain the interdisciplinary nature of business ethics;
- Explain the activity of ethical decision making;
- Clarify the distinction between ethics and law;
- Explain why ethical relativism is unreasonable;
- Distinguish between ethics, morality, and social justice;
- Apply a decision-making model to a case study.

DISCUSSION CASE: Wells Fargo: Who's Responsible?

Wells Fargo is one of the world's largest banking and financial services companies, operating in more than thirty countries with more than one-quarter of a million employees and 70 million customers. With roots in the mid-nineteenth century, it is also one of the oldest continuing operating financial institutions in the United States.

Wells Fargo has long been known for its business strategy of cross-selling, the practice of marketing additional products to existing customers. Traditionally, banks and financial services companies saw themselves as professionals who provided advisory services to clients in much the same way that an attorney or an accountant provides professional services to his or her clients. On this model, success would be measured in terms of achieving the clients' interests in managing risks, return on investment, and so forth. This model, which can be referred to as the fiduciary model, aims to align the interests of the firm with the interests of the client so that when the client succeeds, the firms succeeds. But many banks and financial institutions have moved away from this fiduciary model in recent decades to adopt a more transactional, consumerist model in which clients are viewed simply as customers to whom the company sells products. Here, the firm's success is measured in terms of how many products are sold and how much profit is earned from those sales. Of course, one trade-off of this shift is that client and business interests may not always align in that the business can profit whether or not the customer does. Wells Fargo was among the first banks to move aggressively in this direction.

Exactly how aggressive Wells Fargo had been in cross-selling became clear in September 2016 when the U.S. Consumer Financial Protection Bureau announced that Wells Fargo employees had fraudulently opened millions of unauthorized credit card and deposit accounts in the name of present customers. Wells Fargo admitted to the wrongdoing and agreed to fines of $185 million to state and federal authorities. In paying these fines, Wells Fargo admitted to selling products to customers who neither knew about nor consented to these actions. The resulting scandal plagues Wells Fargo to this day.

At the time of the announcement, Wells Fargo admitted that between 2011 and 2016 employees had opened more than 1.5 million fraudulent accounts and more than 500,000 unauthorized credit card applications in the names of present customers. Further investigations that reviewed activities prior to 2011 discovered that more than half a million additional fraudulent online bill-paying accounts had also been opened and hundreds of thousands of fraudulent insurance policies were sold to unsuspecting customers. As of spring 2018, Wells Fargo had admitted to selling more than 3.5 million unauthorized financial products to customers.

The process involved in committing this fraud was reasonably easy. Employees, mostly in the type of entry-level positions that recent college graduates might fill, had ready access to the information needed for the new accounts: names, addresses, social security numbers, and so forth. Applying for and confirming the sale of a new product for an existing customer could be done with a few clicks of a mouse. Investigations revealed that thousands of employees had taken part in the scheme. Over 5,000 employees lost their jobs when the fraud was discovered.

Of course, such widespread fraud could not have gone unnoticed by the managers who had oversight of these employees. It soon became clear that mid-level management had actively participated in these activities, including providing instructions on how to do it and how to avoid detection by customers. Employees were advised on how to forge signatures and create fake PIN numbers. Managers instructed employees to use some of their own personal information or fake e-mail addresses on the accounts so that the defrauded customers would not receive follow-up information or the new credit and debit cards. It also appears that employees who were reluctant to participate, or who attempted to blow the whistle, got punished by not only losing their jobs but also receiving negative evaluations that effectively prevented them from finding future employment in the banking industry. Less directly, but perhaps much more effectively, management participated in the practice by creating and enforcing demanding sales quotas. Employees who missed targets for cross-selling were required to work nights and weekends and were denied promotions and salary increases.

Initially, senior Wells Fargo executives, including CEO and Board Chair John Stumpf, seemed to claim that the fault rested with “dishonest” individuals who had been fired as a result. In testimony to the U.S. Senate Banking Committee, Stumpf claimed that: “I do want to make it clear that there was no orchestrated effort, or scheme as some have called it, by the company. We never directed or wanted our employees, whom we refer to as team members, to provide products and services to customers they did not want or need." Stumpf explained the widespread nature of the fraud as likely resulting from employees talking to each other.

But closer analysis showed a pattern of decisions, behavior, and tone at the highest executive levels that contributed to a culture in which such widespread fraud flourished. Stumpf himself was known for his mantra, "eight is great," suggesting a target of eight products for each customer in an industry where the average was less than half of that. During every quarterly earnings call when the fraud was prevalent, Stumpf had touted to investors the ever-increasing levels of record cross-selling. Partially as a result, the value of Stumpf's own stock ownership increased by more than $200 million during the five years that the fraud was prevalent.

There was also evidence that senior executives knew of the fraudulent sales well before the practice became public. A 2013 *Los Angeles Times* article, which eventually led to the government investigations that uncovered the fraud, contained allegations of this practice. Wells Fargo's own training manual contained a reminder not to sell products without the explicit consent of customers—a reminder that was highlighted and emphasized in a way to suggest that the practice was known to occur. Wells Fargo executives also had internal reports showing that the steady increase in cross-selling was correlated with a steady increase in accounts that were never used by customers.

Further, the entire culture of Wells Fargo seemed designed to encourage cheating and discourage honest sales practices. For example, the incentive system, ranging from sales targets for hourly workers to executive bonuses, made it clear to everyone that aggressive cross-selling was the expectation for all. The executive who had direct oversight of the sales division received over $125 million when she retired just before the scandal was revealed. (Wells Fargo eventually recovered half that amount in a clawback process.) Employees stated that reports to an internal ethics hotline were ignored. In response to claims that they failed to exercise their oversight function as required by U.S. federal law, board members later claimed they were left in the dark, learning about the scandal from the media. Like many corporations, the Wells Fargo CEO also served as the chair of the board.

Various government agencies were involved in this case. City of Los Angeles and California state investigators played a major role is uncovering the fraud. The federal Consumer Financial Protection Bureau also worked on the investigations and instituted the large fine against Wells Fargo. The U.S. Senate Banking Committee held several hearings in which members very publicly criticized Wells Fargo executives and its board. In February 2018, the U.S. Federal Reserve Bank, the primary regulator of U.S. banks, imposed strong penalties on the bank and its board. In an unprecedented punishment, the Fed restricted Wells Fargo's future growth and required the replacement of several board members for failing their oversight duty. But other government actions, including laws that prohibited fraud, protecting whistle-blowers, and laws that required ethical compliance and oversight by the board, proved ineffective in preventing widespread fraud that went on for many years.

DISCUSSION QUESTIONS

1. A helpful first step in ethical analysis is to look for harms and benefits. What harms were done by this fraud? Can you explain exactly what the ethical wrong was? Who, other than consumers, were harmed? Who benefited? Did the parties who benefitted deserve the benefit? Were any benefits unfair or unethical?
2. Where would you place primary responsibility for this scandal: individual employees who forged customers' accounts, managers who oversaw those employees, senior executives, board members, or the corporation itself?
3. Sometimes when we assign responsibility, we are looking for someone to blame, someone who is at fault. Who do you blame in this case?
4. Sometimes the question of responsibility is asked so that we can identify the cause and, in turn, prevent it from happening again. What recommendations would you make to prevent this from happening again?
5. How do you understand the difference between a fiduciary model and a transactional, consumerist model of business–customer relationship? What reasons exist for the fiduciary model? Is there an ethical difference between the two?

1.1 BUSINESS ETHICS: THE WHAT AND THE WHY

What is business ethics and why should one study it? The short answer is that business ethics is an academic discipline that examines ethical issues that arise within businesses. But the word "ethics" is commonly used to refer to two different but related things. On one hand, *ethics* refers to the beliefs, values, and principles that guide a person's life and decisions. In this sense, we might speak of the Wells Fargo employees as having no ethics, or we might refer to someone else as having high ethical standards. This meaning of ethics is sometimes applied not only to individuals but also to organizations or even entire societies, as when we conclude that Wells Fargo lacked a strong ethical culture. On the other hand, "ethics" is used to identify an academic field that studies the beliefs, values, and principles that do, and should, guide both individuals and organizations.

These two meanings of "ethics" are related because, from the earliest days of philosophy, the major aim of studying ethical beliefs, values, and principles was to try to influence individuals and organizations to become more ethical. A class in business ethics should aim not only to help you learn some information *about* business and ethics but it should also aim to help you *do* ethics and *be* ethical. That is, the goal of business ethics is more than just teaching and learning about the academic field of ethics. The goal is also to help each of us become more ethical, to make more ethically responsible decisions, and to help us create and promote ethical institutions.

But why do we need a class for this? Don't we all know right from wrong? Isn't it enough for business to simply obey the law? Consider the Wells Fargo case as an example. Everyone knows that creating fake accounts and fraudulently selling products to customers without their consent is wrong and illegal. Why do we need a class in ethics to figure that out?

But the world of ethics is more complicated than it might first appear. Sometimes an ethical issue will be as clear-cut as fraudulently opening an unauthorized bank account. But sometimes we need to think carefully in order to simply identify something as ethically wrong. For example, what, if anything, did Wells Fargo board members do that was ethically wrong? A case could be made that the board members were completely left in the dark about the fraudulent activities. Many of the issues we examine in this book involve situations in which the ethical decision and responsibility is not at all obvious. A class in business ethics can help us develop the skills needed to identify ethical issues.

But even when the wrong is obvious and widely understood to be wrong, individuals and businesses still commit unethical acts. Sadly, all too often people who should know better fail to do what is ethical. Literally, thousands of individuals working at Wells Fargo knew about and participated in a massive fraud. All of us, as employees, as managers, as citizens, have an interest in understanding how this happens. A class in business ethics can help us understand how and why people behave unethically. It should also help us think about what type of employee, consumer, or manager we should be. Of course, understanding unethical behavior is not the end of the matter. We want to understand why unethical behavior occurs because we also want to prevent it from happening in the future. A third goal of a class in business ethics, therefore, is to help us think about and create ethical organizations.

This point reminds us that ethical decisions and actions occur on several levels. As the Wells Fargo case demonstrates, business ethics involves decisions and actions of individuals, organizations, and at the level of governments and the wider society. As individuals, each of us will interact with businesses in several ways, most importantly as customers and as employees. A business ethics class can help us think about what we would do if we were the customers defrauded by Wells Fargo, or what we might have done had we been the individual employees who were expected to open fraudulent accounts.

But individuals do not exist in a vacuum. Again, as the Wells Fargo case suggests, it can be difficult for good people to live up to their standards within a corrupt organization. Likewise, it can be difficult for bad people to act unethically within an organization that promotes and lives up to high ethical standards. As we will see later in this book, organizations, corporate culture, and corporate leadership count. Finally, business organizations themselves do not exist in a vacuum. Every business is situated within one or more social, economic, and political structure. Just as individual decisions and behaviors are influenced by the surrounding organization, so too are the decisions of individual businesses and entire industries influenced by social, economic, and political environments. Obviously, the law itself is the major means by which a society imposes standards and expectations upon business. Needless to say, the social, economic, and political environments in which businesses operate are heavily value-laden, and a class on business ethics should help us think through these social, economic, and political values.

Given this description, it is clear that business ethics is a multidisciplinary field. First, the field of business ethics includes the more general discipline of philosophical ethics. The role of philosophical ethics is to provide the fundamental language and categories of ethics. For thousands of years, philosophers have thought and theorized about such things as rights and duties, virtues and values, social justice, responsibilities, liberty, equality, and the common good. How these various concepts fit together, how they might be justified, what their strengths and weaknesses are, and how and where they apply in life are questions that philosophers have examined for millennia. Learning about philosophical ethics provides a knowledge base for our own study of business ethics so that we won't have to start from scratch.

Business ethics also requires resources from such fields as psychology, business management, organizational behavior, leadership studies, and sociology. How and why people behave as they do, how the organizational environment encourages and discourages behaviors, and how organizations and individuals within them can create a culture in which ethical behavior flourishes are questions that arise from this diverse group of social sciences.

Broader social disciplines such as law, economics, and political science contribute to business ethics as we think about how business organizations fit into a broader social and political context.

To summarize, as a field, business ethics investigates ethical questions that arise at the individual, organizational, and social or political level. As ethically responsible people, each of us should consider how we interact with businesses as individual consumers or employees, as managers and executives, and as citizens. This text is a contribution to the academic field of business ethics. Its aim is to describe, examine, and evaluate ethical issues that arise within business settings and to help each of us become more ethical individuals and help us create more ethical institutions. A business ethics class therefore has many goals, including the following:

1. A class in business ethics can help us develop the knowledge base and skills needed to identify ethical issues.
2. A class in business ethics can help us understand how and why people behave unethically.
3. A class in business ethics can help us decide how we should act, what we should do, and the type of person we should be as individuals.
4. A class in business ethics can help us create ethical organizations.
5. A class in business ethics should help us think through the social, economic, and political policies that we should support as citizens.

1.2 BUSINESS ETHICS AS RESPONSIBLE DECISION MAKING

There is an important philosophical challenge that faces an ethics course. One would think that any ethics course should aim to improve ethical behavior. Why else do we require a class in ethics, as is often the case in business schools, if not to try to reduce the type of unethical behavior that occurred at Wells Fargo? Yet, ethical behavior is notoriously hard to teach. Philosophers have struggled with this issue since Plato himself opened one of his dialogues with this very question: Can ethics be taught? Unlike some academic disciplines, including some business disciplines, there is no single set of answers in ethics, no single body of information, nor is there even a single framework for thinking about ethics.

But this does not mean that there are no common goals, concepts, principles, and frameworks in ethics. The academic study of ethics can be traced back at least 2,500 years to the time of the ancient Greek philosophers Socrates, Plato, and Aristotle. As is true for any academic discipline, studying ethics requires that you become familiar with some of the basic ideas, concepts, and categories. Just as there are Generally Accepted Accounting Principles (GAAP) for accountants and a disciplinary language for fields such as economics and finance, there are a set of principles, standards, concepts, and language that are common within business ethics. Learning about ethics means understanding such concepts as rights, duties, autonomy, and character; such values as honesty, loyalty, integrity, and trustworthiness; and such principles as fairness, treating people with respect, and serving the common good. Chapter 2 will introduce some common ethical theories and principles that have significant impact on business ethics.

There is also a growing body of scholarly literature in business ethics itself, and an important element of a course in business ethics is to become familiar with that scholarly literature. In each of the following chapters, we will rely on some of this scholarship to review various ethical issues so that we may enter the business ethics conversation at a more advanced level than if we were starting from scratch. As the old adage reminds us, there is no reason to try to reinvent the wheel.

But beyond this academic side of learning information, business ethics also has a practical goal in the sense that it aims at judgment, behavior, and actions. We still all hope that a book or a class in business ethics will translate into more ethical decisions and behavior among business practitioners.

Unfortunately, this can be a difficult challenge. First, there is the daunting gap between ethical judgment and ethical behavior. From at least the time of Plato and Aristotle, Western philosophy has acknowledged a real discontinuity between judging some act as right and following through and doing it. (In contemporary vernacular, this is the challenge to "walk the talk.") It is difficult enough to know the difference between good and bad, or right and wrong. But knowing is different from doing, and not everyone has the fortitude, strength of character, or motivation to act in ways that we know are best. It is not at all clear, for example, that an ethics course would have made any difference to the individuals who perpetrated the fraud at Wells Fargo.

A second complication is that while we would all hope to encourage ethical behavior, few teachers would think that it is the role of an ethics course to *tell* students the right answers or *proclaim* what they ought to think and how they ought to live. That seems more like indoctrination than education. The role of an ethics course should not be to convey information to a passive audience, nor to treat students as children to be told what to believe and how to act. The goal is to treat students as active learners and engage them in an active process of thinking and questioning. Taking Socrates as the model, philosophical ethics rejects the view that blind obedience to authority or the simple acceptance of customary norms is an adequate ethical perspective. Teaching ethics must, in this view, involve students *thinking for themselves*. The unexamined life, Socrates claimed, is not worth living.

The problem, of course, is that when people think for themselves they don't always agree with each other, and they certainly don't always act in a way that others would judge as ethical. If the ethics classroom does not teach students the right answers, many students will conclude that there are no right answers. Thus, a major challenge for business ethics is to find a middle ground between preaching dogmatic truths to passive listeners on one hand and encouraging the relativistic conclusion that all opinions are equal to one another.

A common goal for most courses in business ethics navigates this difficulty by emphasizing the *process* of ethical reasoning. Business ethics is concerned more with reasoning than with answers. Responsible reasoning must begin with an accurate and fair account of the facts; one must listen to all sides with an open mind, one must become familiar with all the relevant issues at stake, and one must pursue the logical analysis of each issue fully and with intellectual rigor. One must be familiar with the language and basic concepts of ethics, as well as the thinking that has gone before. Business ethics essentially involves this process of ethical analysis. Without it, one risks turning ethics into dogmatism; with it, one has gone as far as possible to defeat relativism. With this process, we are best prepared to avoid the dilemma of dogmatism and relativism.

This dilemma not only confronts business ethics in an academic setting, it is true for ethics within business settings as well. Even if they could be successful in doing so, few business managers would want to approach ethical issues by making pronouncements of ethical dogma. Like good teachers, good business managers and leaders seek to empower their employees to make their own decisions. But responsible businesses also do not suggest that anything goes or that all values are equal. Value relativism in the workplace will likely lead only to power struggles and conflict.

In summary, a major goal of business ethics is to help people develop skills for responsible decision making. Responsible decisions may not always reach the same conclusions, which itself seems reasonable given the complexity of ethical issues. Yet, there are standards for making responsible decisions. Not every decision is as reasonable or responsible as every other. There are good and bad, reasonable and unreasonable, responsible and irresponsible decisions. This book hopes to aid you in this process of responsible decision making.

1.3 SKEPTICAL CHALLENGE I: ISN'T THE LAW ENOUGH?

Due, perhaps, to the difficulties just described, business ethics sometimes faces some real skepticism among students, teachers, and business practitioners. This skepticism emerges in a variety of forms, but two are worth considering at length.

One skeptical challenge to business ethics is that it is unnecessary. On this view, it is enough that business obeys the law; ethics is unnecessary and it distracts from business's main purpose. A second skeptical challenge, examined in the next section, builds on the relativism mentioned previously. On this view, ethics is little more than personal opinion and it is hopeless to think that we can ever reach agreement on contentious ethical issues. Once again, ethics is thought unnecessary and distracting from the real purpose of business. The conclusion reached from both of these skeptical challenges is that we can forego the study of business ethics.

Some believe that we can disregard ethics and concentrate on legal compliance. For many businesspeople, ethics is identified with obedience to the law. An ethical business, therefore, should have an ethics officer or an ethics department, usually staffed by attorneys, that monitors compliance with the legal and professional standards of conduct.

Unfortunately, compliance with the law alone will prove insufficient for ethically responsible business. From this compliance perspective, it is easy to think of the law as a set of rules that one can obey or violate in an unambiguous way. Traffic laws, for example, require stopping at a red light and prohibit speeds over a certain limit. But this is a very incomplete and misleading understanding of the law for several reasons.

First, even when there are specific regulations that require or prohibit certain actions, ambiguity is always possible in the application of those regulations. For example, consider the following case. At a management training program I recently attended, two corporate attorneys outlined some of the legal responsibilities for managers under the Americans with Disabilities Act. This law requires business to make "reasonable accommodations" for workers with disabilities. This law goes on to specify some, but not all, of the conditions that would count as a disability. During the question period, one manager explained that she had an employee who suffered from asthma and she wondered if asthma was a disability. The two attorneys conferred for a moment and answered simply: "It depends." The law's definition of a disability involves, in part, how serious the impairment is, how much it limits the worker's life activities, and whether or not it is easily corrected by medication. Given this ambiguity, the manager must make a judgment about how to treat this worker. Assume that this manager is committed to doing the ethically correct thing but believes that one's ethical responsibility is to obey the law. What should this manager do? In such a case, the decision is unavoidable because one cannot simply and unambiguously apply a rule of law. The law's phrase of "reasonable accommodation" is ambiguous and the manager therefore cannot avoid making a judgment about what ought to be done.

More generally, much of the civil law governing business is based on the legal precedents of case law rather than on specific statutes or regulations. Case law is fundamentally ambiguous in a way that statutory law is not. In a very real sense, many acts are not illegal until a court rules that they are. For example, both the attorneys and the auditors in the famous Enron corruption case were directed by executives to "push the envelope" of legality. Given that many of Enron's financial